



Smooth Sailing? The 2026 Inforum Economic Outlook

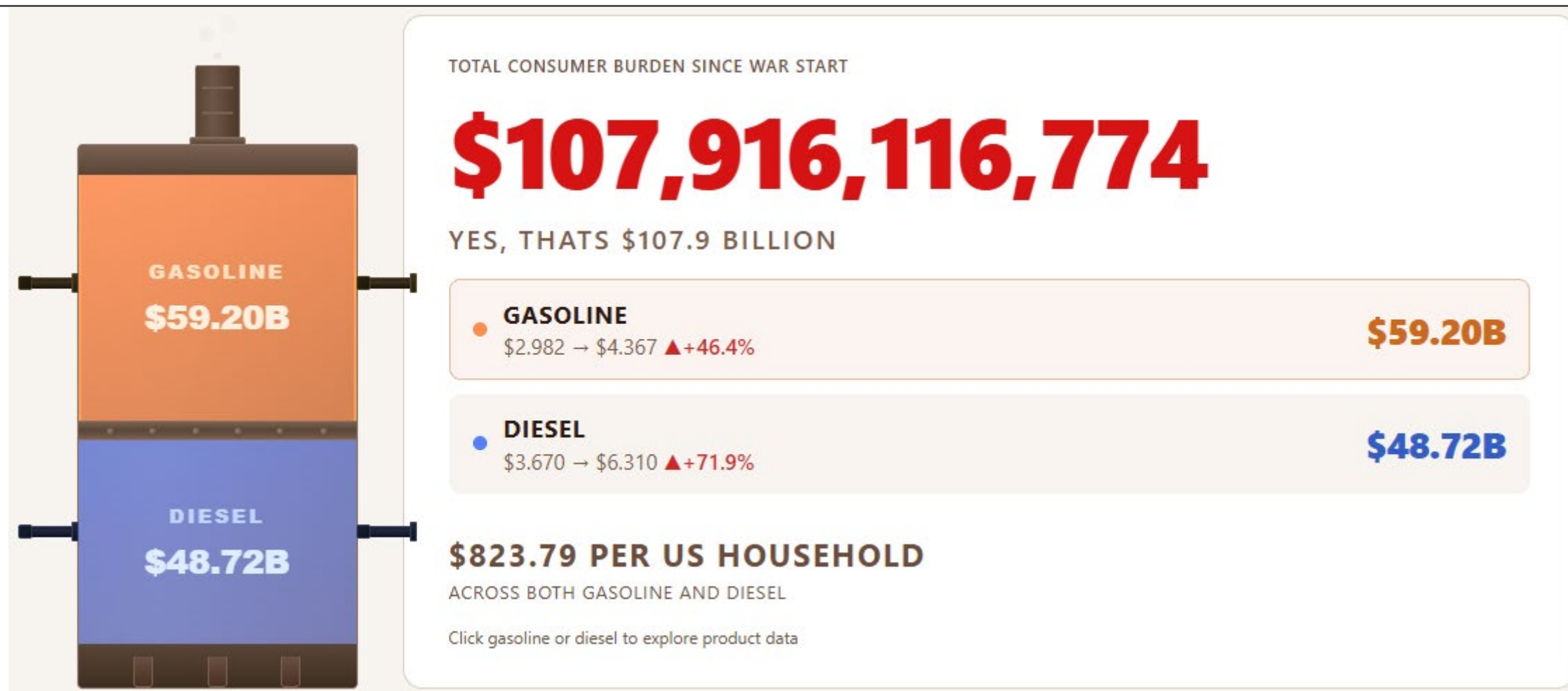
RONALD HORST

INFORUM

SEPTEMBER 24, 2026



Wars and Rumors of Wars



Figures show “extra cost paid for gasoline and diesel since the conflict began on February 28, 2026.”
Change Since War Start: Gasoline (+1.385 /gallon), Diesel (+2.640 /gallon)



Armed Conflicts: Military Costs

CBO's Estimate of DoD's Costs for Operation Epic Fury Through August 1, 2026, by Category

Category	Cost (billions of 2026 dollars)
Replacing expended munitions	21.7
Replacing equipment lost in battle	1.9
Increased flying hours	10.4
Other operations costs	1.5
Increased fuel costs	2.7
Repairing or rebuilding bases	N.A.
Total	38.1

Data source: Congressional Budget Office, using data from the Department of Defense.
Numbers may not add up to the total because of rounding.
N.A. = not available. (CBO was unable to estimate the cost of repairing or rebuilding damaged U.S. bases.)

Casualties:

- 14? 23? Deaths of military personnel, and 3 U.S. contractors
- 820 U.S. service members have been wounded in action

Total DoD cost: \$38.1 billion.

Loss of military equipment has been fairly modest: estimates from \$1.9 billion to \$3.3 billion for full replacement.

Table 1: Munitions Inventories and Transfers to Ukraine

	Transferred to Ukraine	U.S. inventory pre-Iran war	U.S. inventory today
Patriot	Up to 600	2,330	~800
ATACMS	50 to "several hundred"	~1,000	~900
HARM/AARGM	Unknown	Thousands	Diminished
Stinger	3,000+	A few	Several hundred

Note: Patriot inventory figure only includes PAC-3 CRI and MSE interceptors. With older variants, prewar Patriot inventory could have been in the low 3,000s.
Source: CSIS estimates.

CSIS

Depletion of munitions inventories might be more worrisome (valued at \$21.7 billion for Epic Fury), with long lead times for certain items.

These four munitions would be needed in a war against China.
Depletion = Geopolitical vulnerability?

GM, others to support munitions manufacturing: a new era?



Trade Wars: Burden on Households

Impact of Trump Tariffs by the Numbers

President Trump's Imposed and Threatened Tariffs, Topline Preliminary Estimates

Average Tax Increase per US Household in 2026	10-Year Conventional Revenue, 2026-2035 (Billions)	Gross Domestic Product (GDP)	Capital Stock	Hours Worked Converted to Full-Time Equivalent Jobs
\$820	\$1,426.1	-0.4%	-0.3%	-338,000

Source: Tax Foundation General Equilibrium Model, August 2026

[Embed](#) • [Download image](#) • [Get the data](#)



Market Income Percentile	Percent Change in After-Tax Income Under the Tariffs, 2026	Nominal Tax Change, 2026
0% - 20%	-0.7%	\$73
20% - 40%	-0.7%	\$199
40% - 60%	-0.7%	\$387
60% - 80%	-0.7%	\$684
80% - 100%	-0.7%	\$1,868
80% - 90%	-0.7%	\$1,089
90% - 95%	-0.7%	\$1,524
95% - 99%	-0.7%	\$2,536
99% - 99.9%	-0.6%	\$6,074
99.9% - 100%	-0.5%	\$32,219

Note: Market income includes adjusted gross income (AGI) plus 1) tax-exempt interest, 2) non-taxable Social Security income, 3) the employer share of payroll taxes, 4) imputed corporate tax liability, 5) employer-sponsored health insurance and other fringe benefits, 6) taxpayers' imputed contributions to defined-contribution pension plans. Market income levels are adjusted for the number of exemptions reported on each return to make tax units more comparable. After-tax income is market income less: individual income tax, corporate income tax, payroll taxes, estate and gift tax, customs duties, and excise taxes. The 2026 income break points by percentile are: 20%-\$17,735; 40%-\$38,572; 60%-\$73,905; 80%-\$130,661; 90%-\$188,849; 95%-\$266,968; 99%-\$611,194. Tax units with negative market income and non-filers are excluded from the percentile groups but included in the totals.

Source: Tax Foundation General Equilibrium Model, August 2026

The trade war cost U.S. households \$820 in 2026, though tariffs could raise \$1.4 trillion in federal revenue over 10 years.

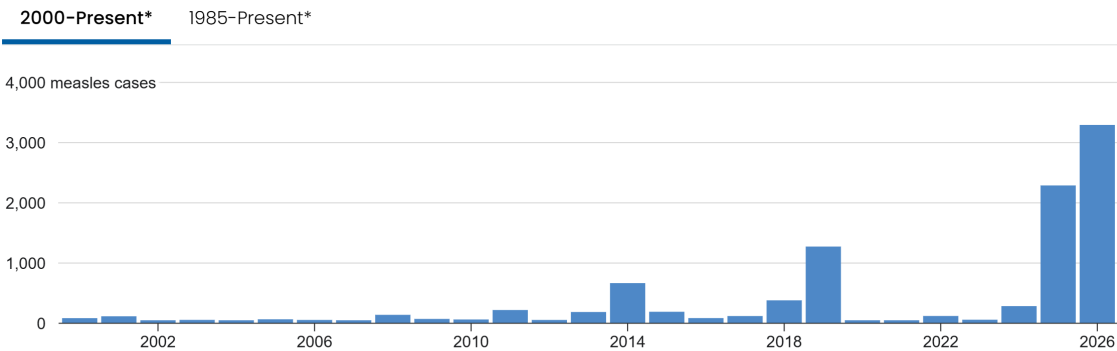
The burden on households is about 0.7% of household income across the income distribution, though it might be lower for the upper extreme.



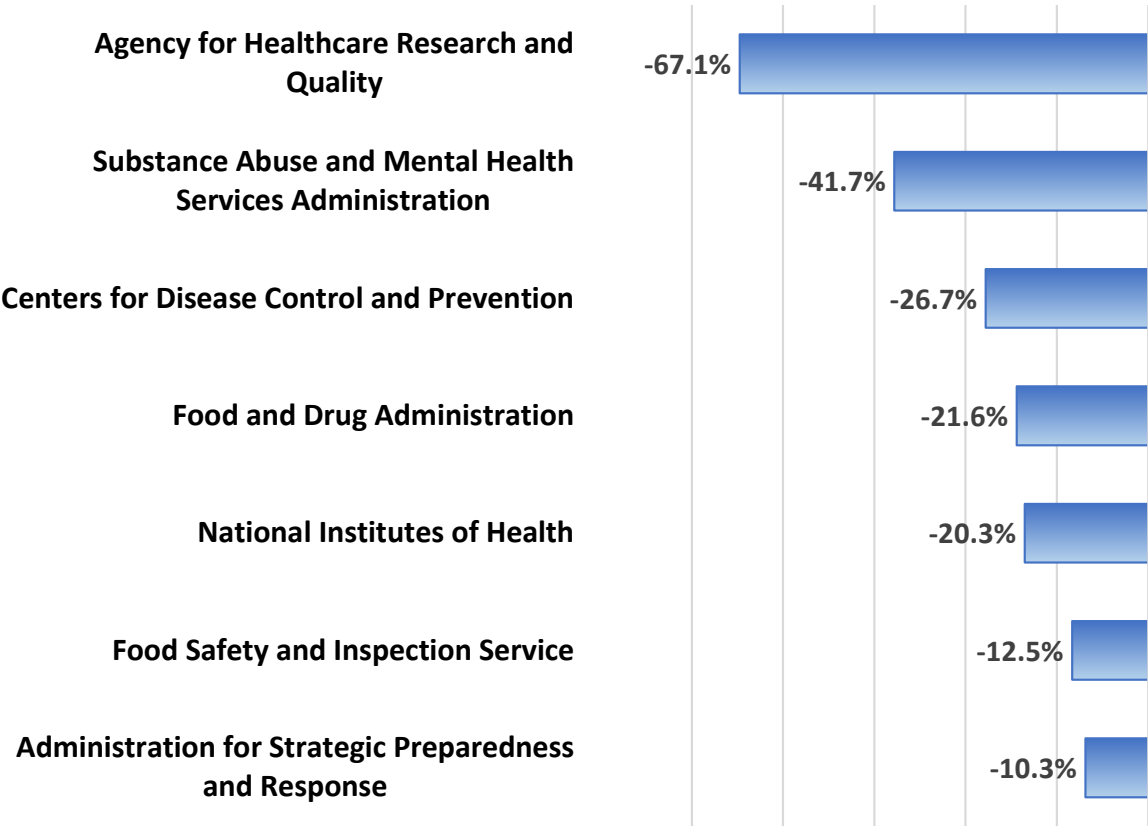
Culture Wars & Political Turmoil

Yearly measles cases

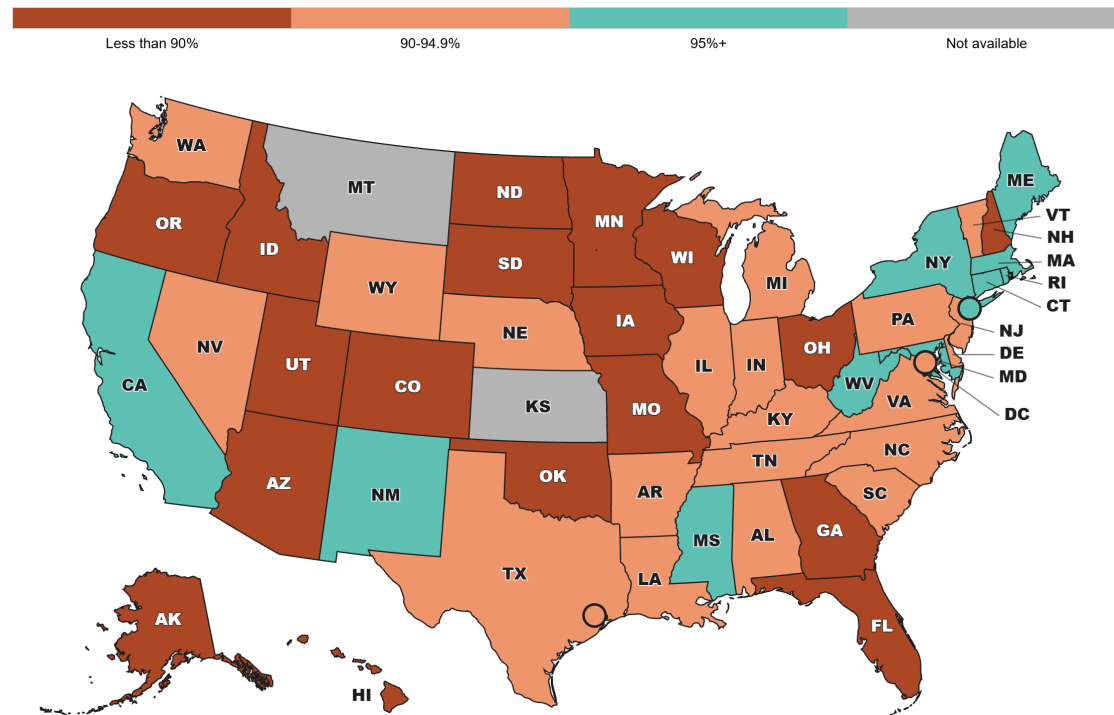
as of September 10, 2026



Measles was officially eliminated from the United States in 2000.
Vaccination coverage fell 95.2% (2019-2020) 92.4% (2025-2026)
Measles cases among U.S. residents: 3,294 YTD, Sept. 10, 2026.

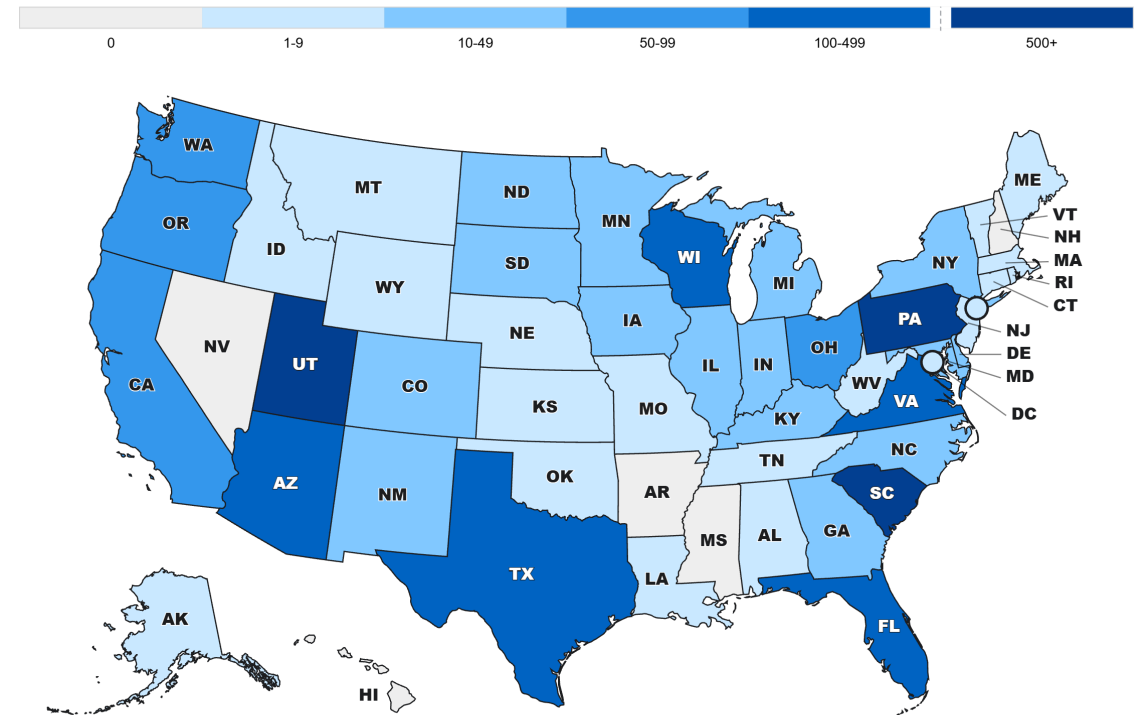


Percentage decrease in federal agency workforces from September 2024 to February 2026.



Florida, Georgia, Iowa, Mississippi, New Hampshire, and New Jersey did not assess coverage for individual vaccines. Prior to the 2024-25 school year Alabama did not assess coverage for individual vaccines. Estimates shown for these states are the percentage of kindergartners who received all doses of all vaccines required for school entry.

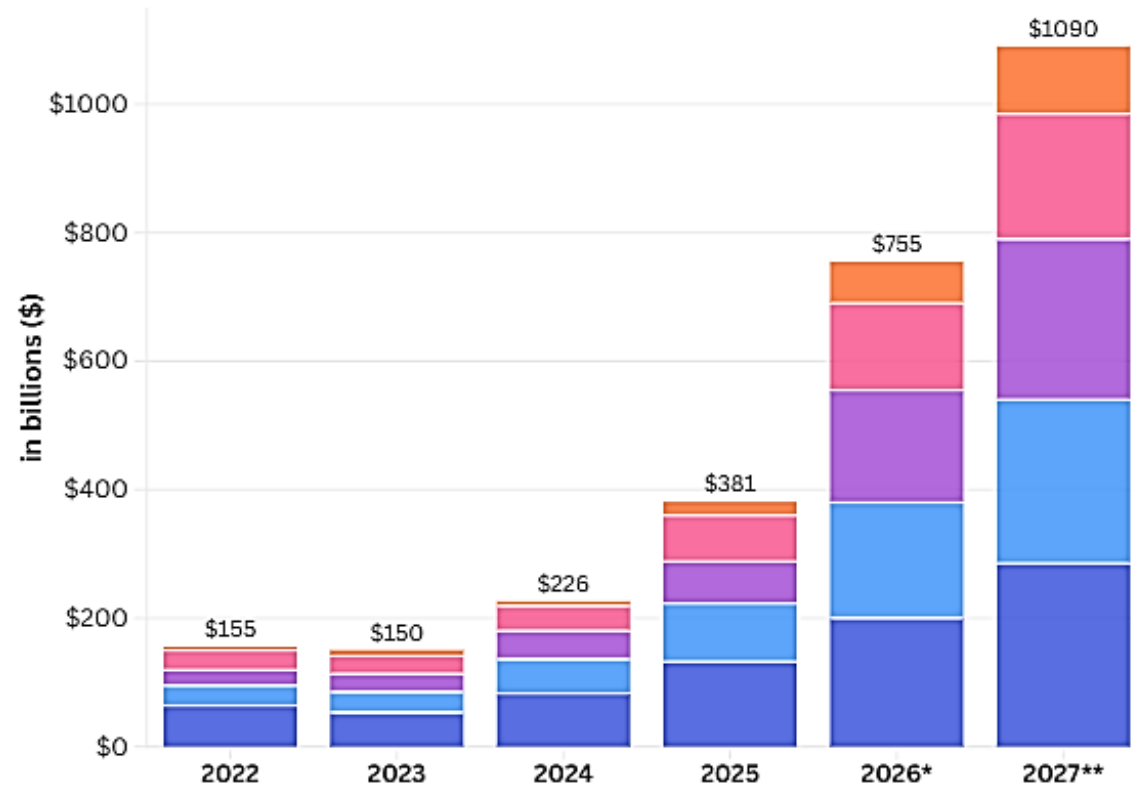
MMR vaccine coverage (%) for kindergarteners by school year.
Vaccination coverage fell 95.2% (2019-2020) 92.4% (2025-2026)
Coverage >95% → herd immunity.



Measles cases among U.S. residents: 3,294 YTD, Sept. 10, 2026.
Measles was officially eliminated from the United States in 2000.
Note: The map shows levels: it does adjust for state population.

Tech Revolution or Apocalypse?

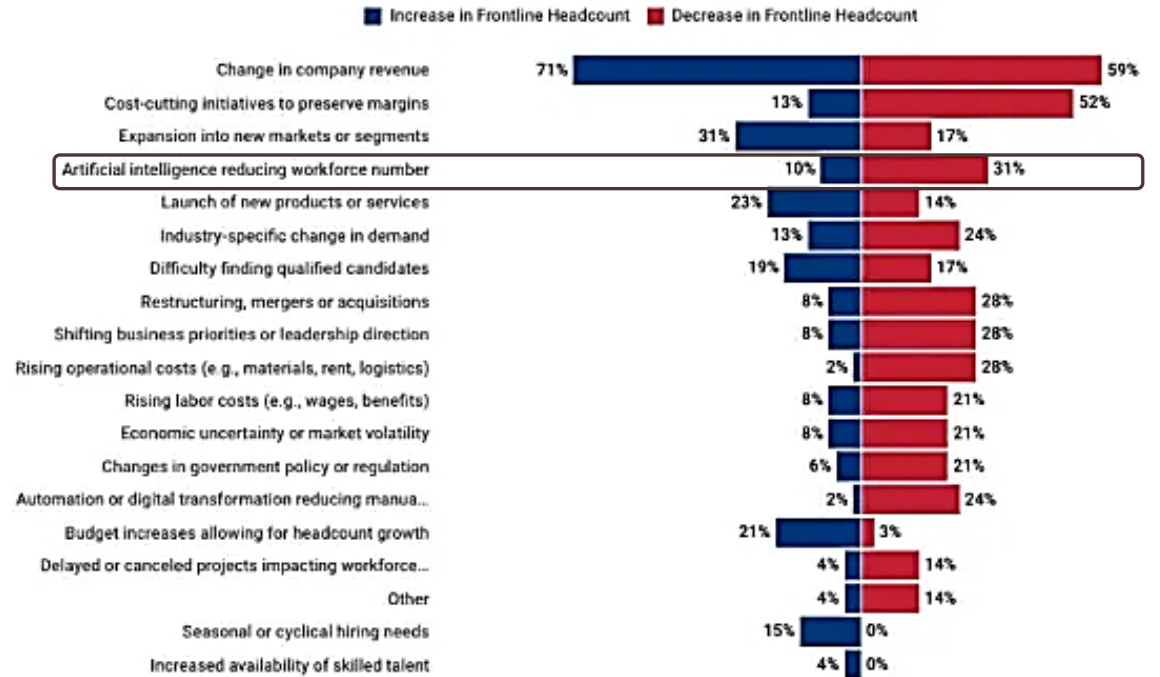
Amazon Alphabet Microsoft Meta Oracle



Source: Jessica A. Wachter and Jonathan D. Wachter; [What Investment Data Implies about the AI Transition](#). * = forecast; ** = estimate

Spending by biggest companies perhaps >1 trillion in 2027, boosting GDP through nonresidential fixed investment.

Primary Factors Driving Increase/Decrease in Frontline Headcount in 2025



Source: 2025 AI Financial Benchmarks Report for U.S. Companies, Revenue and Pricing Module, Survey of 1,690 Senior Executives, ChiefExecutive.net

Chief Executive

AI adoption reportedly is a leading cause of staff reductions, though jobs also are created. Net effects on jobs?

Outline

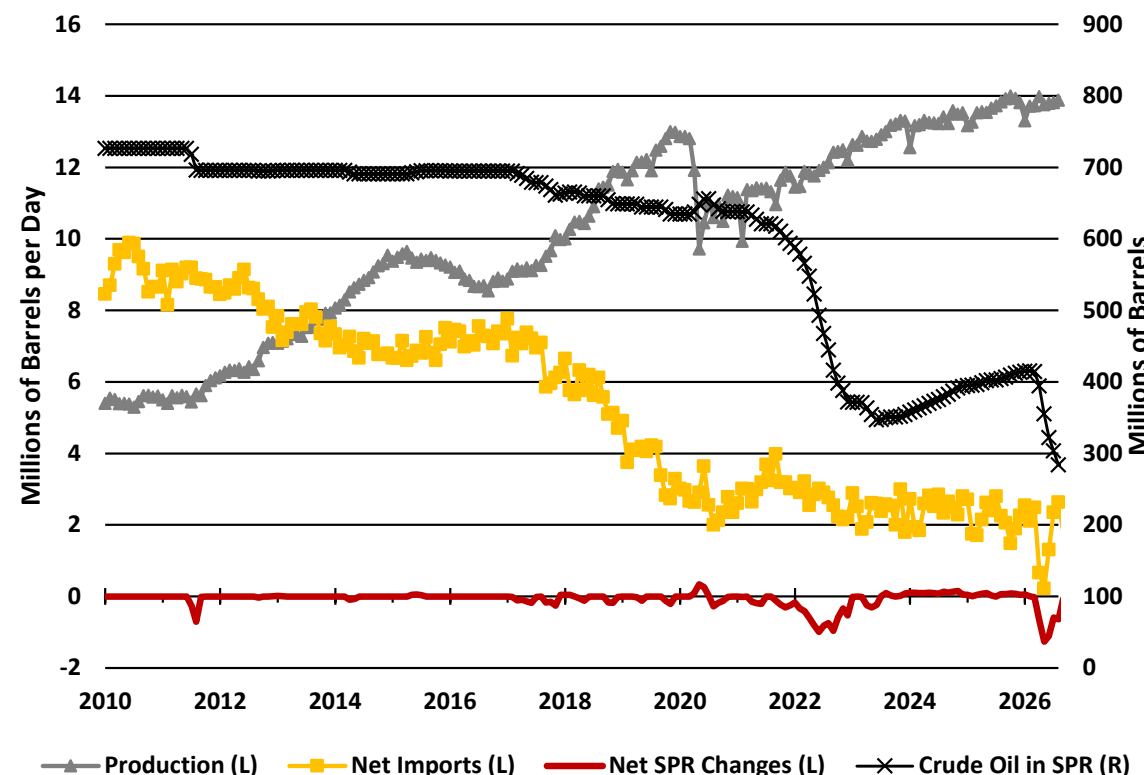
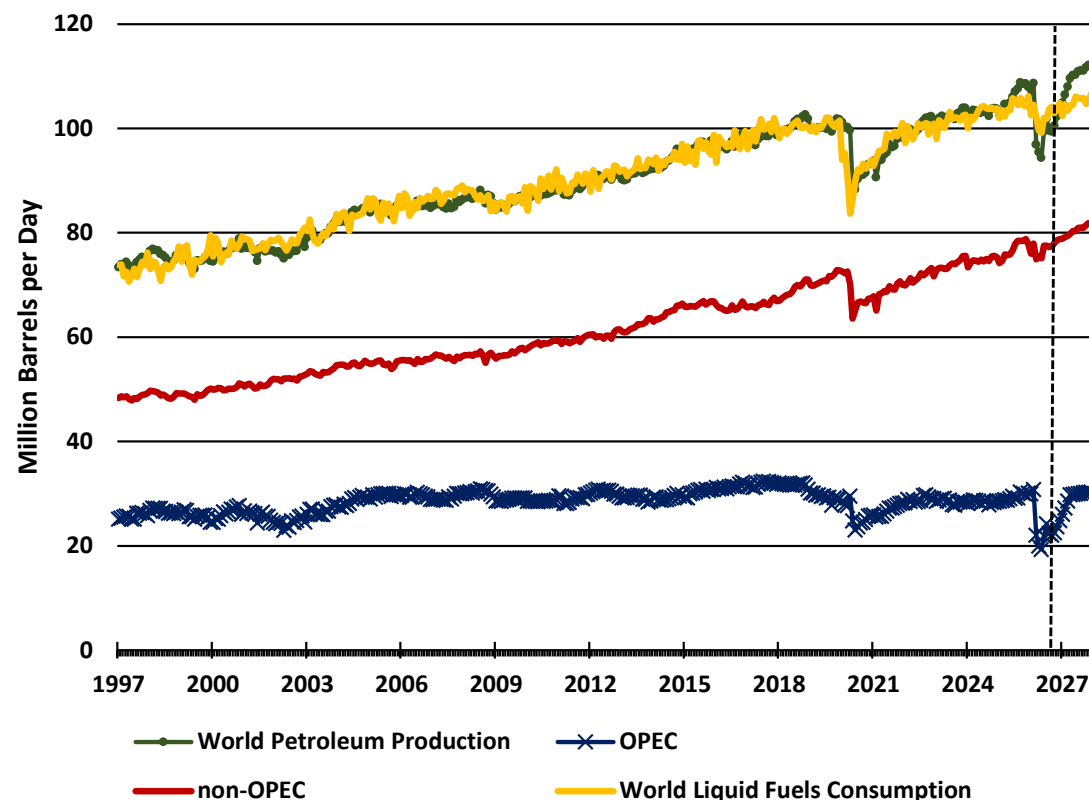
■ Inforum Economic Outlook

- Recent history and current environment: Select topics
- Consensus macroeconomic views: Recession, Inflation, Economic Growth
- International Outlook
- Long-Run U.S. Outlook
- Additional material in packets and online

■ Other presentations today

- Corporate Tax Policy, Firm Financing, and Investment Spending
- Assessing the Potential Effects of Mineral Commodity Supply Chain Disruptions on the US Economy
- Estimating the Effects of Changes in Permitting Requirements on Private Investment
- The Economic Impact of Civil Aviation in the US

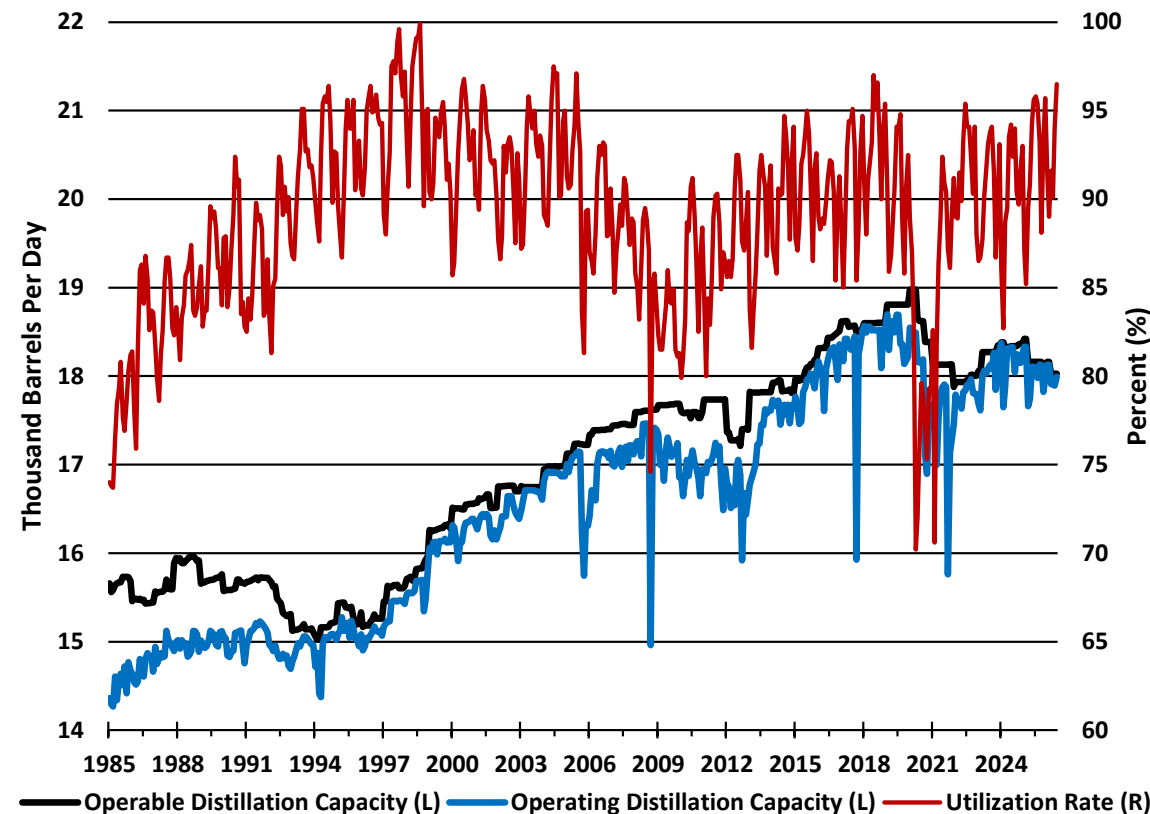
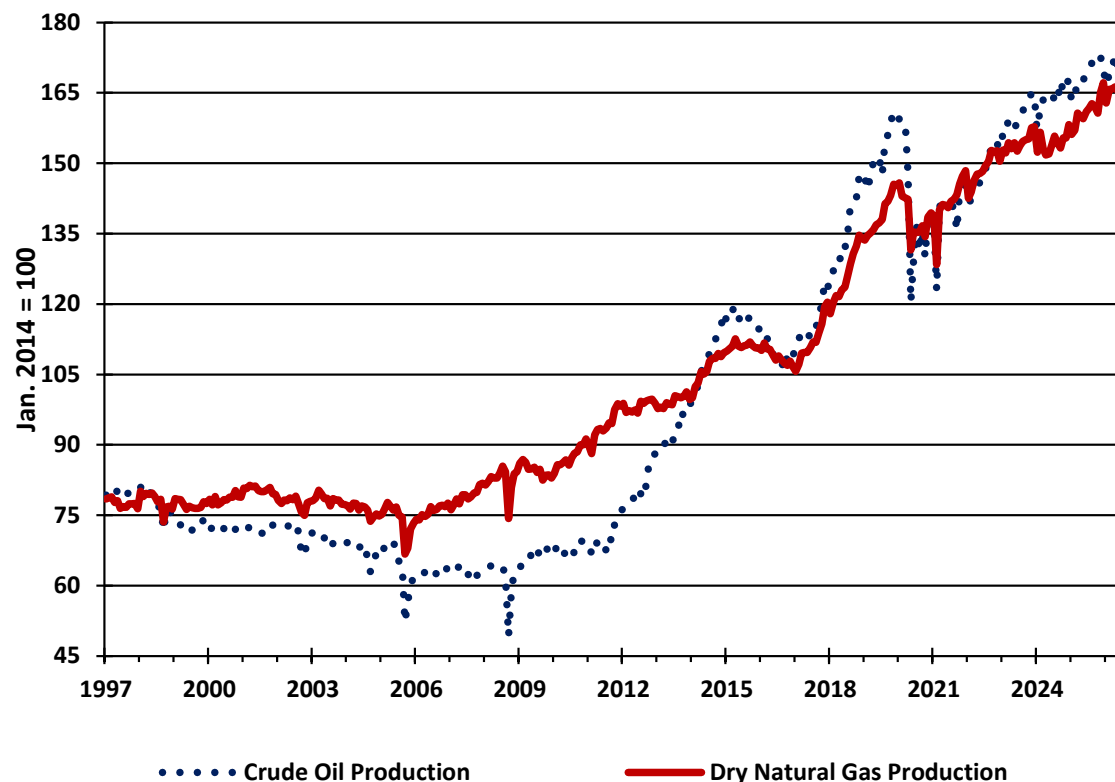
Effects of Armed Conflicts: Energy



Global oil production fell sharply, particularly OPEC. Consumption fell by less, with reduction of inventories.

Fighting with Iran led to further reduction of the SPR and other inventories. Economic/geopolitical vulnerability?

U.S. Extraction & Refining

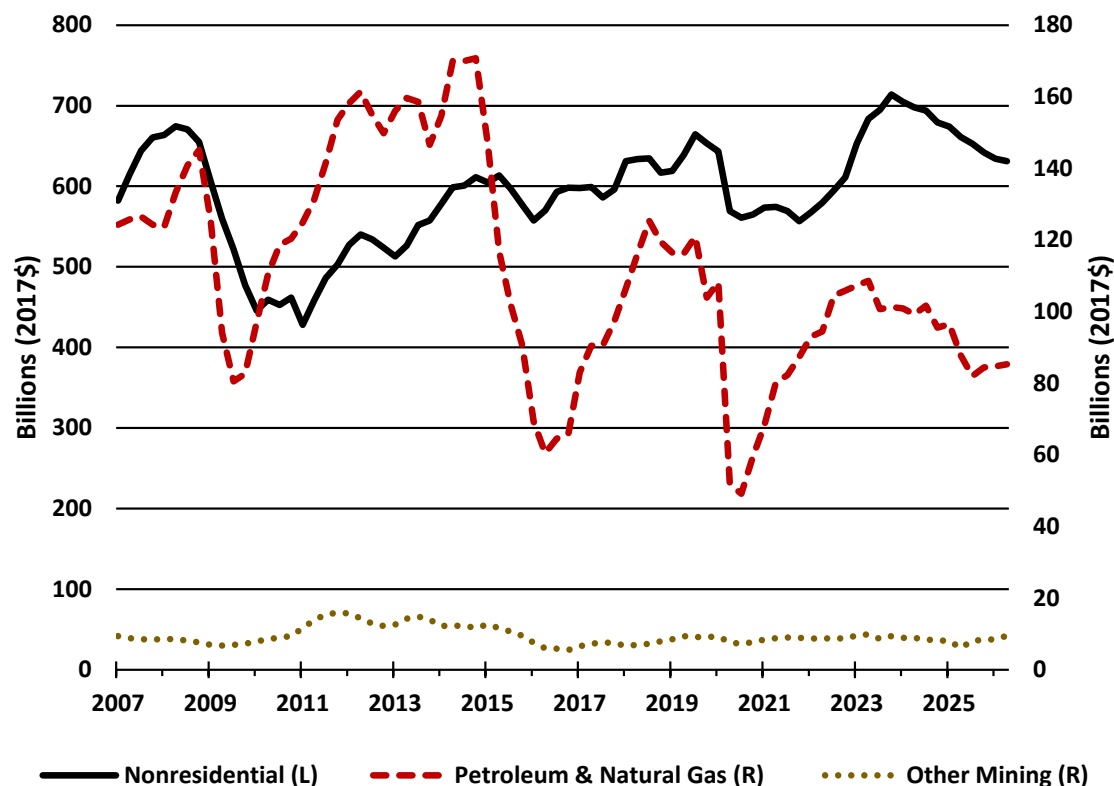


Oil and gas extraction are near record highs.

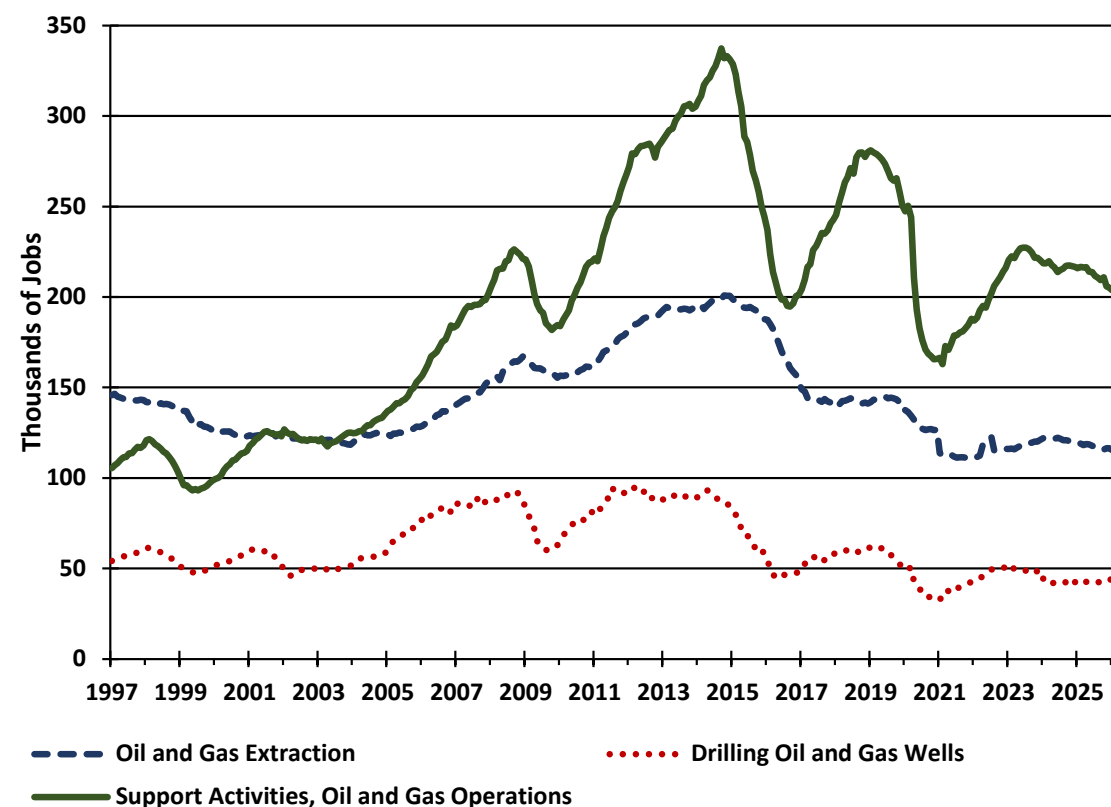
Potential to raise US refining output?

- Utilization: 99.9% in Aug 1998, 96.5% Jun 2026
- Restoration of capacity lost since 2018?

Is the Energy Sector Driving Growth?

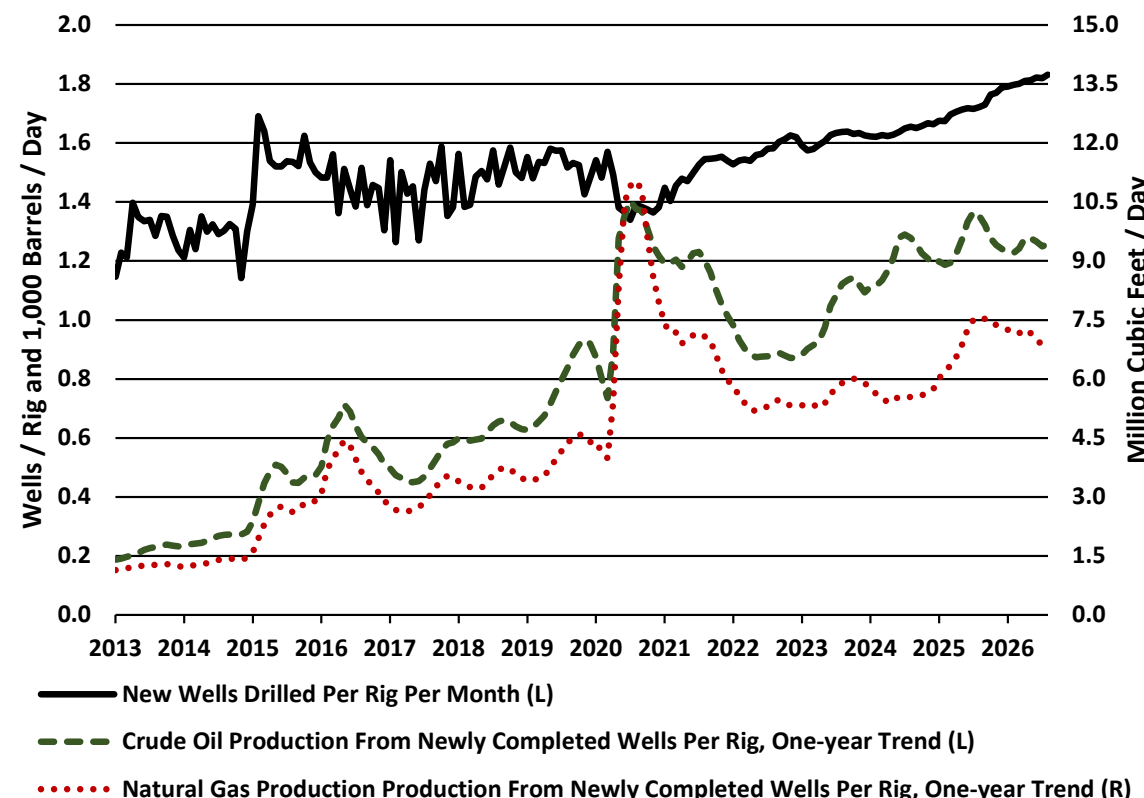
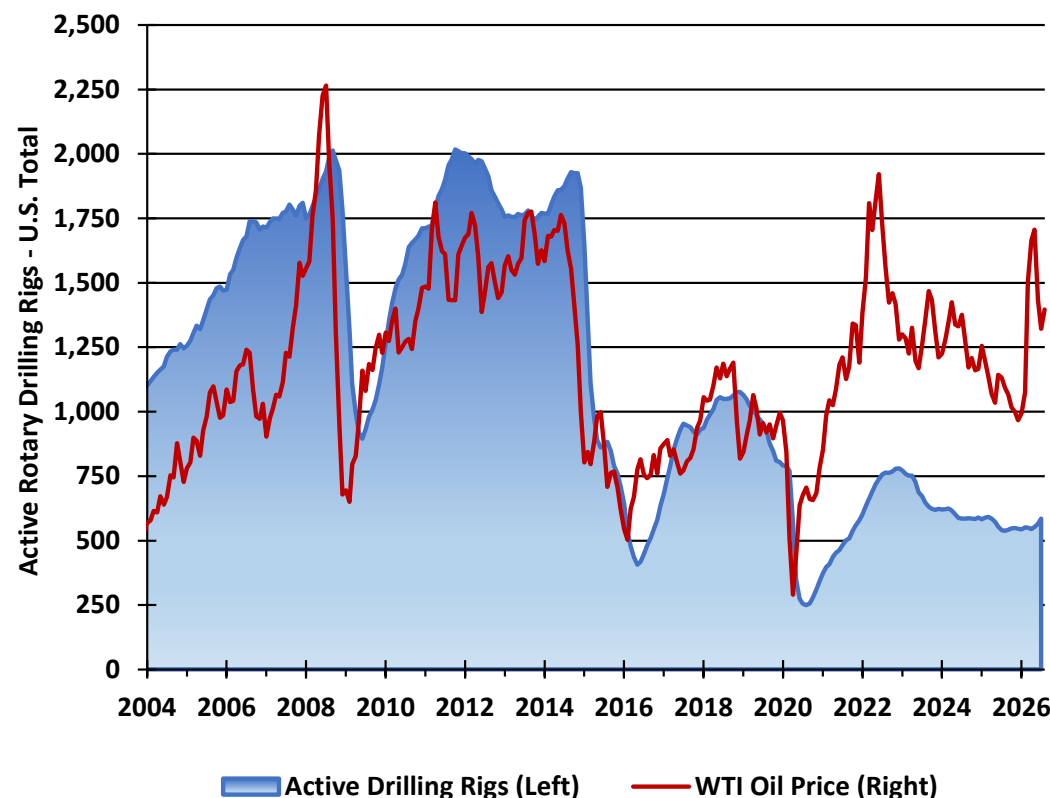


High oil prices often drove oil and gas investment spending, but investment is falling though production volumes somehow remain high.



Extraction, exploration, and other support jobs all are flat or falling despite record output.

High Output, Low Investment?

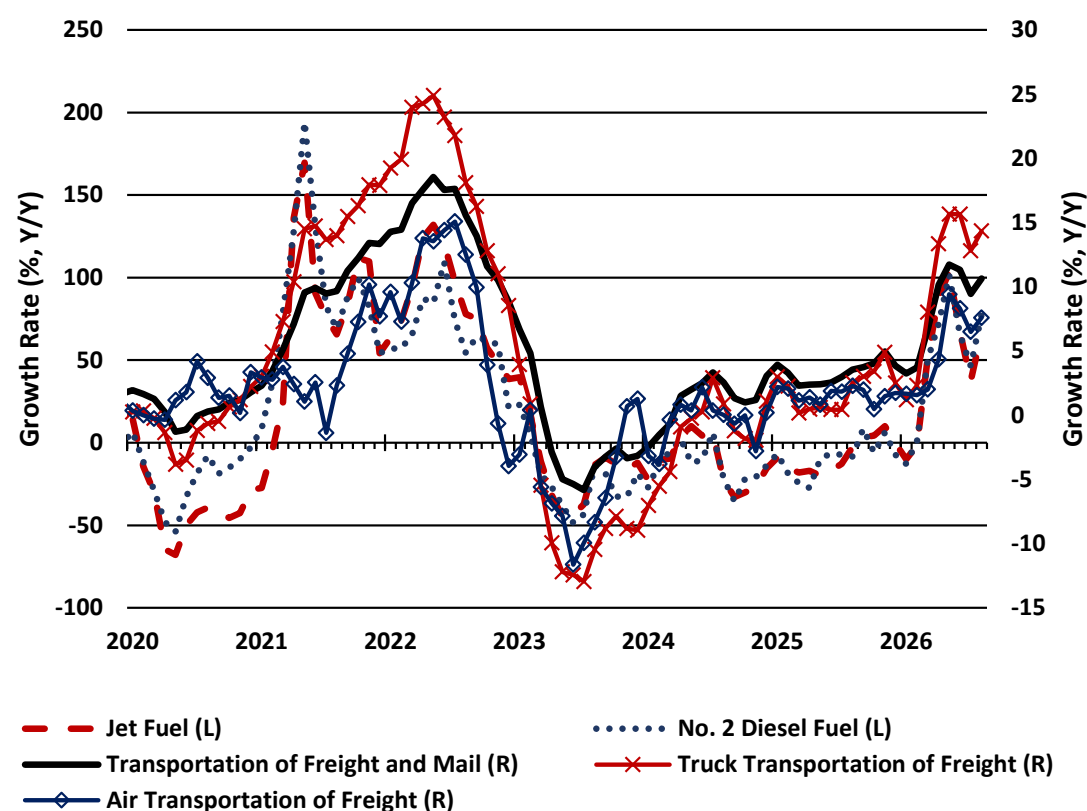


High oil prices ordinarily drive exploration. Since 2020, exploration seems to be lagging, but production volumes somehow remain high.

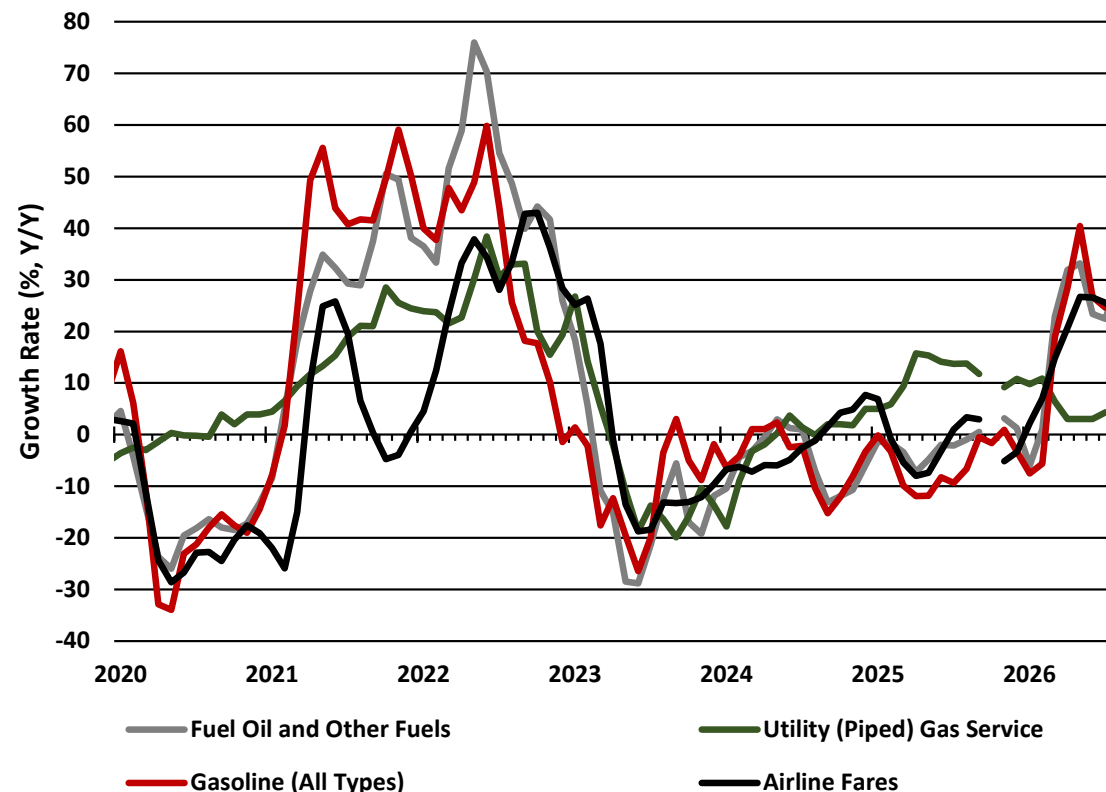
Improved efficiency might explain the divergence:

- Increasing wells completed per drilling rig.
- Increasing volumes per well.

Fuel and Transportation Prices are High

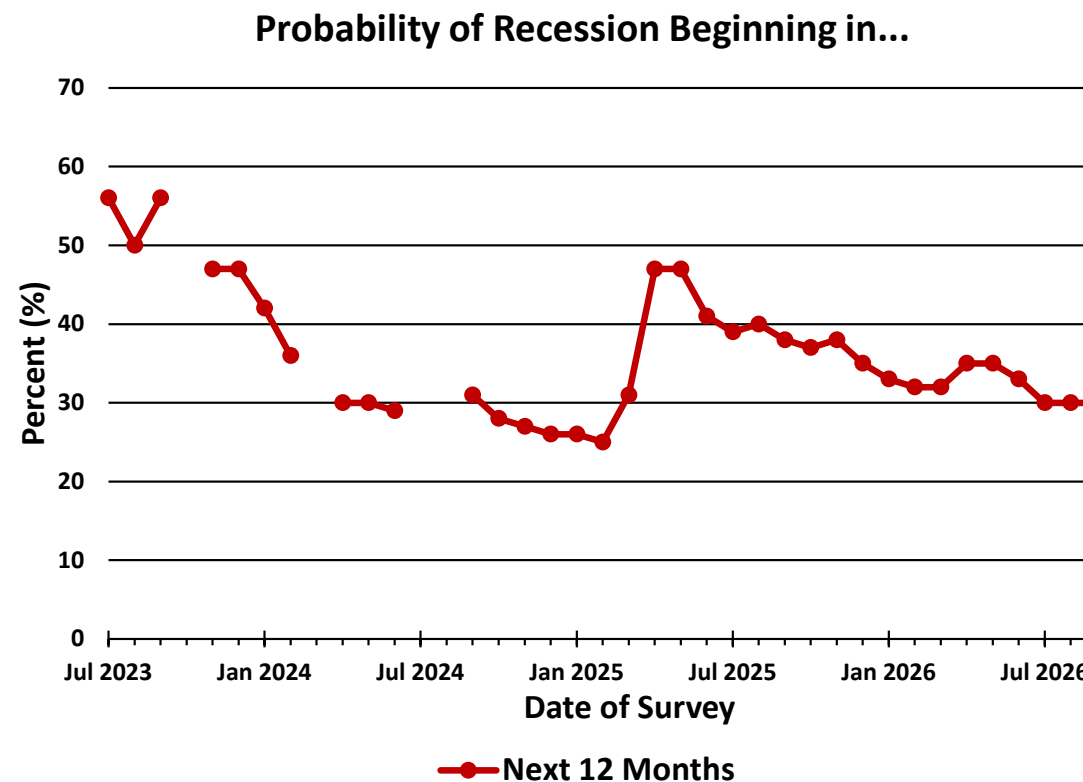
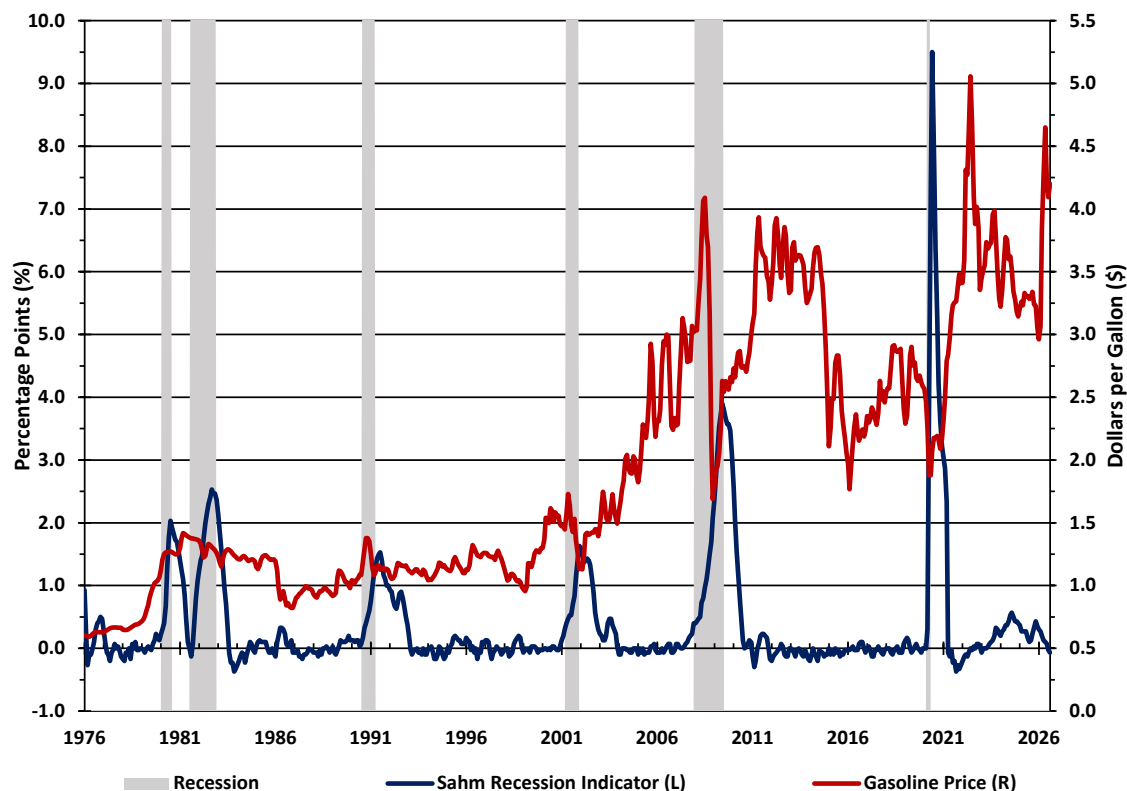


PPI: Truck and air freight costs are highly correlated with jet fuel and diesel prices. Fuel prices are up about 70% Y/Y; freight costs are up about 10% Y/Y.



Consumers are seeing much higher prices for heating oil, gasoline, & air fares, natural gas prices moderate. Note: Conflicts with Venezuela 1/3/26 & Iran 2/28/26.

Is Recession Coming Soon?



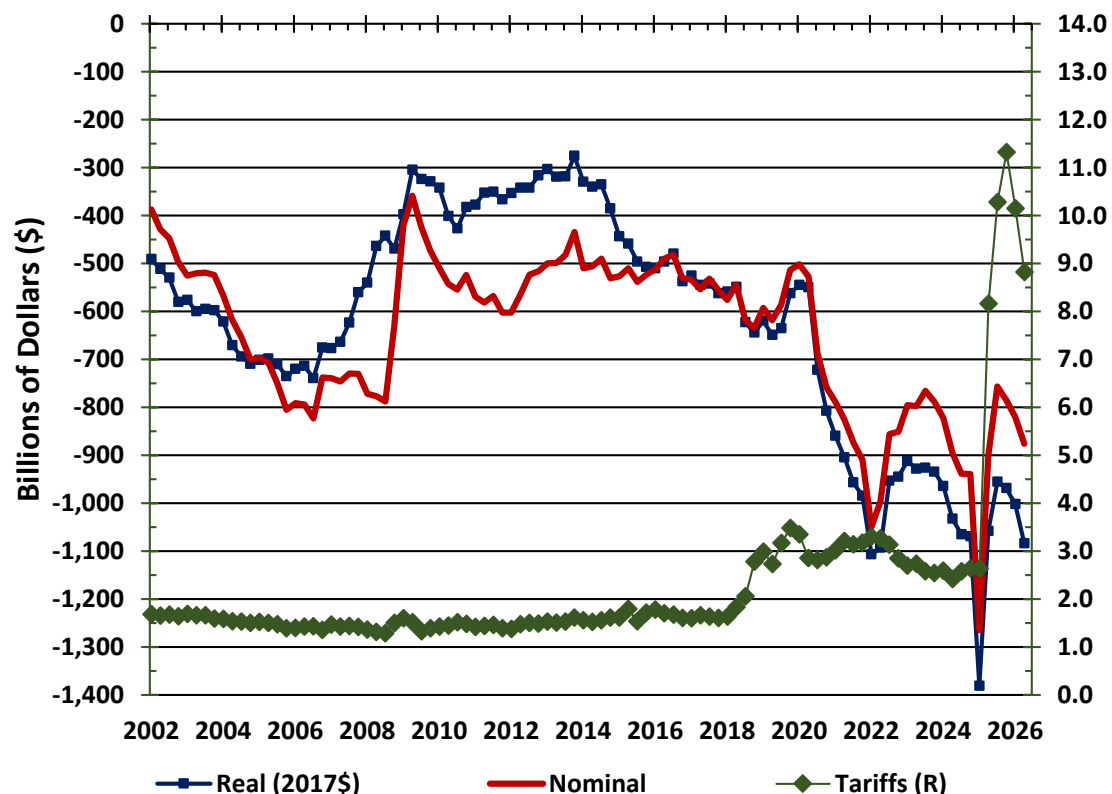
Recession Indicators $\Rightarrow$ Reason to worry?

- Gasoline Prices: High.
- Sahm's Recession Indicator: Low.

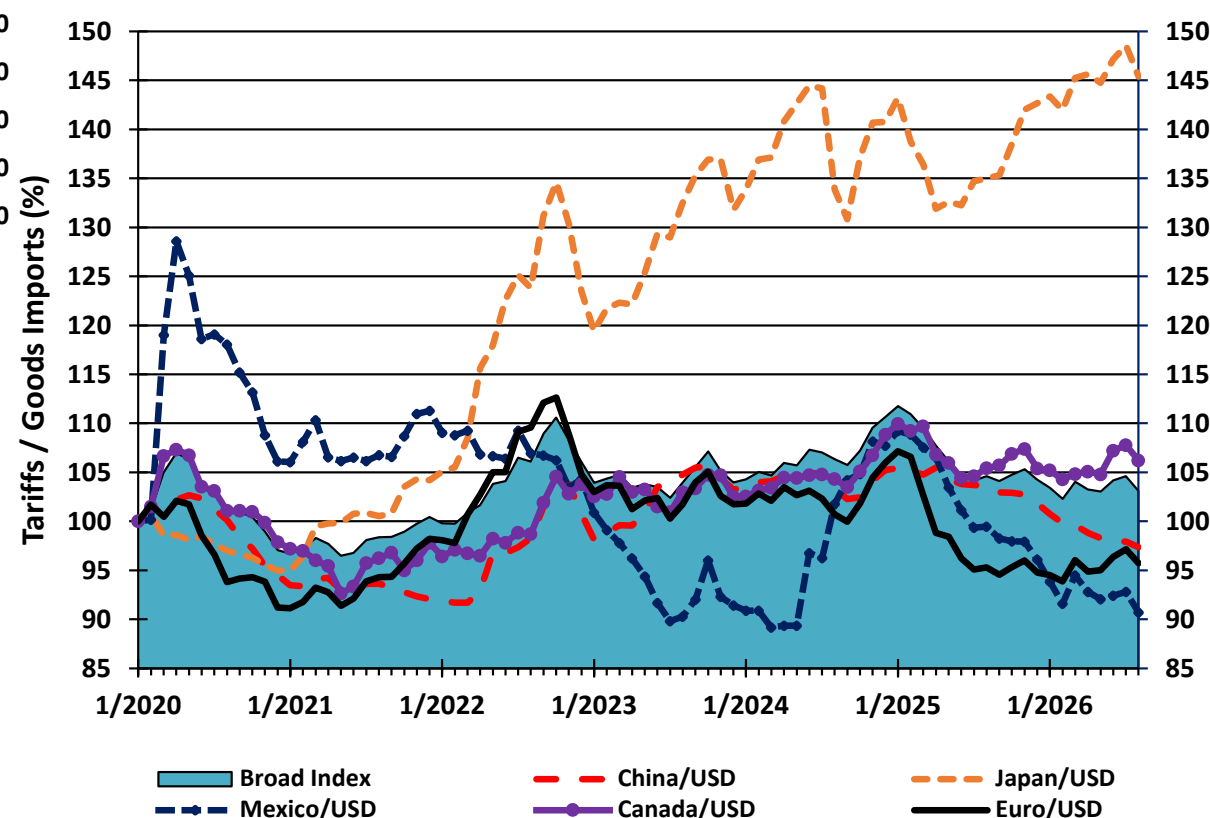
Recession Outlook for next 12 months:

- Consensus Feb 2025: 25%
- Consensus Apr 2025: 47%
- Consensus Sep 2026: 30%

Trade War: Tariffs & Currencies



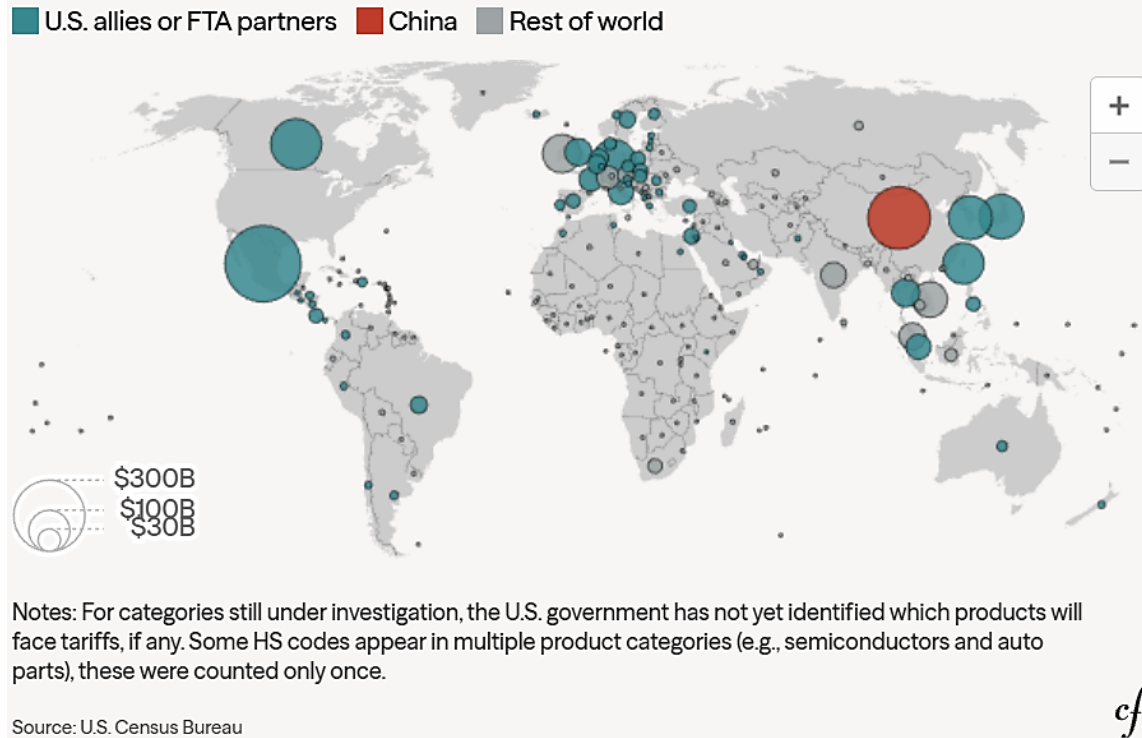
Trade gap surged in Q1 2025 in anticipation of higher tariffs; the gap fell, but increased since Q3 2025.
Effective tariff rates rose in 2018 and again in Q2 2025.
Effective rates peaked in Q4 2025.



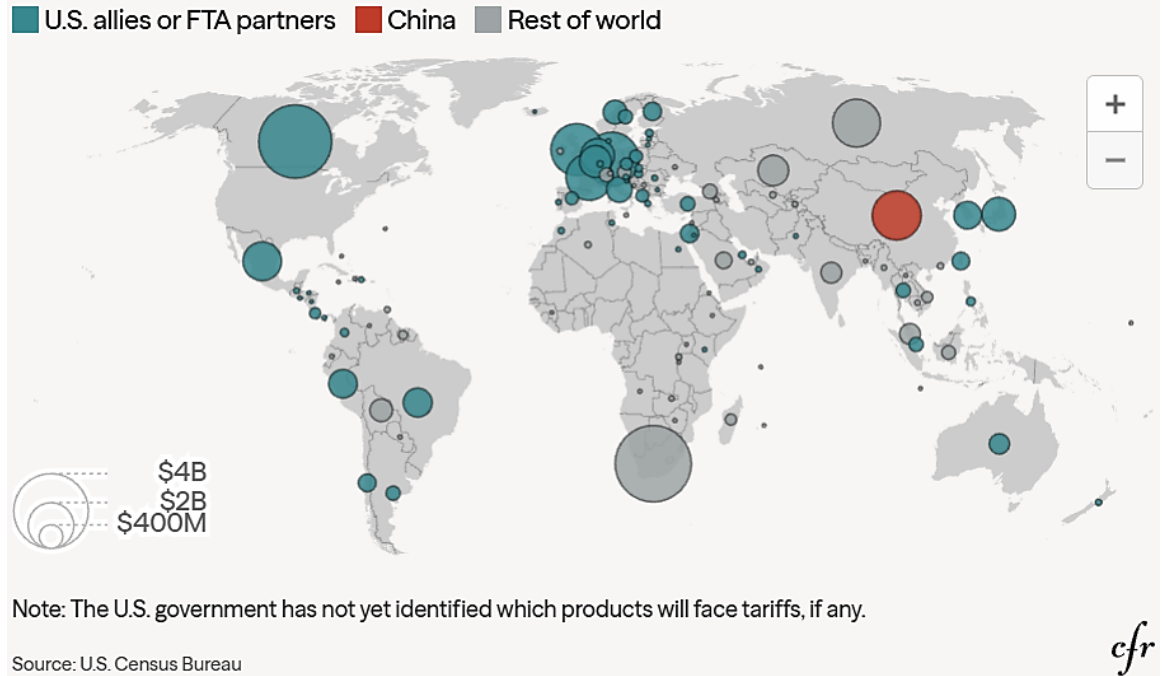
In August, the dollar was down 7.8% from January 2025 but still up 3.1% from January 2020.
The dollar gained on Japan & Canada, down elsewhere.

Trade War: Friends and Foes

U.S. imports of products covered by existing and potential Section 232 tariffs, 2024



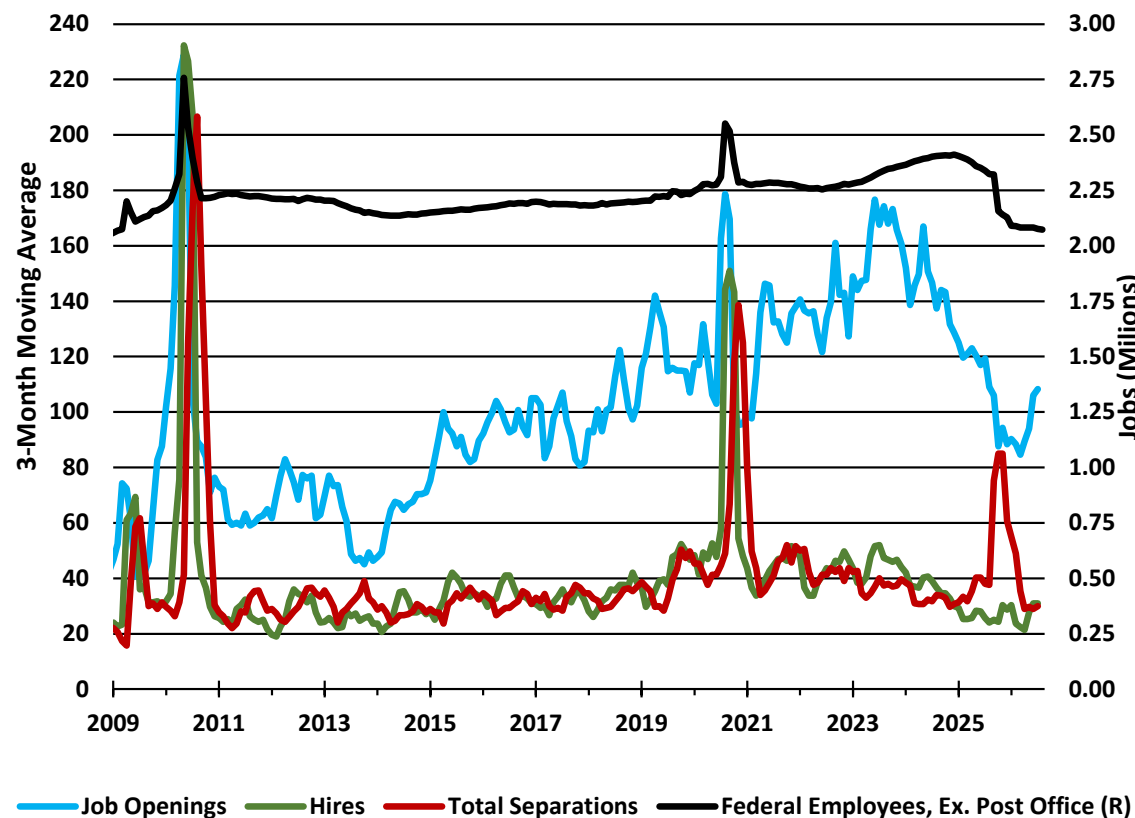
U.S. imports of processed critical minerals and products made from them that could face Section 232 tariffs, 2024



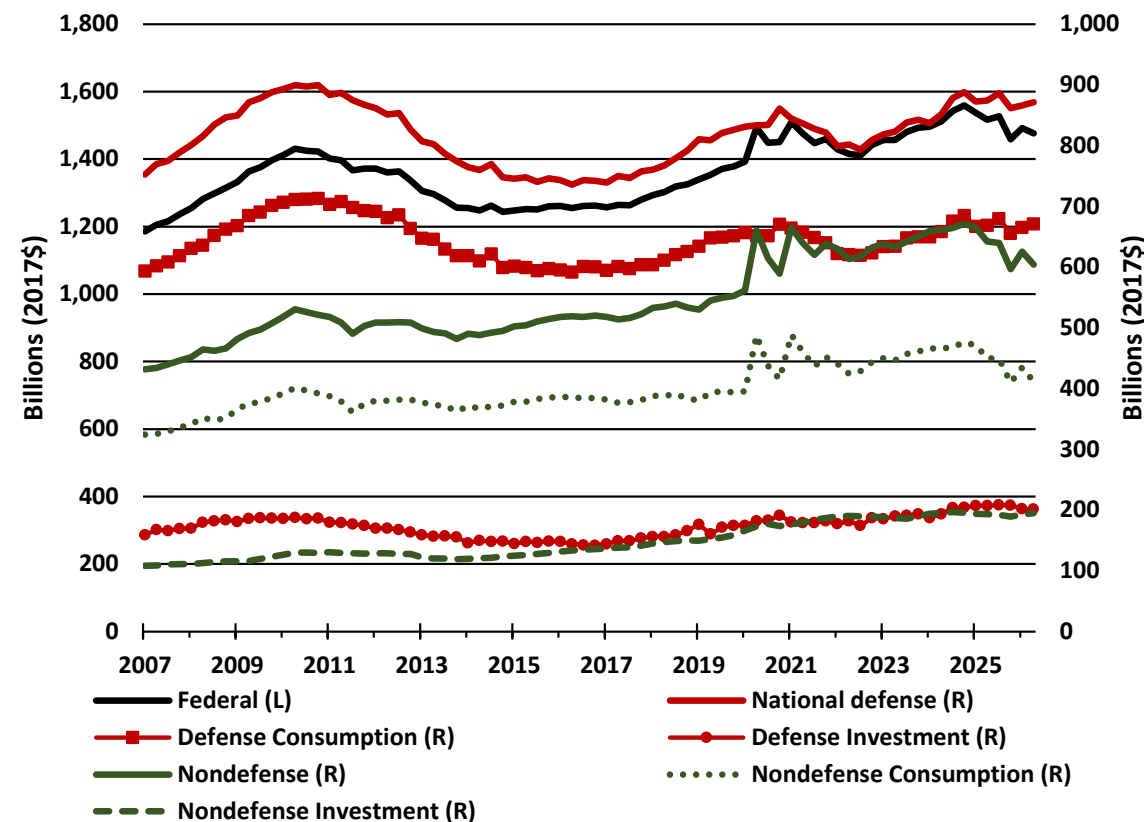
Broad-brush trade policy: Some Section 232 Tariffs Will Hit China, But Many Will Hit U.S. Partners

U.S. imports of processed critical minerals and products come from many countries. China supplies nearly 70 percent of U.S. rare earth imports.

Political Turmoil: DOGE

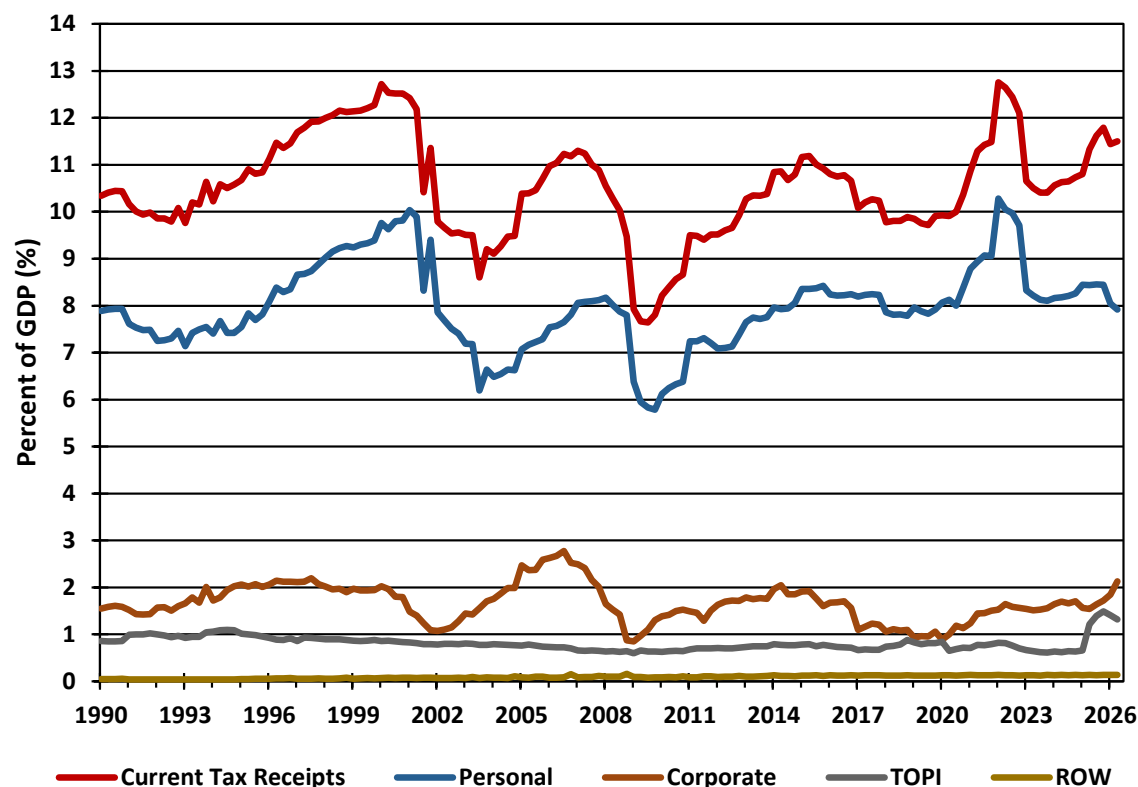


- Total federal job levels in Aug. 2026 were the lowest since Feb. 2009, down 330K since January 2025.
- Hiring and separations have stabilized.
- Openings recently rose. Hiring to follow?

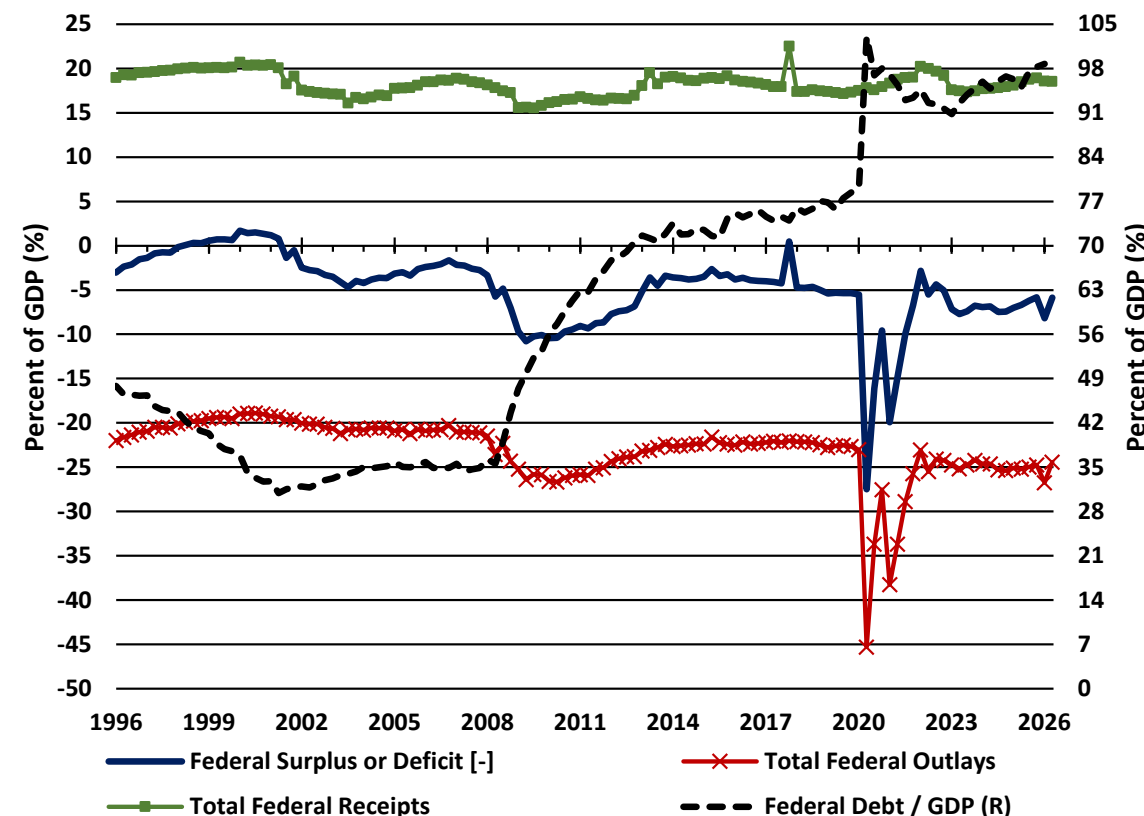


Between Q4 2024 and Q2 2026, real C&I spending fell:
 Federal -5.4%, Defense -1.9%, Nondefense -10.0%
 Nondefense Consumption -13.5%.

Fiscal Policy–Taxes & Deficits



Much consternation over federal tax policy: mixed effects. Recent effective personal rates fell but remain higher; corporate taxes rose; tariff boosted TOPI.



According to NIPA accounting, federal accounts in proportion to GDP in Q2 2026 amounted to:

Debt held by public:

+18.5% Revenue
-24.4% Spending
= -5.9% Net Lending

98.7% of GDP in Q1 2026

Tech Revolution: Debt Remedy?

Figure 1. Projected AI-Driven Growth in Real GDP per Capita (constant 2024 dollars)

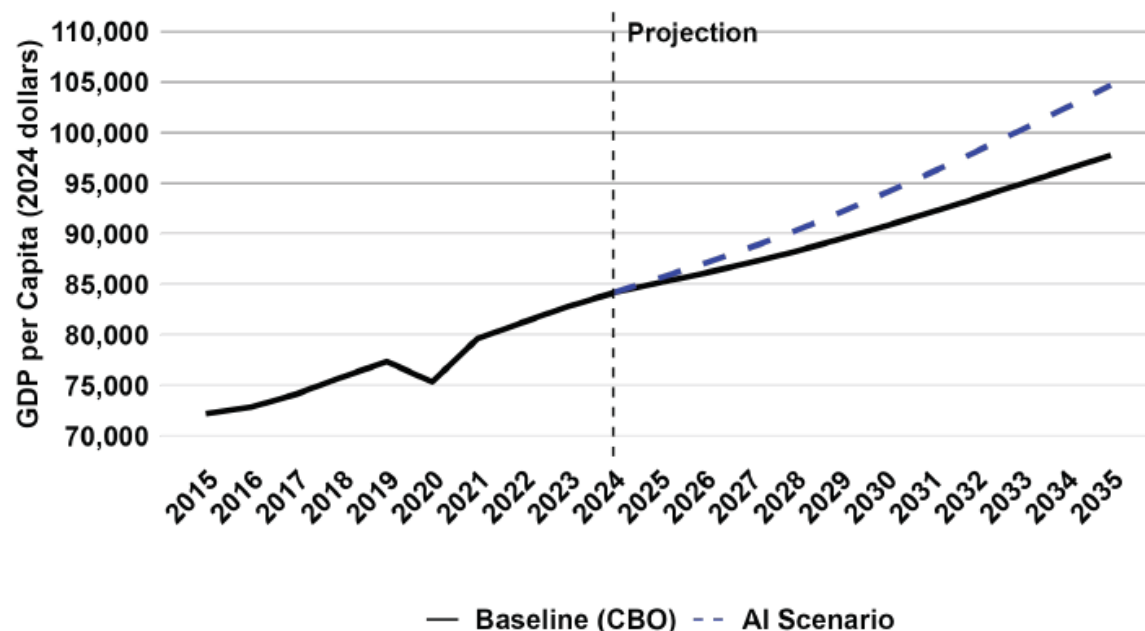
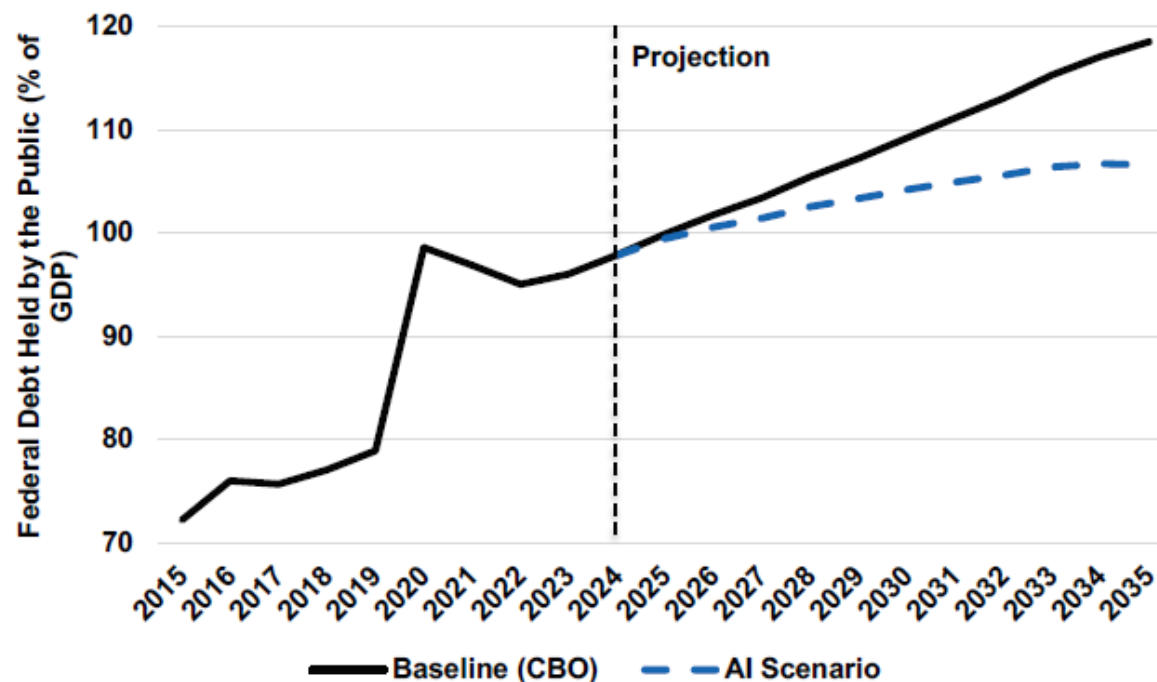


Figure 2. Projected AI-Driven Reduction in the Federal Debt Burden

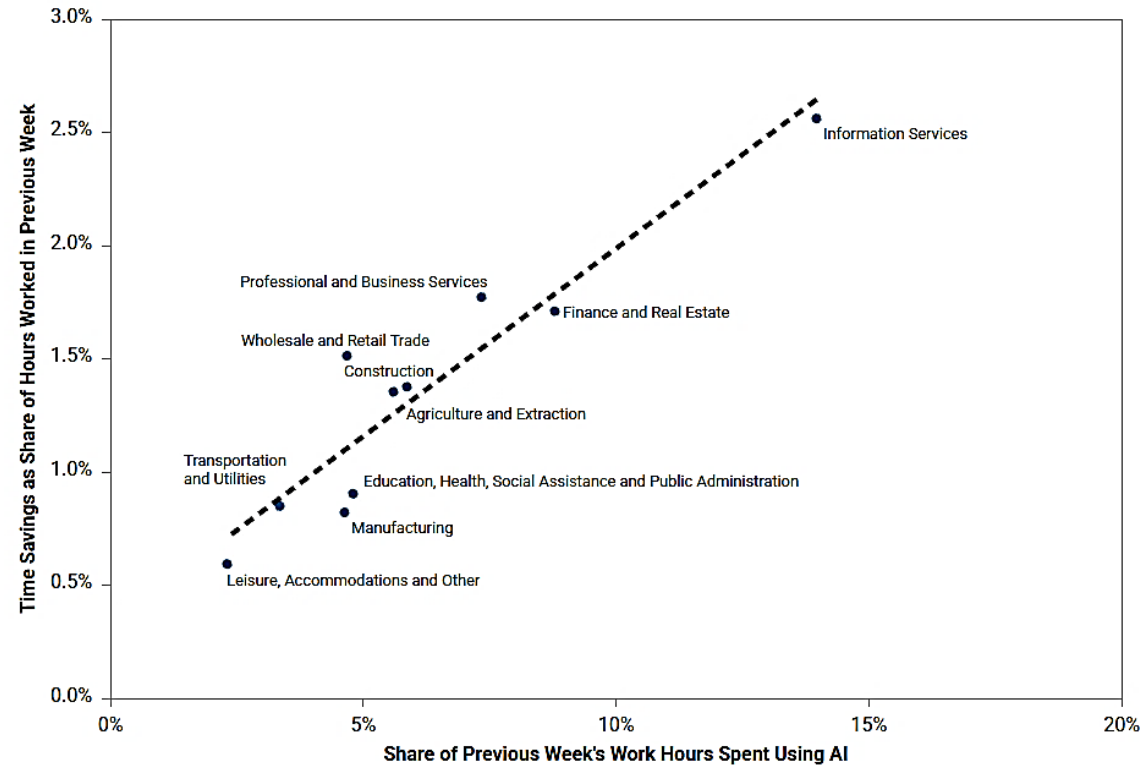


RAND: Illustrated macro implications by adjusting CBO GDP projection by +0.5pp annual TFP growth. AI-boosted GDP and federal revenue could reduce federal debt / GDP ratio substantially.

RAND: The baseline forecast—solid black line—uses CBO’s baseline potential TFP growth rate projection. The AI Scenario produced by RAND—dashed blue line—assumes that potential TFP will grow by an additional 0.5 percentage points per year over this time period beyond the TFP growth assumed under CBO’s baseline. We deem the high growth AI scenario as a feasible, albeit optimistic, future scenario based on the bounds predicted by the literature on the potential impacts of AI on future productivity growth. We use a general equilibrium economic growth model developed by CBO to quantify the impact of higher TFP growth on future productivity growth. We use a general equilibrium economic growth model developed by CBO to quantify the impact of higher TFP growth on the future debt-to-GDP ratio. Notably, the forecasts are subject to uncertainty because of the long, ten-year, projection window.

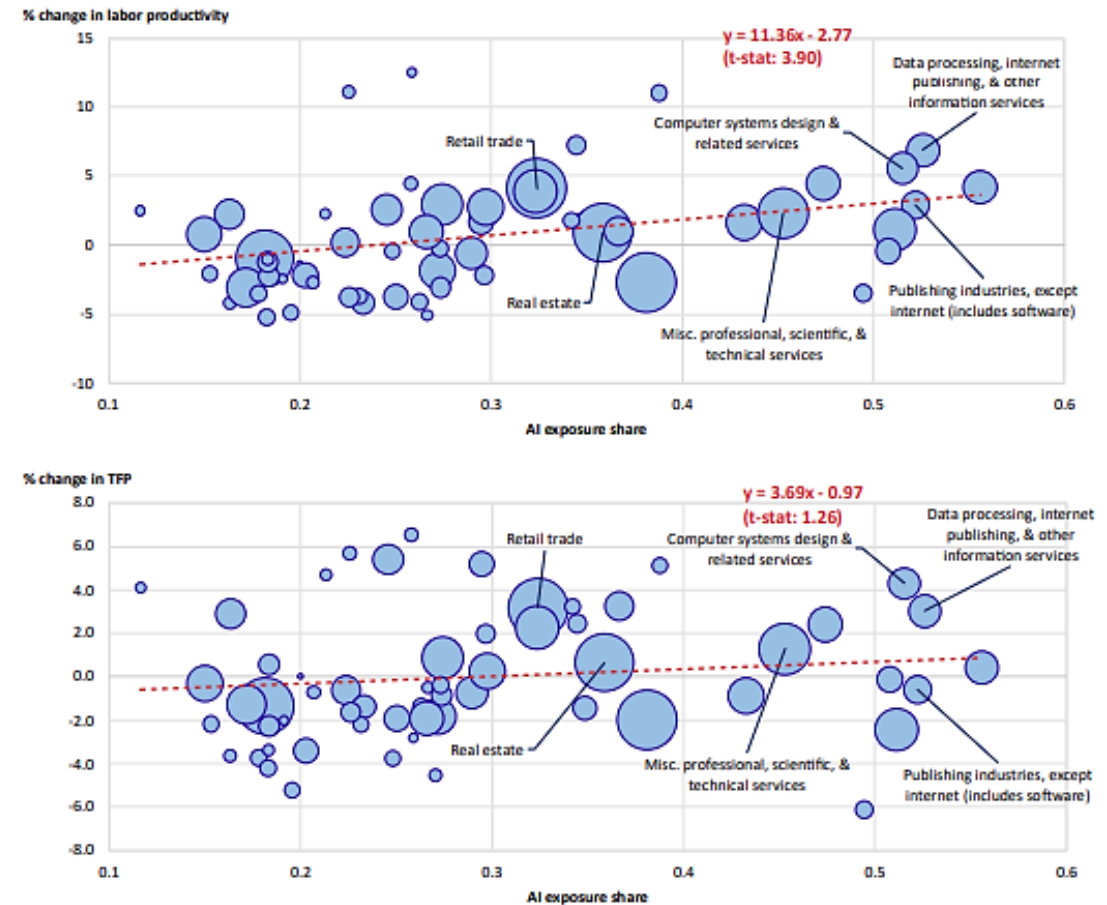
AI & Productivity?

Time Savings from Generative AI Usage: By Industry

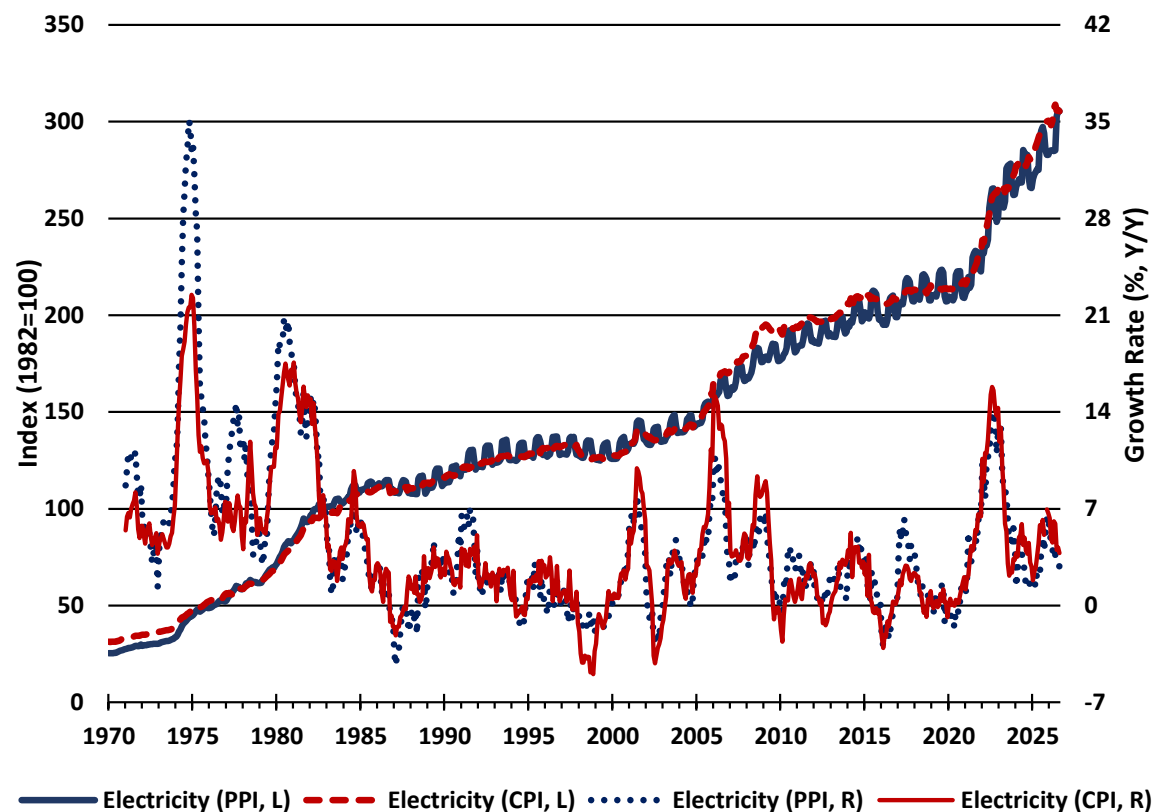


AI reportedly saves time for many industries, boosts labor productivity, but has limited effects on TFP.

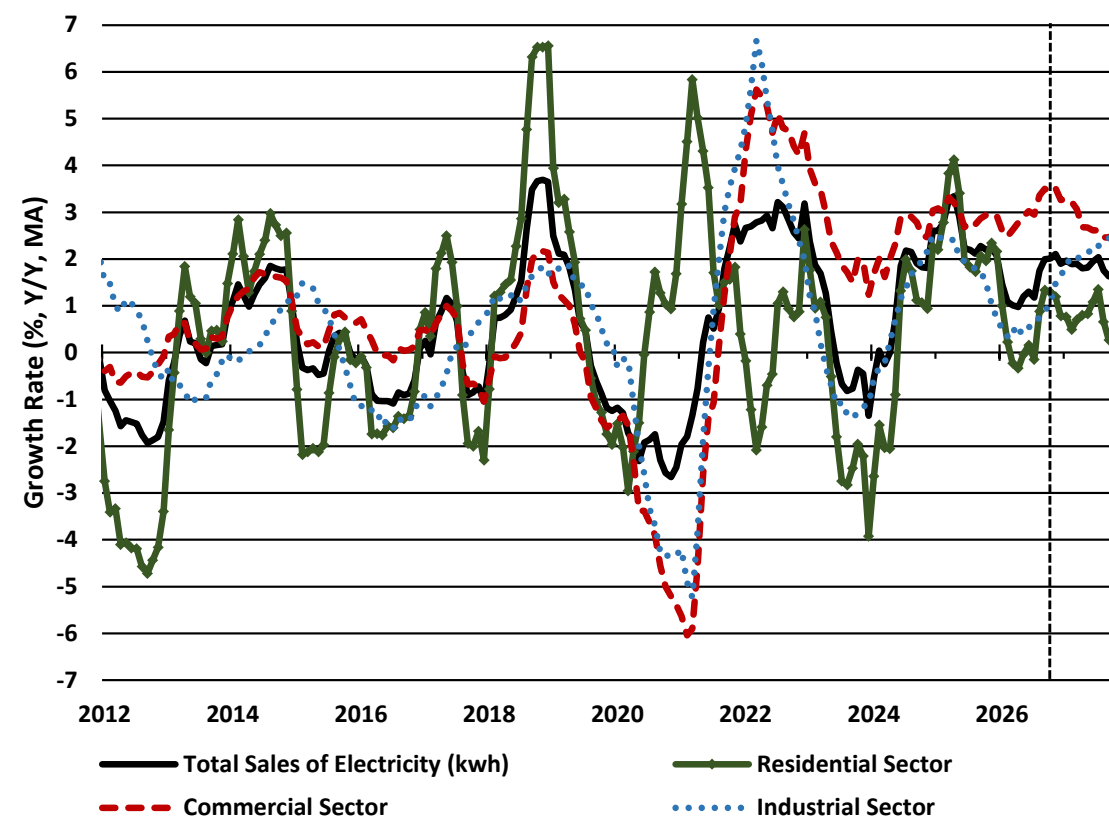
AI exposure and 2021–24 labor productivity growth are strongly positively related. For AI and TFP, the relationship is also positive, but not statistically significant.



Tech Revolution: Electricity Markets

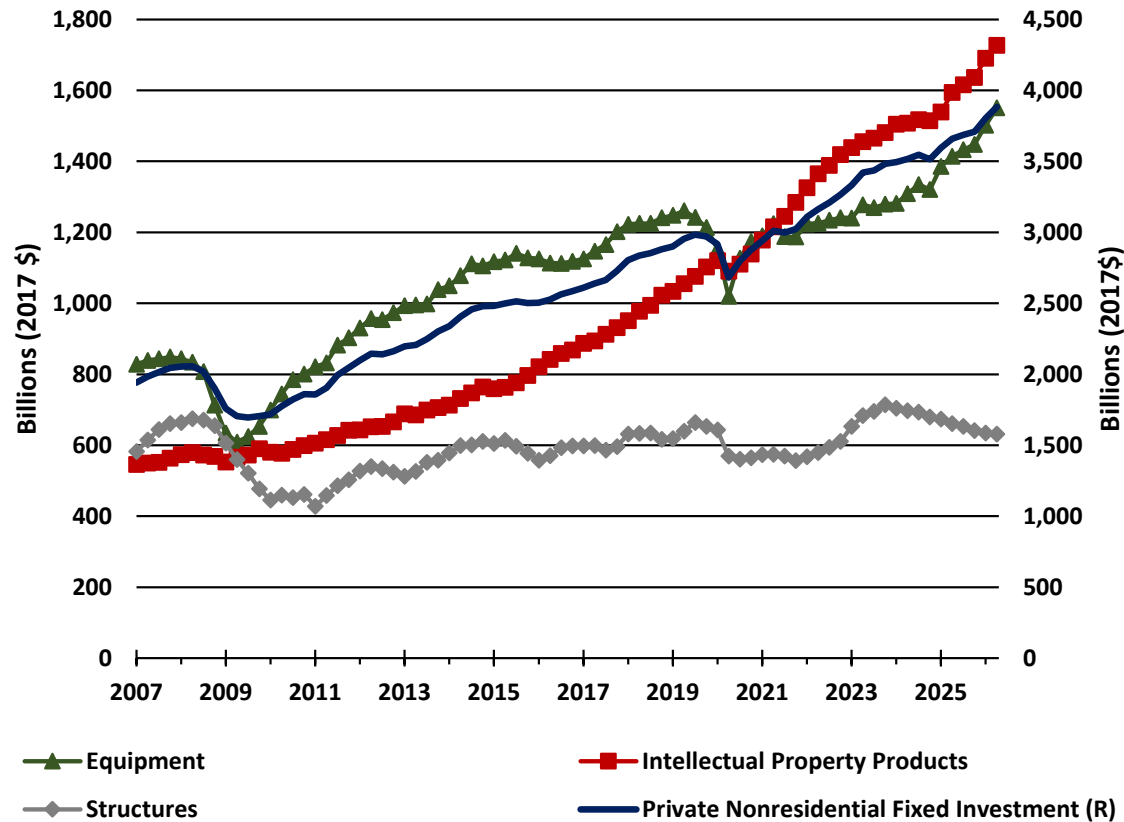


Electricity price levels are up substantially over five years. CPI and PPI inflation recently are somewhat above trend. Much might be obscured by aggregation.

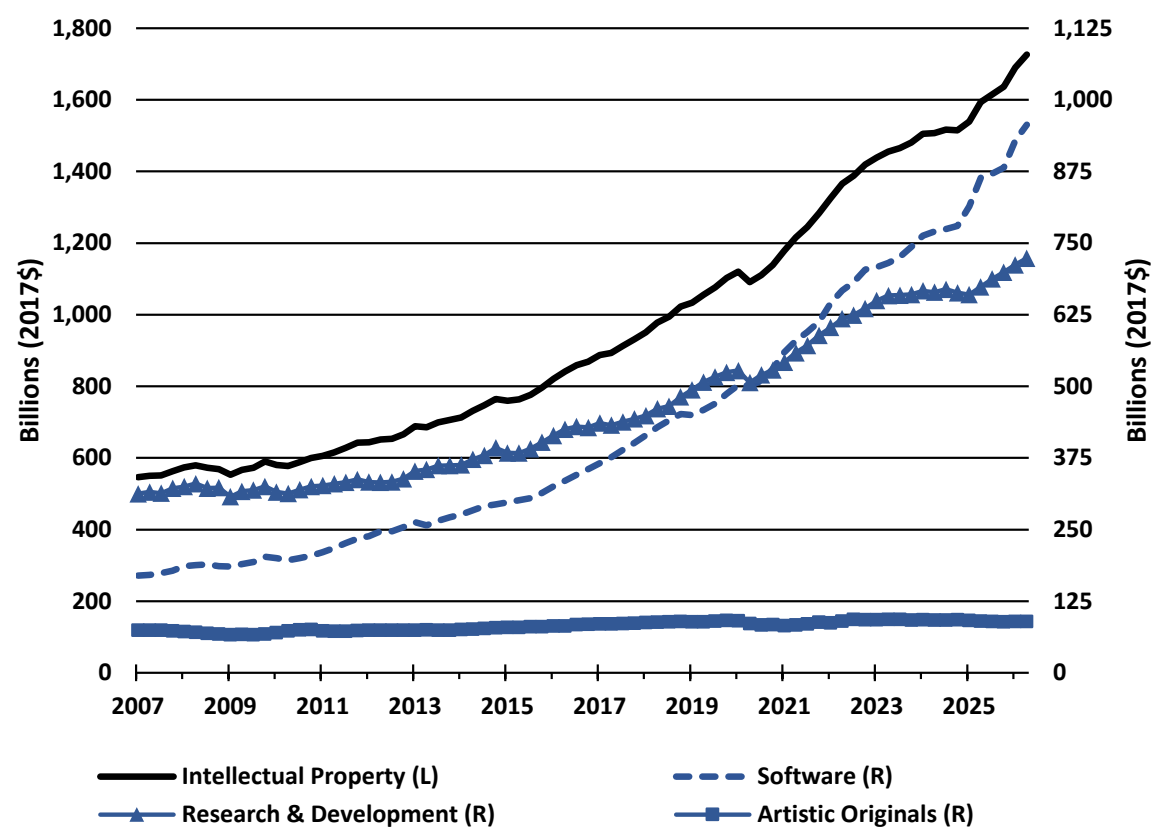


Electricity consumption growth (kilowatt-hours) has been moderately high, led by the commercial sector (including data centers).

Implications: Investment Highlights

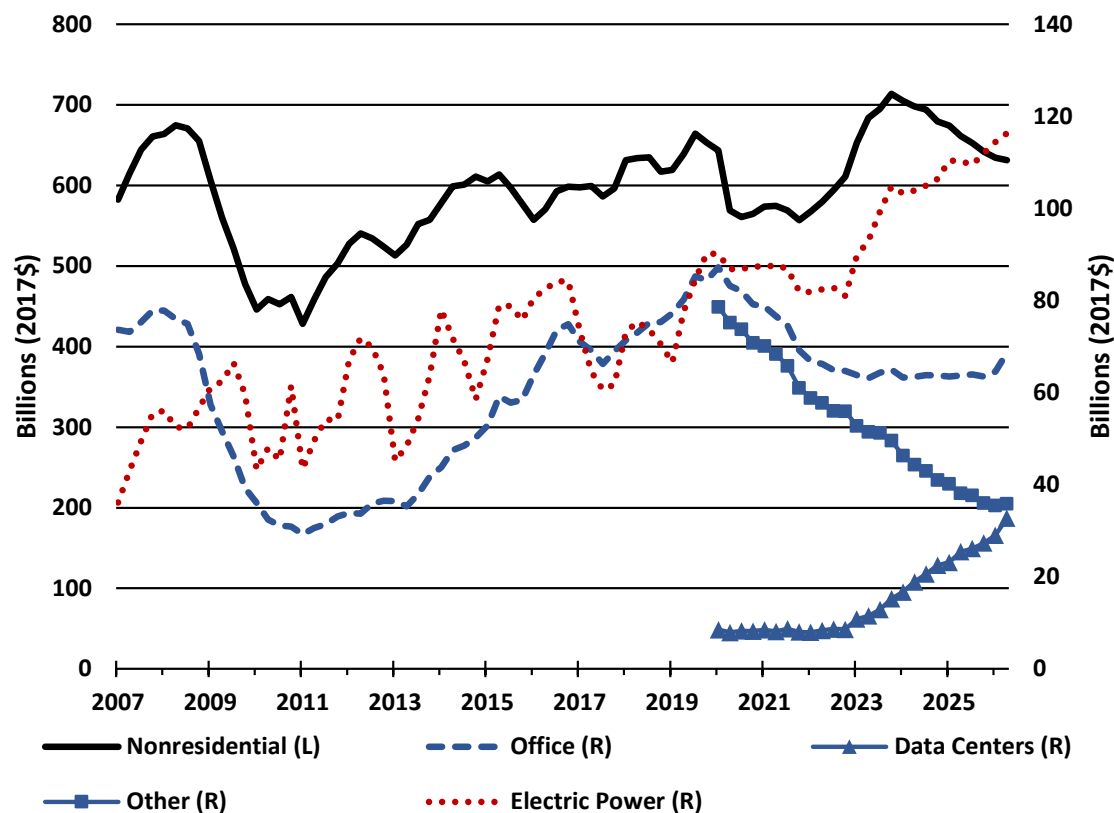


Private nonresidential investment has been strong overall, led by IPP, despite declining construction spending.

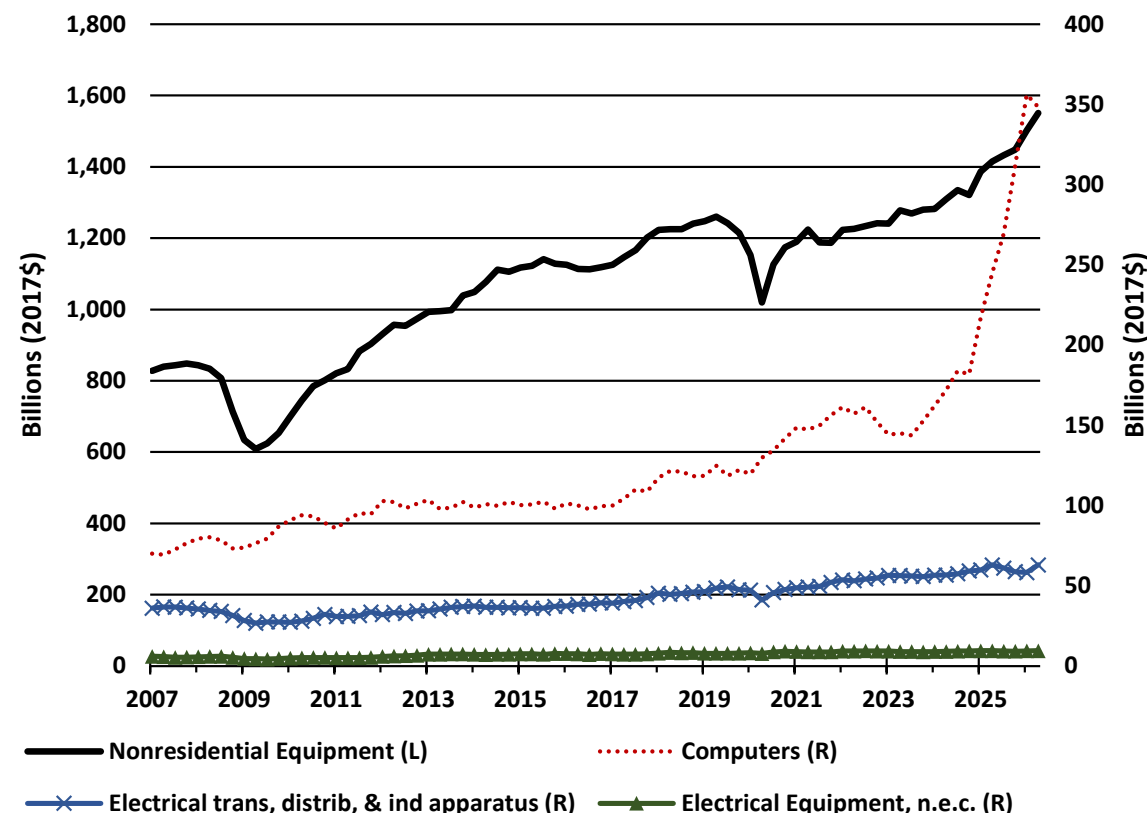


Private intellectual property investment has been spending on software, followed by R&D.

Implications: Investment Highlights

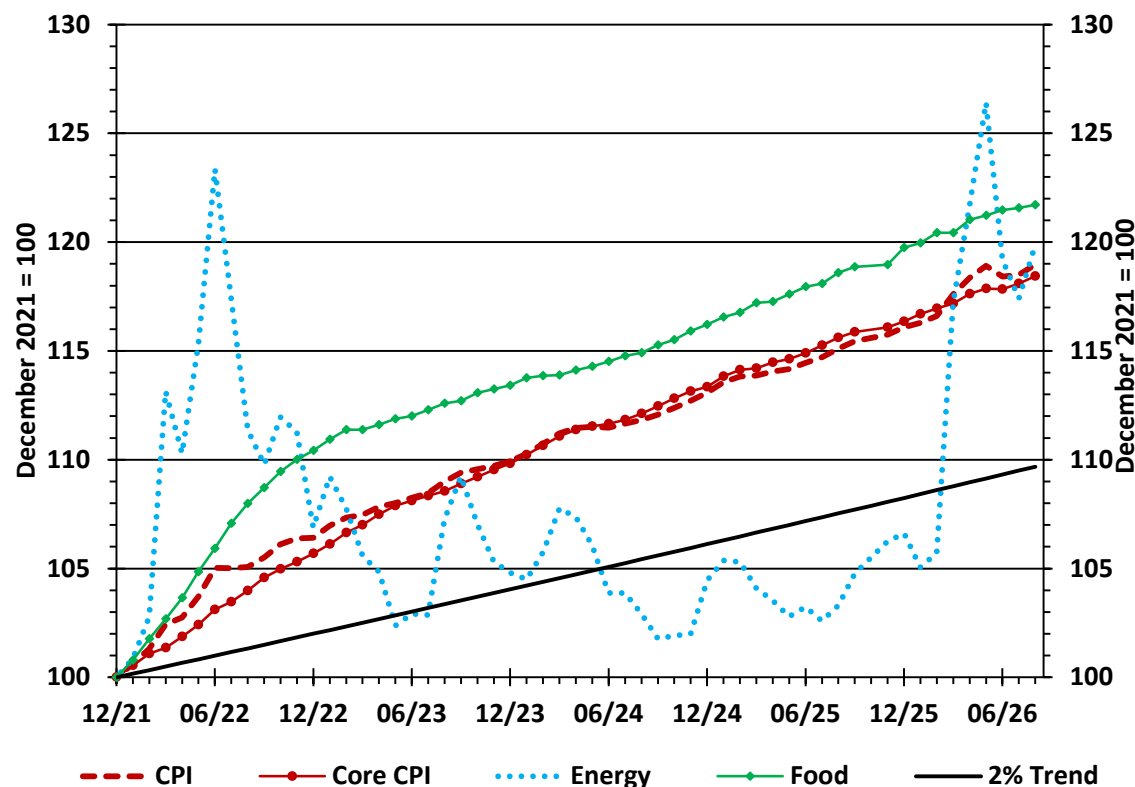


Nonresidential construction spending has been falling, though data center and electric power facility construction is rising quickly.



Investment in equipment has been led by spending on computer and related items. Significant increases related to electric power are less obvious.

Consumers: Prices Levels High, Slowing

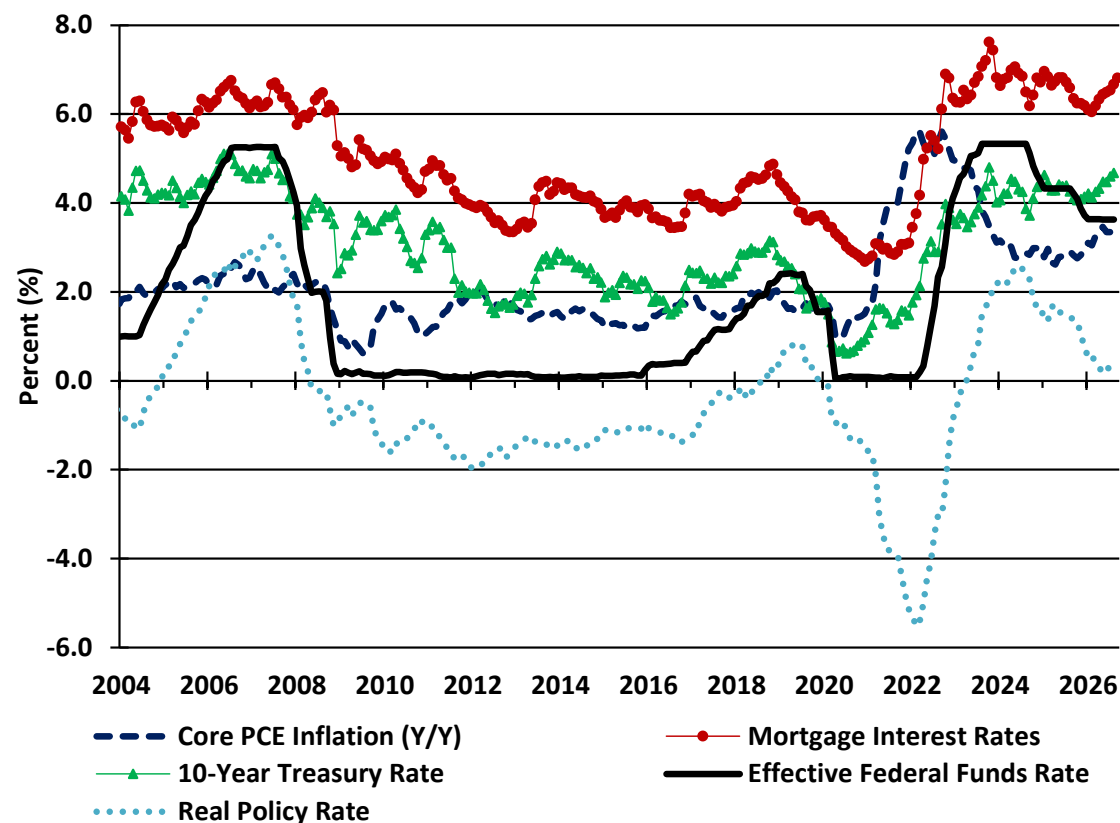


	PCE	Core PCE	CPI	Core CPI	Energy	Food
Dec 19-Dec 20	1.3	1.5	1.3	1.6	-7.0	4.0
Dec 20-Dec 21	6.1	5.2	7.2	5.5	30.3	6.3
Jun 21-Jun 22	7.2	5.3	9.0	5.9	41.5	10.4
Dec 21-Dec 22	5.5	5.0	6.4	5.7	6.9	10.4
Dec 22-Dec 23	2.8	3.1	3.3	3.9	-1.9	2.7
Dec 23-Dec 24	2.7	3.0	2.9	3.2	-0.3	2.5
Dec 24-Dec 25	2.9	3.0	2.7	2.6	2.1	3.0
May 25-May 26	4.1	3.5	4.2	2.8	23.0	3.1
Aug 25-Aug 26			3.4	2.4	16.0	2.6

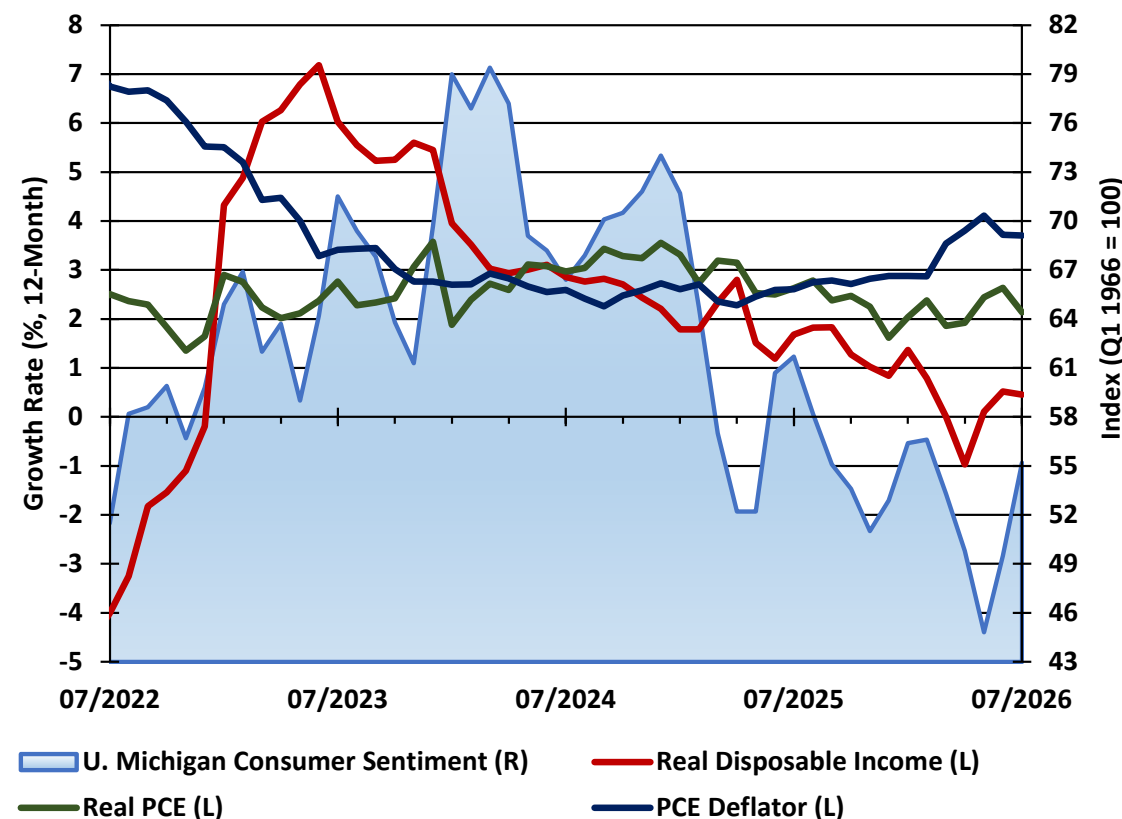
Price levels are well above the intended trend.
Food prices rose most.
Energy prices are particularly volatile.

CPI peaked around June 2022. Core inflation continues to decline despite volatility with food and energy prices.

Effects: Sentiment, Income, Spending

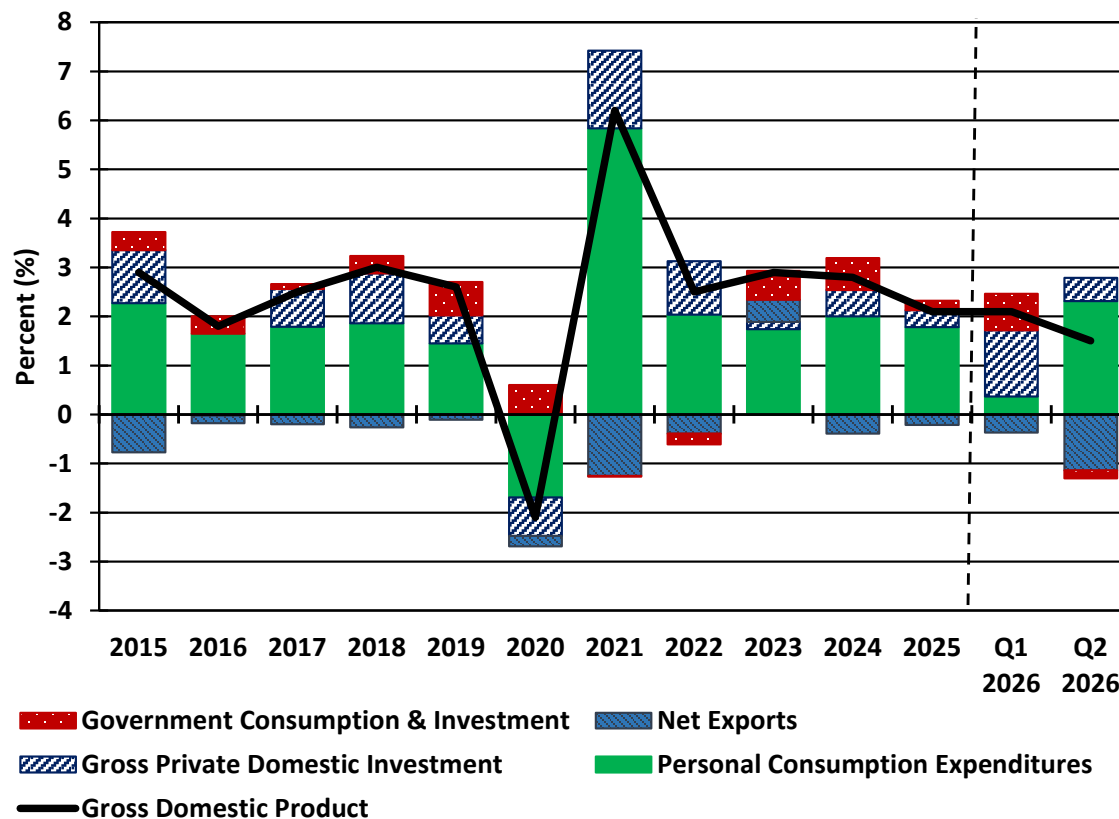


- High inflation: 25bp policy rate increase in 9/26
- Real policy rates were falling – policy loosening
- 10-year Treasury rates reached 5.0 in September



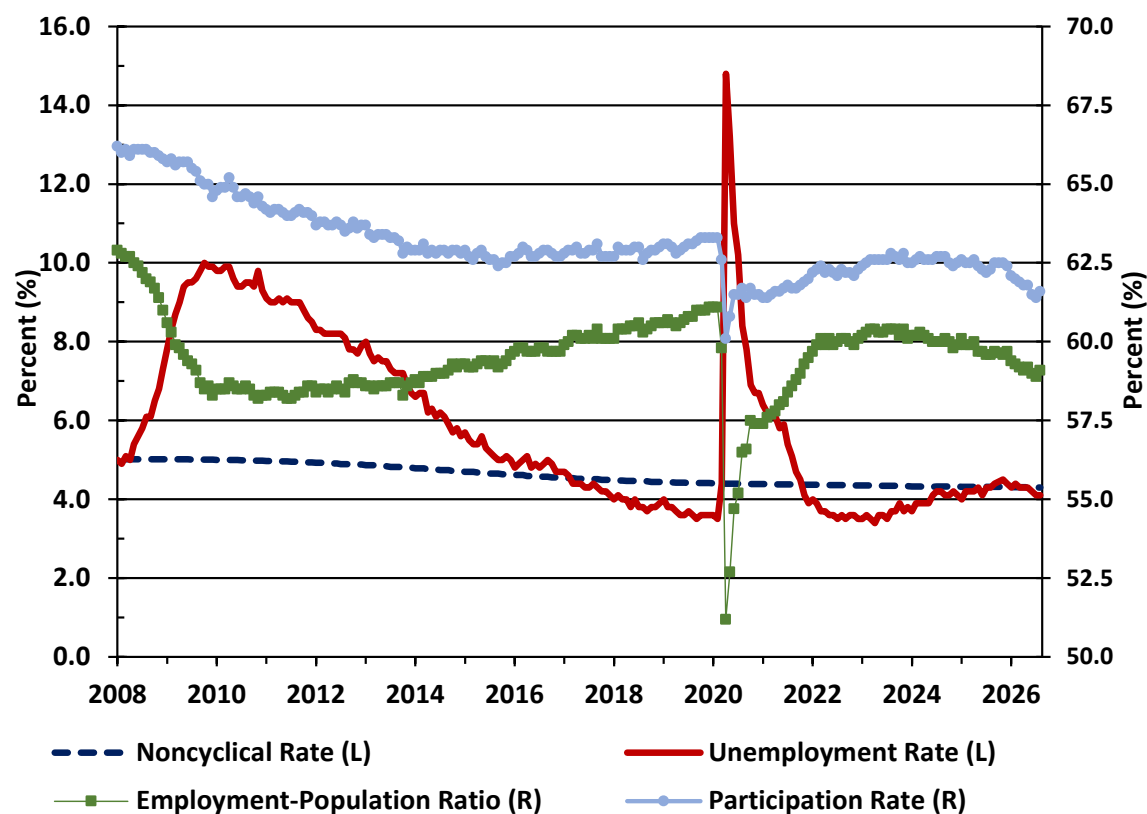
- Low sentiment in 2022 & 2025, record low 2026
- 2022: high inflation, lower transfers, lower income
- 2026: high inflation, lower real disposable income
- 7/26: Real Income 0.5%, PCE 2.1%, Prices 3.7% Y/Y

Overall: Moderate Growth in H1

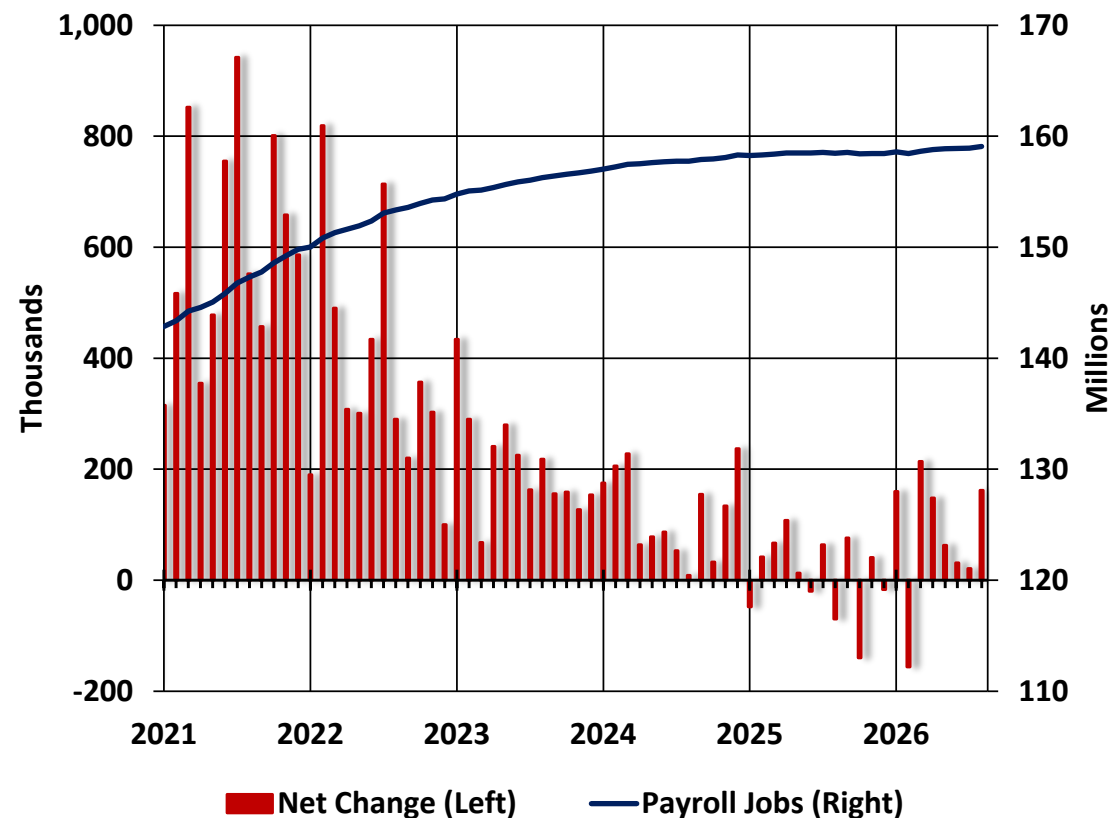


Contributions to Growth	2025	Q1 2026	Q2 2026
Real GDP Growth	2.1	2.1	1.5
PCE	1.8	0.4	2.3
Private Investment	0.4	1.4	0.5
Government	-0.2	-0.4	-1.1
Net Exports	0.2	0.7	-0.2

How are Labor Markets?

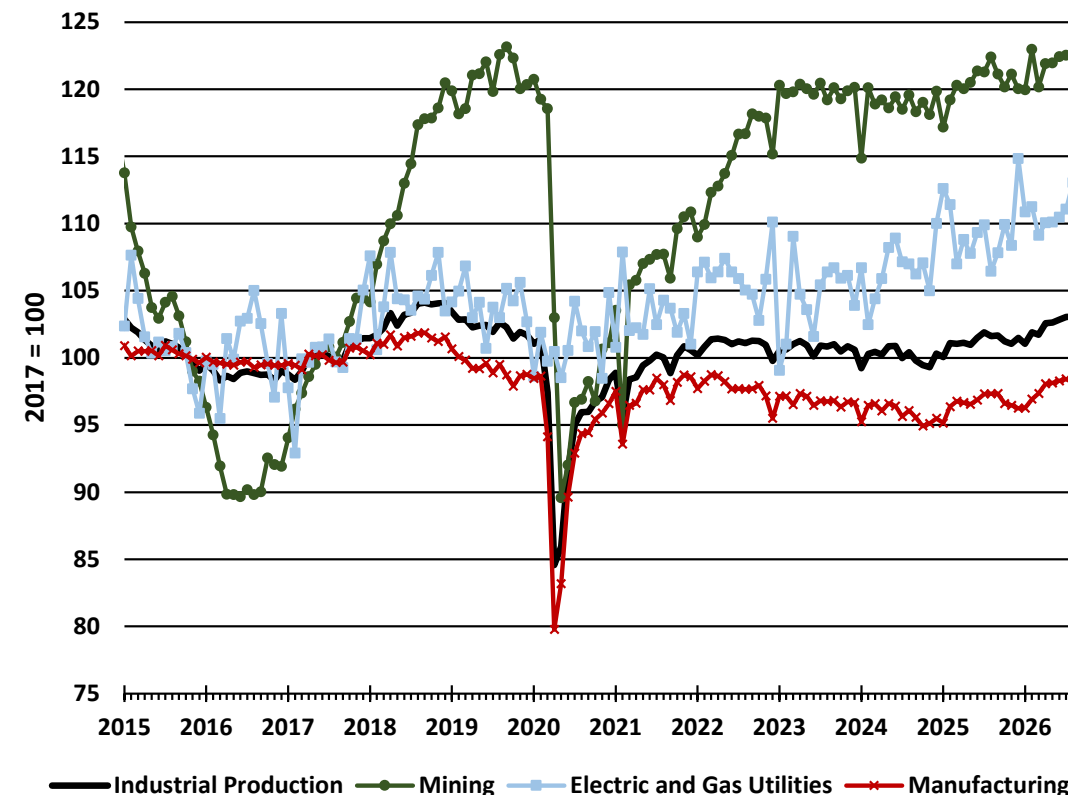
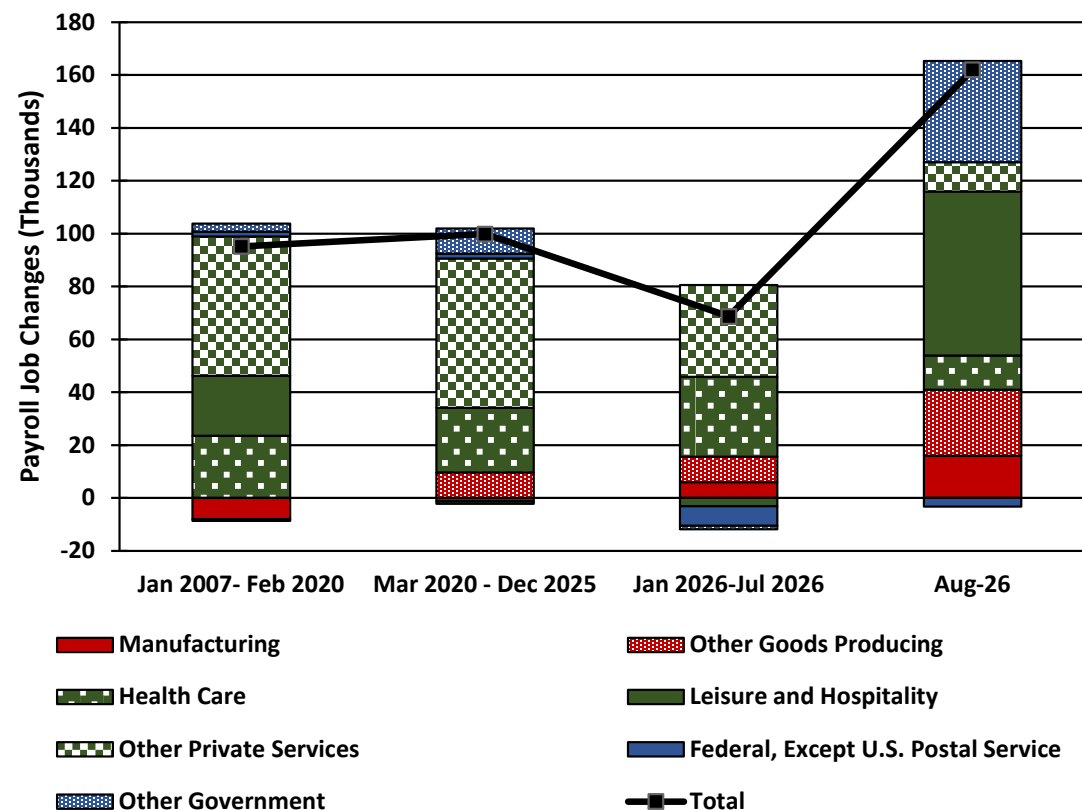


Mixed implications of household survey:
unemployment rates are fairly low, but participation
has fallen.



Average payroll jobs gains have been low, though
estimates for August were strong.
10 K/month in 2025, 80 K/month in 2026.
Consensus breakeven job growth: 45 K/month

Manufacturing Boom?



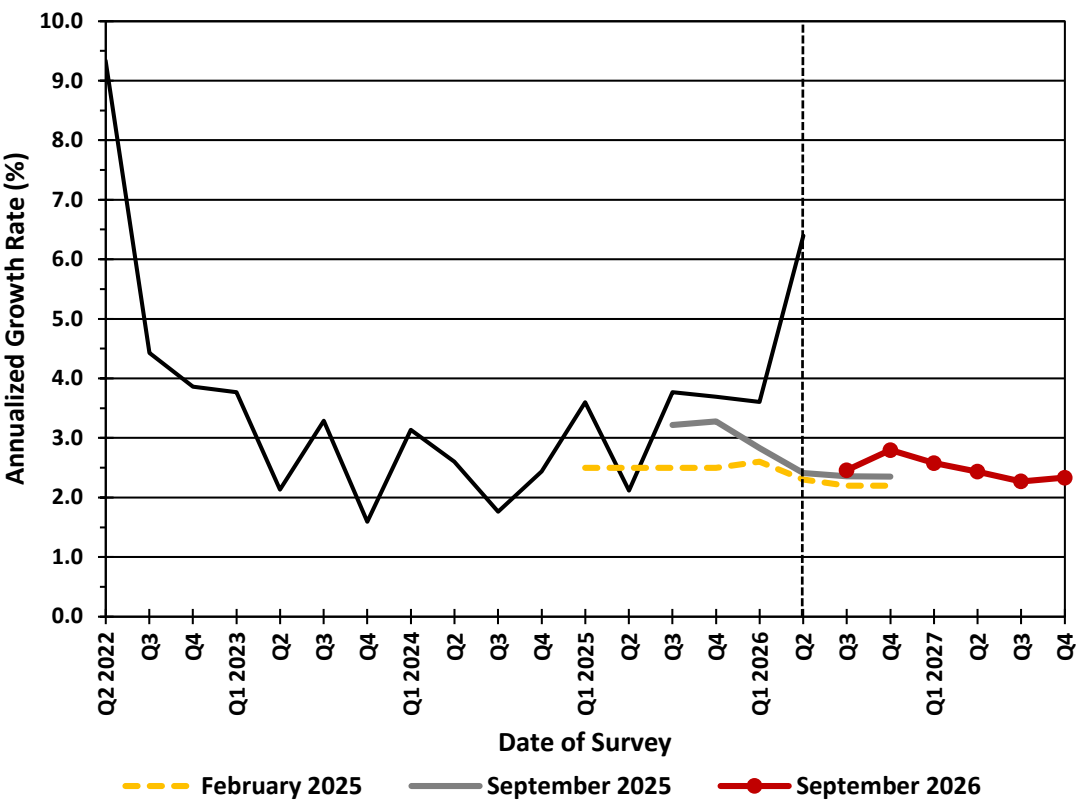
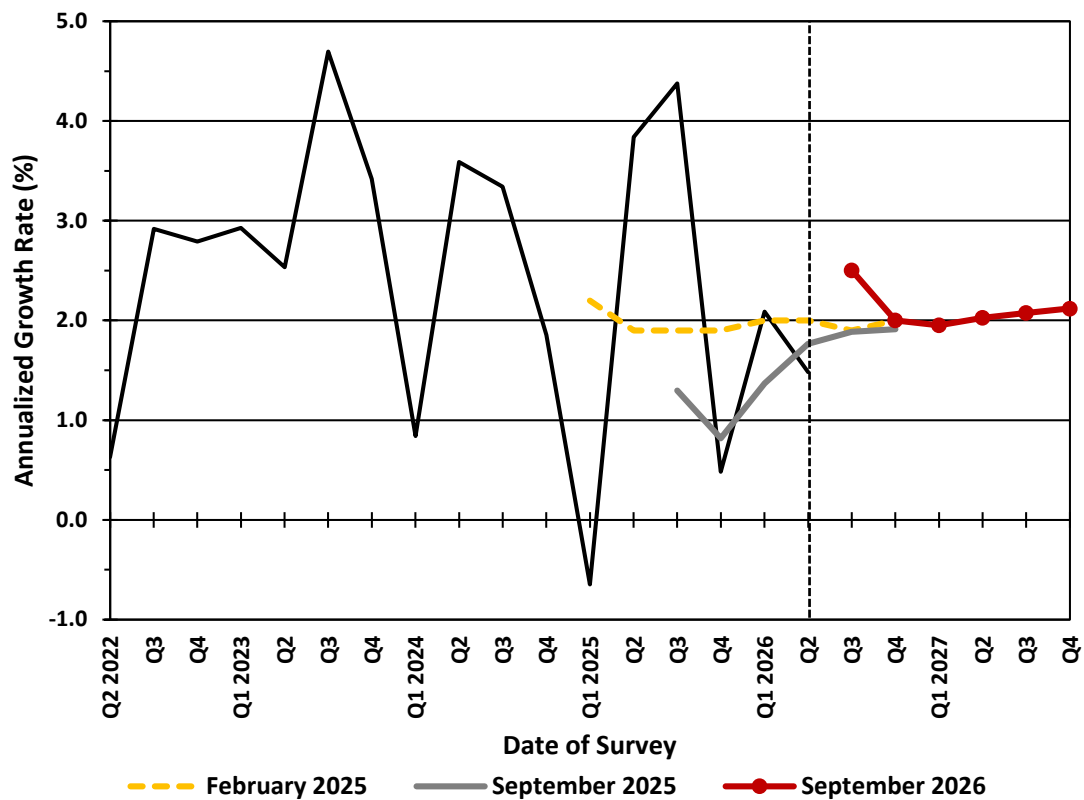
Manufacturing and other goods-producing jobs are increasing, though service industries hired the most.

What about goods production volumes?
Manufacturing +0.9% Y/Y in August, but below 2017 level. Mining and utilities are higher.

The Outlook

- Macro 2-Year Consensus Outlook
- International Outlook (IMF, April 2026)
- Summary, Lift U.S. Forecast to 2050 (Spring 2026)
 - Real Economy
 - Personal Income and Expenditure
 - Population and Demographics
 - Labor Supply, Productivity, and Employment
 - Labor, Prices, and Financial Details
 - Select Risks to the Outlook

Growth & Inflation: Moderately Hopeful

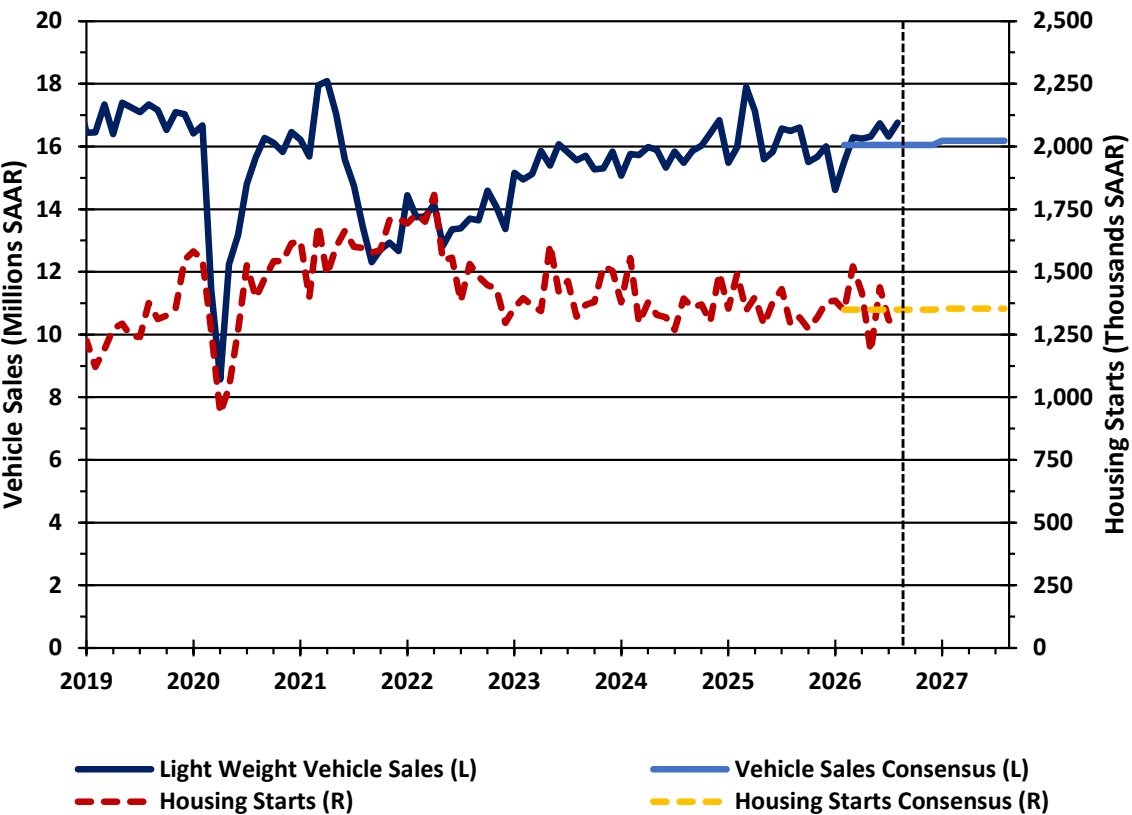
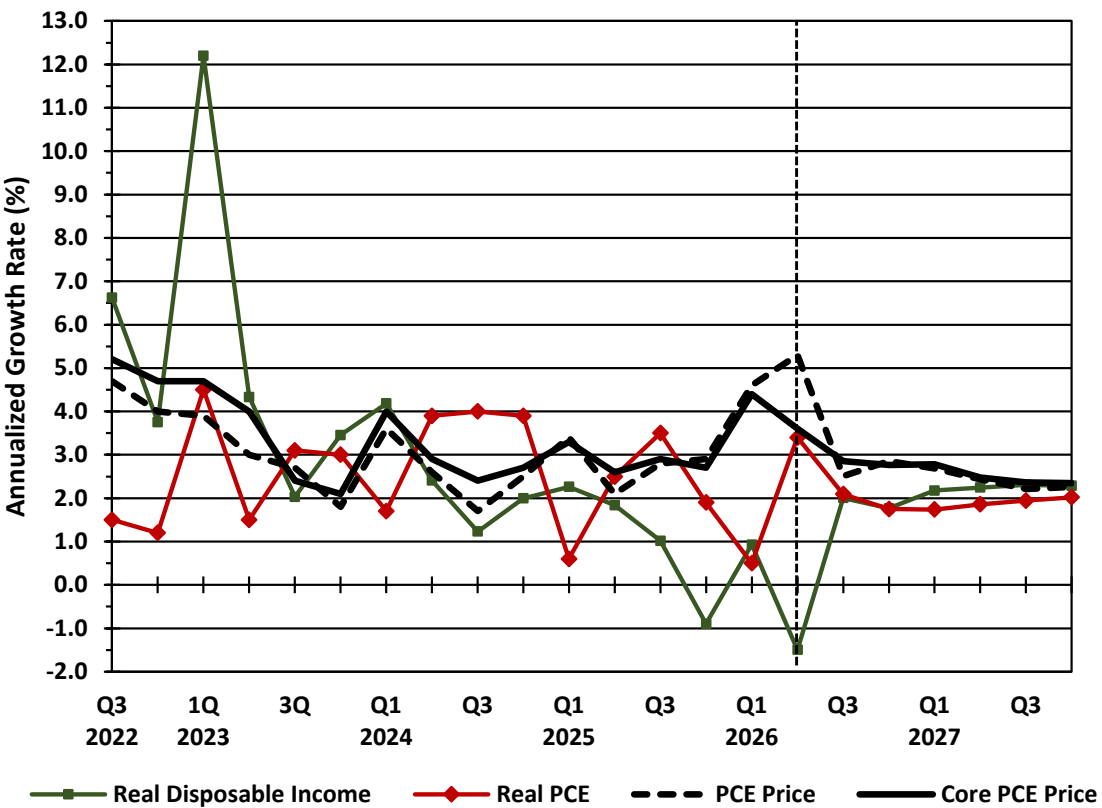


Alternating optimism and pessimism, with pessimism implying short-run sluggishness and elevated inflation.

	2022	2023	2024	2025	2026	2027
GDP	2.5	2.9	2.8	2.1	2.1	2.0
GDP Inflation	7.1	3.7	2.5	2.8	3.8	2.7

Billions 2017\$ and Annual Growth Rate (%)

Moderate Income & PCE, Sales & Starts

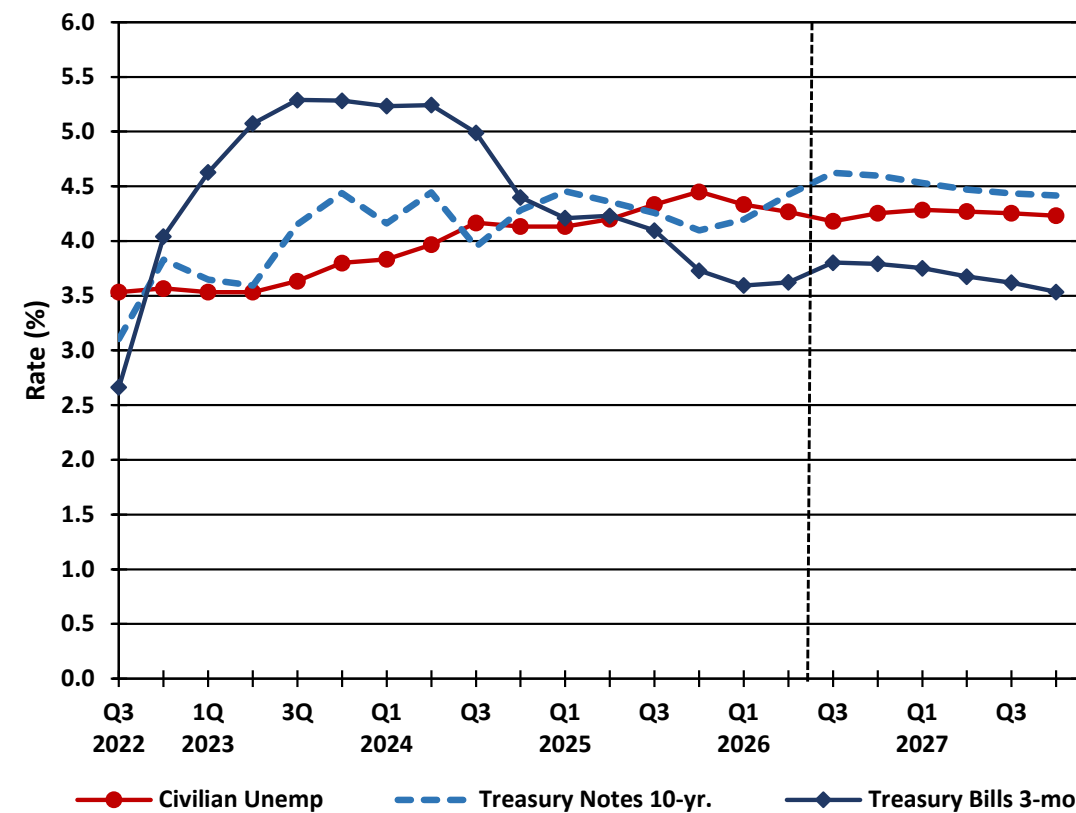
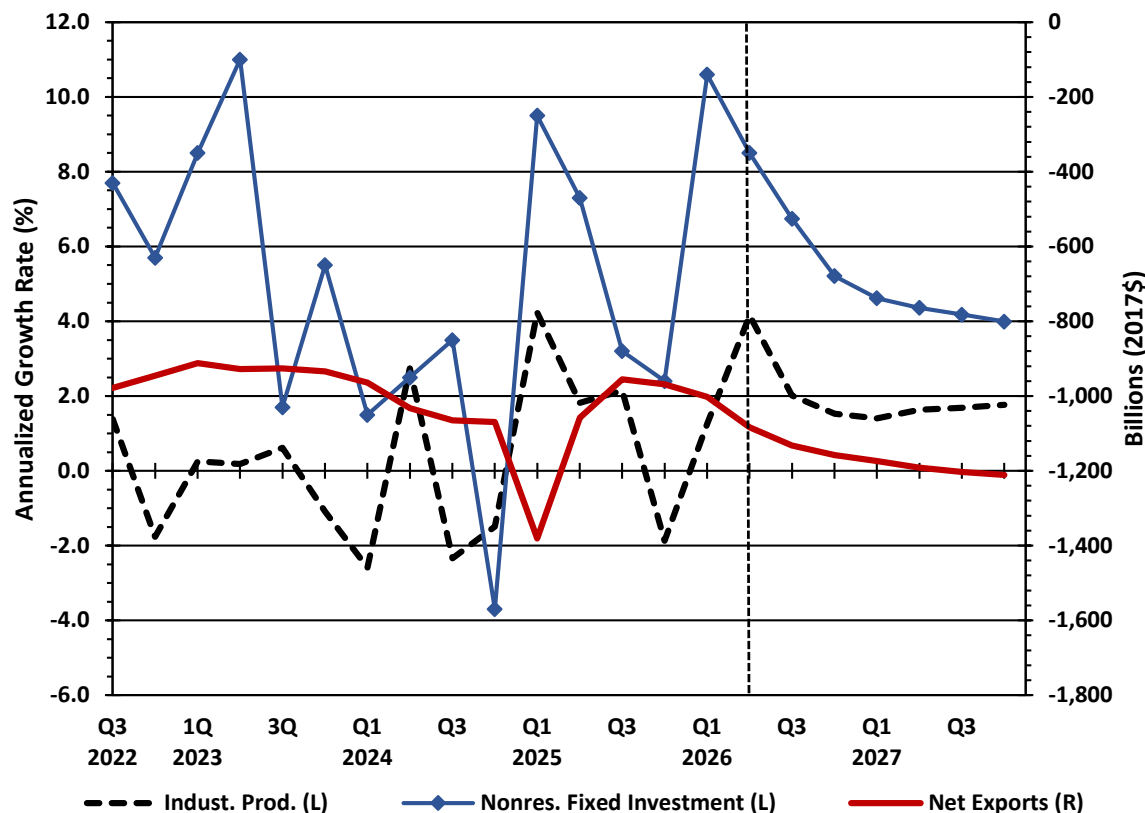


Following elevated inflation and weak real income and spending, growth of all approach 2.0% by Q4 2026.

	2022	2023	2024	2025	2026	2027
Vehicle Sales	13.8	15.5	15.9	16.3	16.0	16.2
Housing Starts	1.55	1.42	1.37	1.36	1.35	1.35

Millions

Strong Investment & Production



- Weaker nonresidential fixed investment and industrial production before recovery.
- Little change in projected trade gap.

- Unemployment rate rises to about 4.5%.
- Sept 10: Falling 3-month rates, stable 10-year Treasury rates
 - Sept 16: Policy rates +25bp
 - Sept 23: 10-year Treasury rates hit 5.1%

International: Slower Growth, Lower Inflation

GDP Annual Growth	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
World	3.0	-2.7	6.7	3.8	3.3	3.4	3.4	3.1	3.2	3.2	3.2	3.1	3.1
Advanced economies	1.9	-3.9	6.1	3.1	1.7	1.8	1.9	1.8	1.7	1.7	1.6	1.5	1.5
Euro area	1.6	-6.0	6.4	3.6	0.4	0.9	1.4	1.1	1.2	1.4	1.2	1.1	1.1
Major advanced economies (G7)	1.7	-4.2	6.0	2.8	1.8	1.7	1.5	1.6	1.6	1.6	1.5	1.4	1.4
Other advanced economies	2.0	-1.6	5.9	2.8	1.8	2.4	3.0	2.6	2.2	2.2	2.1	2.1	2.0
Emerging market & developing economies	3.8	-1.8	7.0	4.3	4.4	4.5	4.4	3.9	4.2	4.2	4.1	4.0	4.0
Canada	1.9	-5.0	6.0	4.7	2.0	2.0	1.7	1.5	1.9	1.7	1.7	1.7	1.8
Mexico	-0.4	-8.4	6.0	3.7	3.1	1.4	0.6	1.6	2.2	2.1	2.0	2.0	2.0
United States	2.6	-2.1	6.2	2.5	2.9	2.8	2.1	2.3	2.1	2.1	1.9	1.8	1.8
China	6.1	2.3	8.6	3.1	5.4	5.0	5.0	4.4	4.0	4.0	3.7	3.3	3.3

PCE Inflation	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
World	3.6	3.3	4.7	8.7	6.7	5.8	4.1	4.4	3.7	3.4	3.2	3.2	3.2
Advanced economies	1.4	0.7	3.1	7.3	4.6	2.6	2.5	2.8	2.2	2.1	2.1	2.1	2.1
Euro area	1.2	0.3	2.6	8.4	5.4	2.4	2.1	2.6	2.2	2.1	2.0	2.0	2.0
Major advanced economies (G7)	1.5	0.8	3.3	7.3	4.7	2.7	2.5	2.9	2.2	2.1	2.1	2.1	2.1
Other advanced economies	1.1	0.5	2.4	5.6	4.3	2.3	2.0	2.4	2.0	2.0	1.9	1.9	1.9
Emerging market & developing economies	5.2	5.3	5.9	9.7	8.2	8.0	5.2	5.5	4.6	4.1	3.9	3.9	3.9
Canada	1.9	0.7	3.4	6.8	3.9	2.4	2.1	2.5	2.1	2.0	2.0	2.0	2.0
Mexico	3.6	3.4	5.7	7.9	5.5	4.7	3.8	3.9	3.4	3.0	3.0	3.0	3.0
United States	1.8	1.3	4.7	8.0	4.1	3.0	2.7	3.2	2.1	2.2	2.2	2.2	2.2
China	2.9	2.5	0.9	2.0	0.2	0.2	0.0	1.2	1.5	1.8	1.9	2.0	2.0

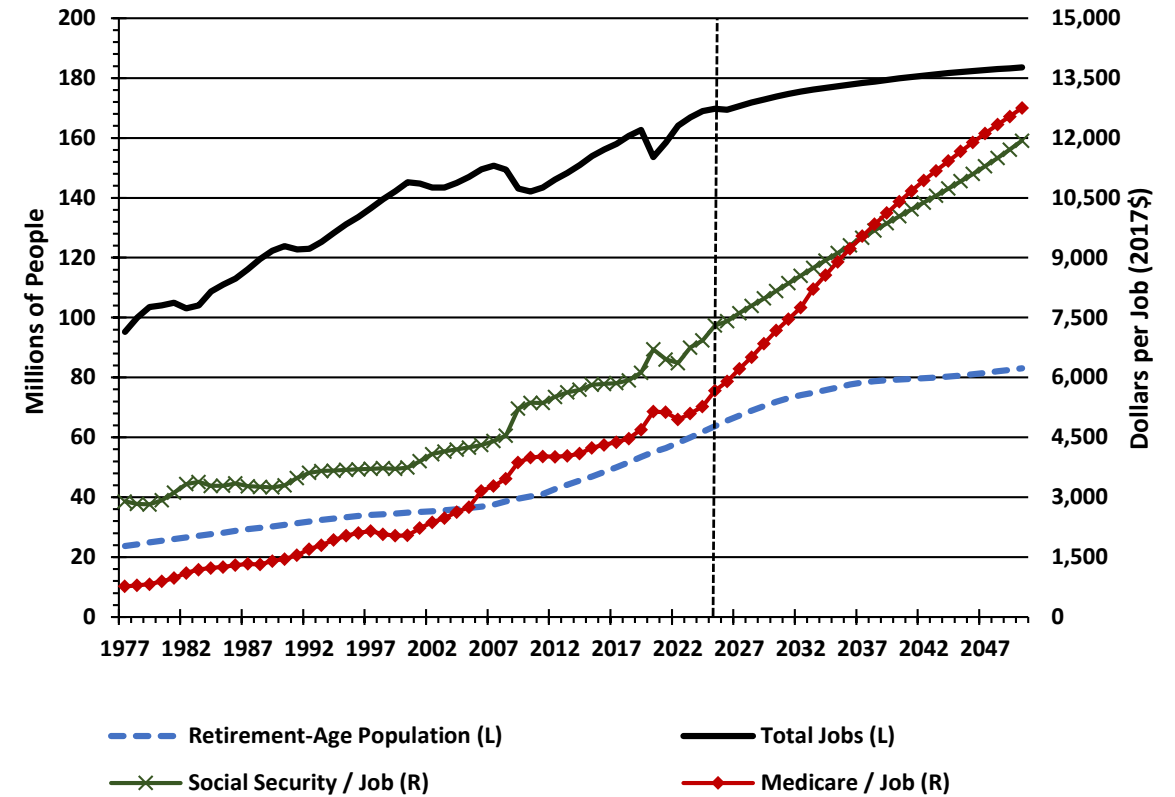
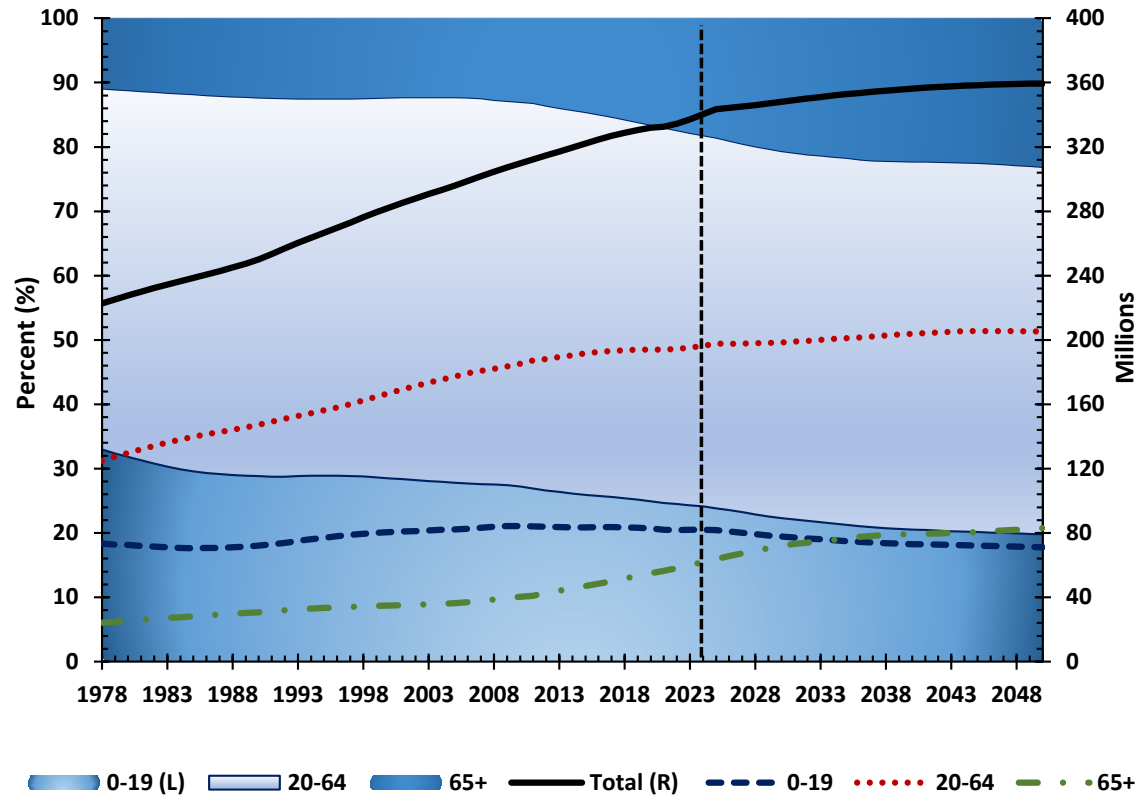
U.S. Outlook: Real Spending

	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-30	30-50
Gross Domestic Product	-2.1	6.2	2.5	2.9	2.8	2.1	2.1	2.1	2.1	1.9
Personal Consumption	-2.5	8.8	3.0	2.6	2.9	2.6	1.9	2.0	2.1	1.9
Durable Goods	7.4	16.4	-2.0	3.8	3.9	3.6	1.9	2.6	3.1	2.6
Nondurable Goods	3.3	8.6	0.2	0.6	2.3	3.0	1.5	1.4	1.7	1.7
Services	-5.8	7.6	4.9	3.0	3.0	2.3	2.0	2.1	2.1	1.9
Gross Private Domestic Investment	-4.4	9.0	6.1	0.8	3.0	1.9	2.6	3.7	3.4	2.6
Nonres. Fixed Investment	-4.6	6.2	6.5	7.3	2.9	4.1	5.1	3.8	3.5	2.7
Nonresidential Structures	-9.2	-2.7	3.5	16.7	1.1	-5.3	-3.2	3.0	2.7	1.4
Equipment Investment	-9.9	7.1	2.8	2.9	3.5	8.3	7.2	3.8	3.3	3.0
Intellectual Property	4.5	10.4	11.7	6.2	3.5	5.6	7.4	4.1	3.9	3.2
Residential Investment	7.4	10.6	-8.1	-7.8	3.2	-2.2	-3.5	2.6	3.1	2.0
Exports (% change)	-12.6	6.5	7.6	2.8	3.6	1.6	3.8	1.8	2.9	2.7
Imports (% change)	-8.8	14.6	8.5	-0.9	5.8	2.7	1.9	2.3	2.6	2.0
Government	3.4	-0.1	-1.2	3.5	3.8	1.1	0.9	0.9	0.5	0.4
Federal	6.3	1.9	-3.3	3.3	3.8	-1.2	0.5	1.9	0.5	0.3
Defense	2.9	-0.9	-3.8	3.7	4.0	1.2	0.7	1.4	0.4	0.2
Nondefense	11.5	5.7	-2.7	2.8	3.6	-4.2	0.2	2.5	0.5	0.5
State & Local	1.7	-1.3	0.0	3.6	3.8	2.5	1.2	0.4	0.5	0.4
	2020	2021	2022	2023	2024	2025	2026	2027	2030	2050
Inventory Change (Billion 2017\$)	-30	12	119	33	39	61	38	49	62	62
Net Exports (Billion 2017\$)	-663	-937	-1,042	-933	-1,034	-1,171	-1,081	-1,140	-1,318	-1,318

U.S. Outlook: Personal Accounts

	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-30	30-50
Personal Income	6.9	9.5	3.0	6.5	5.6	4.8	4.7	4.8	4.5	4.1
Wages and Salaries	1.5	9.0	7.8	5.5	5.6	4.6	4.2	4.3	4.0	3.9
Supplements	0.5	5.2	3.4	6.7	6.6	4.9	4.2	5.2	4.4	4.1
Proprietors' Income	2.8	13.7	2.8	3.9	4.2	4.3	7.3	4.1	5.2	4.2
Rental Income	8.0	4.5	12.2	15.1	7.5	3.4	2.9	3.5	2.7	3.7
Dividends	3.9	26.6	10.7	9.5	3.3	1.3	2.4	5.6	4.3	4.1
Personal Interest Income	-6.1	-2.2	6.8	16.3	5.3	2.2	7.1	7.5	6.5	4.4
Transfer Income	34.6	10.0	-11.2	2.8	7.0	8.7	5.1	5.3	5.2	4.5
Federal	44.8	8.5	-18.2	3.1	7.5	9.5	5.2	5.7	5.9	4.5
State and Local	6.9	11.3	12.4	4.5	7.0	6.6	5.5	4.1	3.2	4.6
Business Transfers to Persons	-15.4	96.1	35.5	-16.2	-6.0	7.1	-4.5	5.1	3.6	3.8
-: Contrib. to Social Insurance	2.1	7.8	10.1	5.1	7.2	4.7	4.8	6.2	4.3	4.3
-: Personal tax & nontax payment	2.3	20.0	20.2	-12.6	5.4	8.2	5.9	6.5	5.0	4.3
=: Disposable Income	7.5	8.2	0.6	9.7	5.6	4.3	4.5	4.5	4.5	4.0
-: Personal Outlays	-1.8	12.9	9.9	7.2	5.8	5.3	5.2	4.4	4.3	4.0
Consumption Expenditures	-1.4	13.3	9.7	6.5	5.6	5.3	5.4	4.5	4.3	4.0
Interest Paid to Businesses	-15.7	-3.2	20.0	47.1	12.1	4.8	1.4	2.8	4.5	4.0
Current Transfer Payments	-2.4	11.3	12.3	4.7	4.6	3.4	8.1	5.2	4.9	4.3
=: Personal Savings	125.9	-18.2	-70.9	83.2	2.9	-12.3	-9.1	6.0	8.7	5.4
Disp. Income, 2017\$	6.4	3.9	-5.6	5.7	2.9	1.7	1.0	2.0	2.3	2.0

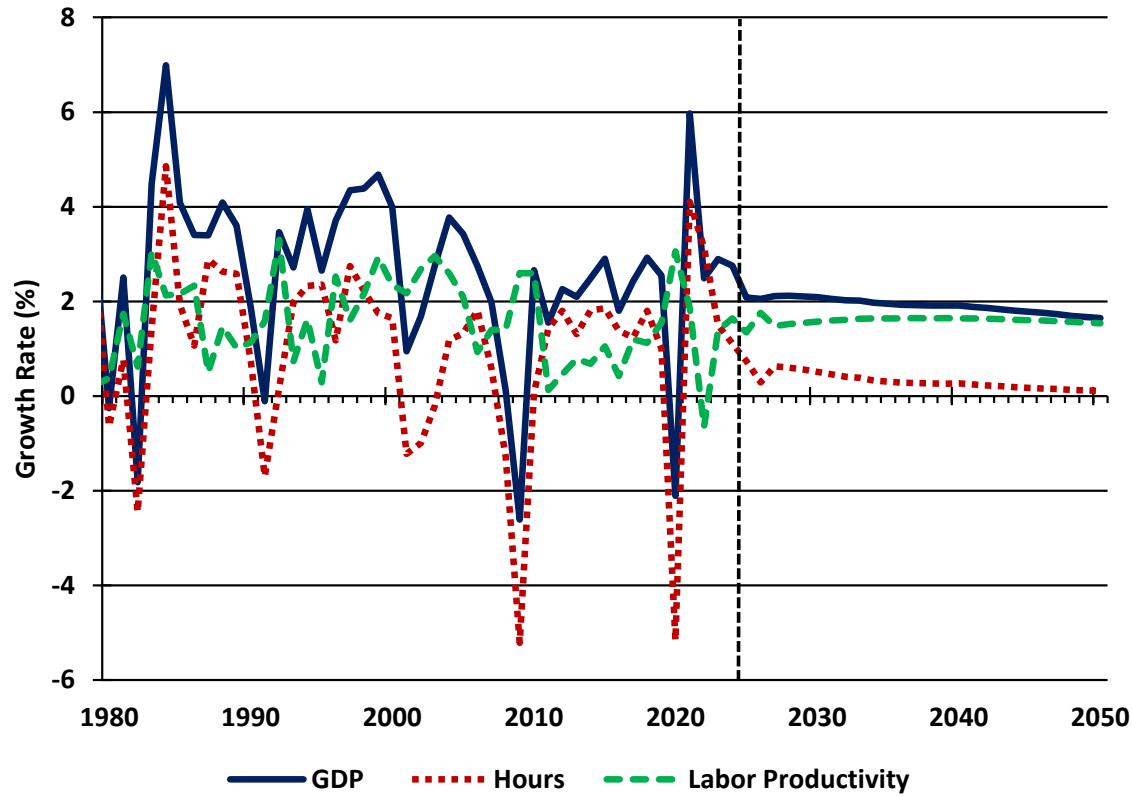
Population, Labor Force, Transfers



- Population projections follow CBO: very little growth by 2050. Retirement-age share continues to rise.

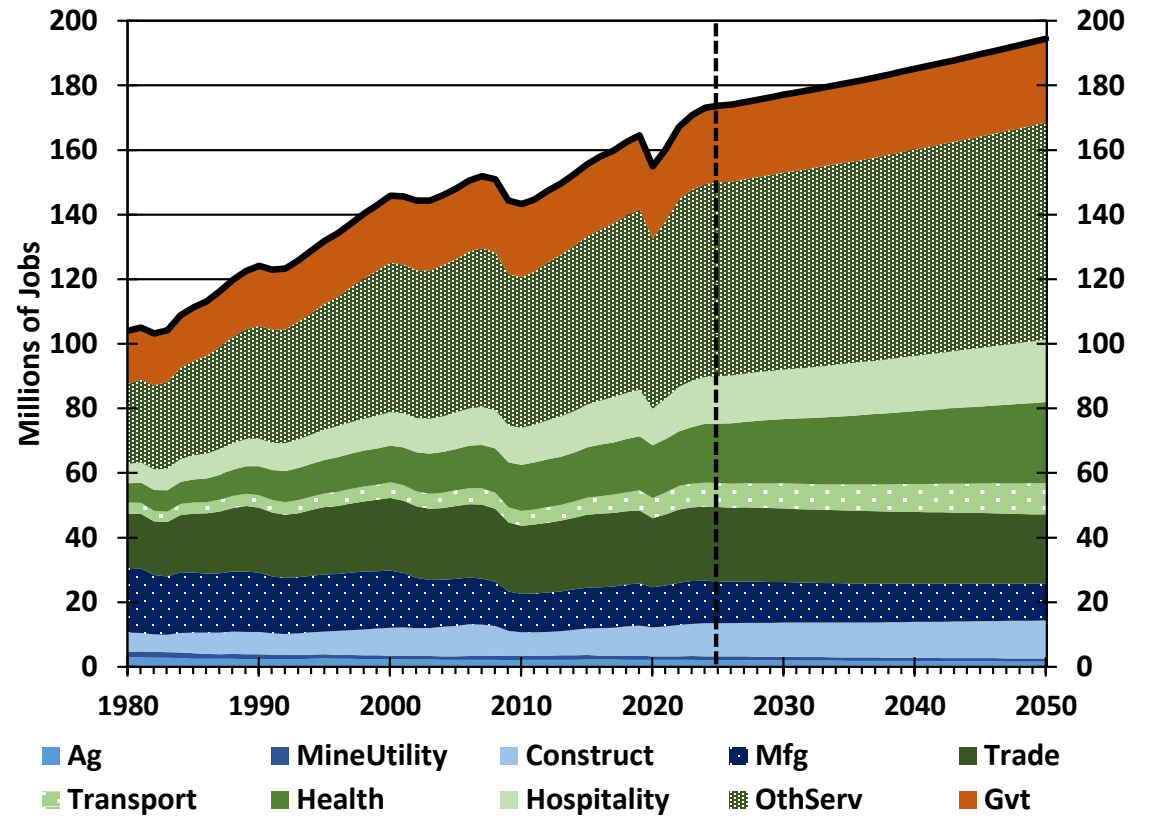
Retirement-age population growth > total job growth. Inflation-adjusted total Social Security and Medicare benefits may increase far faster than total jobs, implying increasing burdens on workers.

Productivity + Labor Supply = GDP



2.0% GDP growth could be difficult to sustain, though

- Greater immigration could boost hours, and
- Higher labor productivity growth could boost production, e.g. through AI adoption

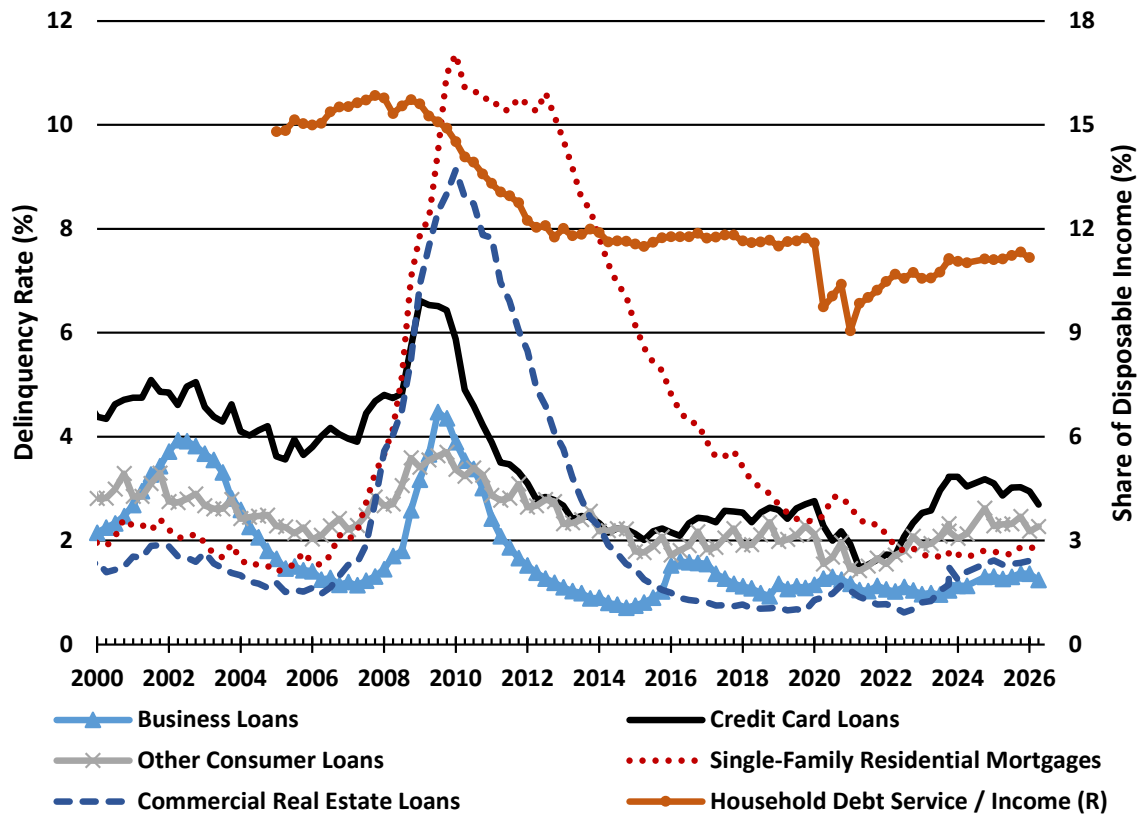


Employment continues to shift toward services. Revival of manufacturing could slow the shift, as could faster labor productivity growth in services industries.

U.S. Outlook: Labor & Prices

	19-20	20-21	21-22	22-23	23-24	24-25	25-26	26-27	27-30	30-50
Real GDP	-2.1	6.2	2.5	2.9	2.8	2.1	2.1	2.1	2.1	1.9
Hours Worked	-5.0	4.2	3.2	1.5	1.1	0.7	0.3	0.6	0.6	0.2
Labor Productivity	3.1	1.9	-0.6	1.4	1.7	1.4	1.8	1.5	1.6	1.6
Real Disposable Income	6.4	3.9	-5.6	5.7	2.9	1.7	1.0	2.0	2.3	2.0
Civilian Population, Ages 16+	0.4	0.4	1.0	1.1	0.6	1.9	0.5	0.5	0.5	0.3
Labor Force	-1.7	0.3	1.9	1.7	0.6	1.6	-0.2	0.8	0.5	0.3
Employment	-5.6	3.2	3.5	1.7	1.3	0.4	-0.2	0.7	0.6	0.3
GDP Deflator	1.3	4.6	7.1	3.7	2.5	2.8	3.6	2.4	2.1	2.0
PCE Deflator	1.1	4.1	6.5	3.8	2.6	2.6	3.5	2.4	2.1	2.0
Nominal GDP	-0.8	11.0	9.8	6.7	5.3	5.0	5.8	4.6	4.3	3.9
	2020	2021	2022	2023	2024	2025	2026	2027	2030	2050
Unemployment Rate	8.1	5.3	3.6	3.6	4.0	4.3	4.4	4.4	4.1	3.9
Labor Force Participation Rate	61.7	61.7	62.2	62.6	62.6	62.4	62.0	62.1	62.1	62.2
3-Month Treasury Bills	0.4	0.0	2.0	5.1	5.0	4.1	3.6	3.2	3.1	3.1
10-Year Treasury Bonds	0.9	1.4	3.0	4.0	4.2	4.3	4.3	4.2	4.1	4.0
Personal Savings Rate	15.3	11.6	3.3	5.6	5.4	4.6	4.0	4.0	4.5	5.8
Current Account (% of GDP)	-2.6	-3.7	-3.8	-3.4	-4.0	-3.7	-3.3	-3.1	-3.0	-1.8
Federal Net Borrowing (% of GDP)	-14.4	-12.7	-4.5	-7.3	-7.2	-6.3	-5.9	-5.7	-6.0	-6.6

Financial Stability & Outlook Risks



Select Risks to the Outlook	
Negative	Worsening geopolitical conflicts
	Continuing trade tensions
	AI Apocalypse (mass job losses, other)
	Sustained high inflation
	Continuing political turmoil
Positive	Unsustainable federal debt
	Enhancements to U.S. competitiveness: public infrastructure, permitting reform, ...
	End of conflict with Iran, Russia-Ukraine,...
	Rebuilding of US munitions & hardware
	Sensible, stable trade policy
	Sensible, stable energy policy
	AI-supported productivity gains, economic growth, improved well-being

This selection of indicators on private financial positions seems fairly benign conditions at present, despite headwinds and turmoil of 2025-2026.

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History of Inforum

- Founded in 1967 to improving business planning, government policy analysis, and the general understanding of the economic environment.
- Builds and applies structural economic models of U.S. and other economies.
- Works with government and private sector research sponsors.
- Trains graduate, undergraduate, and other students.
- Maintains a world-wide network of research associates.

Why Use Economic Models?

- Produce economic and social data – raw material for reports and studies – in comprehensive data sets useful for analysis.
- Building models assists and tests economists' understanding on how the economy works.
- Assists the economic forecasting process. Leverages the historic record to detect likely future trends. Provides a comprehensive and consistent framework to assess assumptions and structure of an economic forecast.
- Simulates “counterfactual” details to produce alternative scenarios and/or to evaluate policy measures or exogenous economic shocks.

Economic Models: A Comparison

- Macro models

- Based on time series data, econometrically estimated. Good dynamic properties.
- Little industry detail. Do not show relationships between industries.
- Example: Inforum quarterly forecasting model.

- Static Input-Output (IO)

- IO allows for detailed identification of the flow of spending impacts on industry-level production and employment.
- Static framework does not recognize macroeconomic constraints.

- Interindustry-Macroeconomic (IM) Models

- Pioneered at Inforum, with support from research sponsors, PhD students, and partners.
- Example: Inforum Lift model.

LIFT: Inforum's Model of the U.S. Economy

- Long-term Interindustry Forecasting Tool (LIFT) is an Interindustry-Macro (IM) model.
 - Sectoral detail: Production, prices, jobs, investment, consumer spending, foreign trade, and factor income (wages, profits, depreciation), etc.
 - Government: Defense, Nondefense, S&L. Extensive revenue, consumption and investment, transfers, and other detail.
 - Macrovariables:
 - Aggregates of the underlying industry forecasts: GDP, net exports, unemployment rate, aggregate price level,
 - Other macro variables: Savings rate, interest rates,
- LIFT is particularly useful in addressing questions involving interactions between industries, as well as the interplay between industry and macroeconomic relationships.

The LIFT Model

- The Current Edition (Recently Retired)
 - Interindustry structure and information derived from BEA benchmark 2012 IO and 1997-2021 annual IO tables.
 - Industry data integrated and reconciled to NIPA in real and nominal terms (2012 NIPA Benchmark).
- The Next Edition (Entering Service Now)
 - Interindustry structure and information derived from BEA benchmark 2017 IO and 1997-2023 annual IO tables.
 - Industry data integrated and reconciled to NIPA in real and nominal terms (2017 NIPA Benchmark).
- Time series of real IO Tables from 1997.
- Industry and commodity definitions harmonized with BEA NAICS IO and industry data.
- Consistent industry definitions for investment, employment, and value added.

Forecasting Assumptions: Exogenous

- Energy prices (EIA)
- Health Care Spending (CMS)
- Transfers: Social Security (SSA), Medicare & Medicaid (CMS)
- Federal Fiscal policy (CBO)
- Population Growth (CBO)
- International Outlook (Inforum and other)

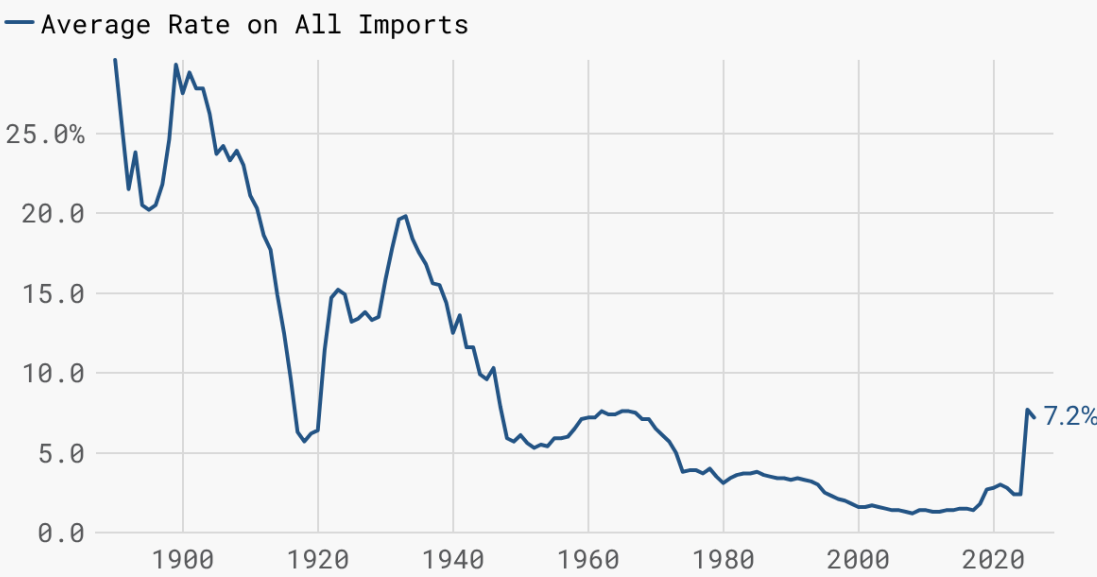
Forecasting Assumptions: Long-Run

- Labor force guided by population and participation rate projections
 - Unemployment rates near NAIRU imply employment
 - Labor productivity growth implies real GDP
- Inflation rates near 2%
- (Marginally) Sustainable financial balances
 - Stable personal savings rates
 - Current Account / GDP
 - Government Debt / GDP

Economic Slack, CPI Inflation

Trump's Effective Tariff Rate Is the Highest Since 1967

Average Effective Tariff Rate on All Goods Imports, Historical Rates from 1890-2025, Estimated Rate for 2026 Under Trump's Imposed Tariffs



Note: Excludes the impact of refunds for illegally collected tariffs.
Source: US Census Bureau; US Treasury; Tax Foundation calculations.



US Tariffs Have Changed More Than 50 Times Under Trump

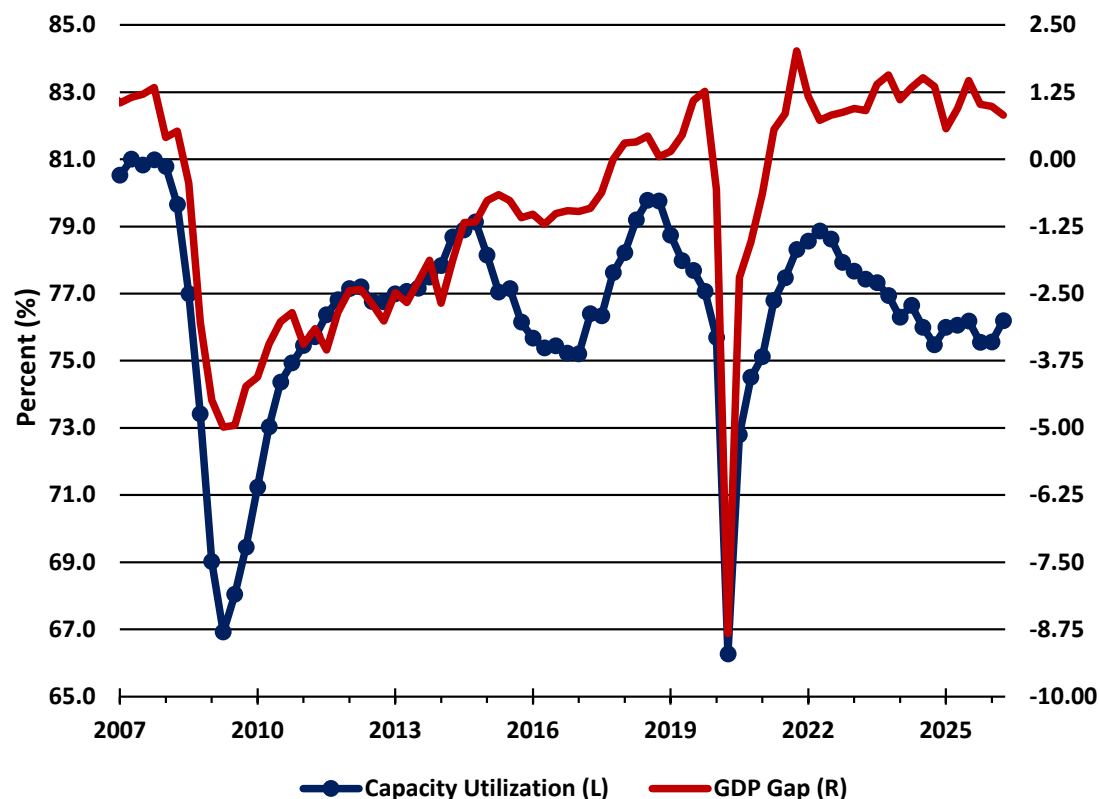
Weighted Average Applied Tariff Rate on 2024 US Import Mix



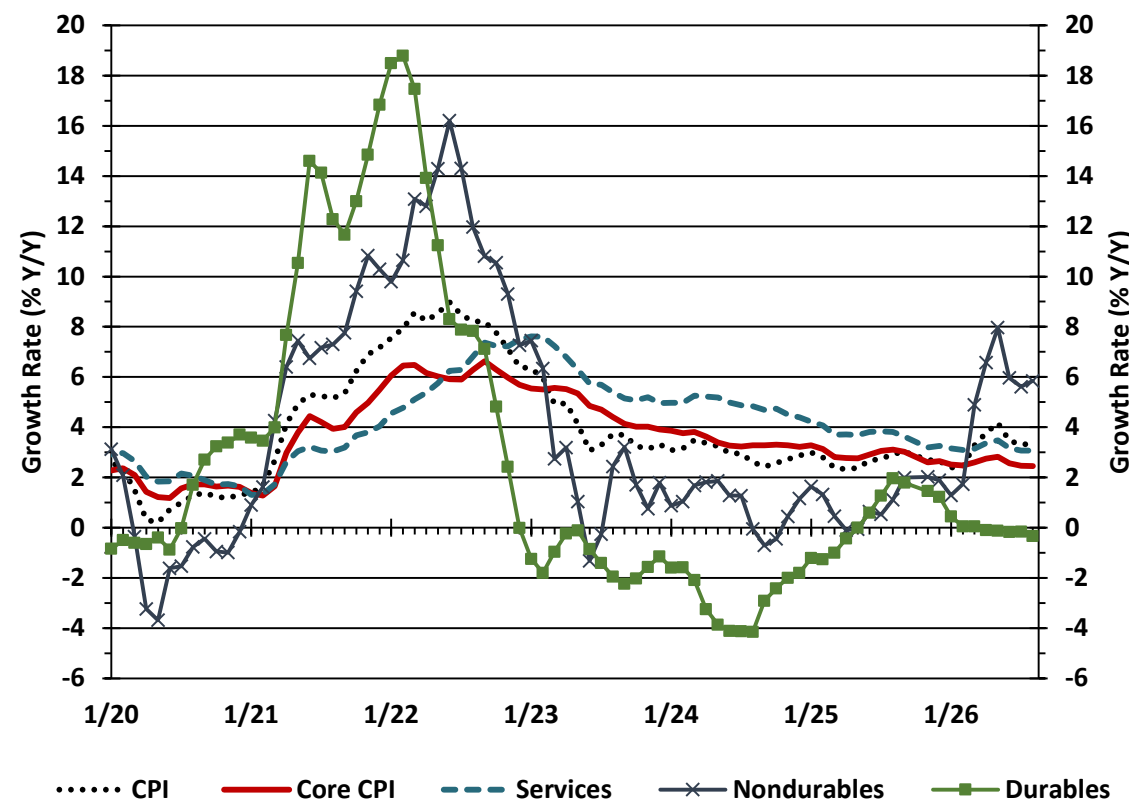
Note: Chart includes major changes in tariff policy starting from February 2025 and scheduled through the end of 2026. Weighted average applied tariff rate is based on 2024 import mix with adjustments for USMCA compliance.
Source: Tax Foundation estimates.



Economic Slack, CPI Inflation



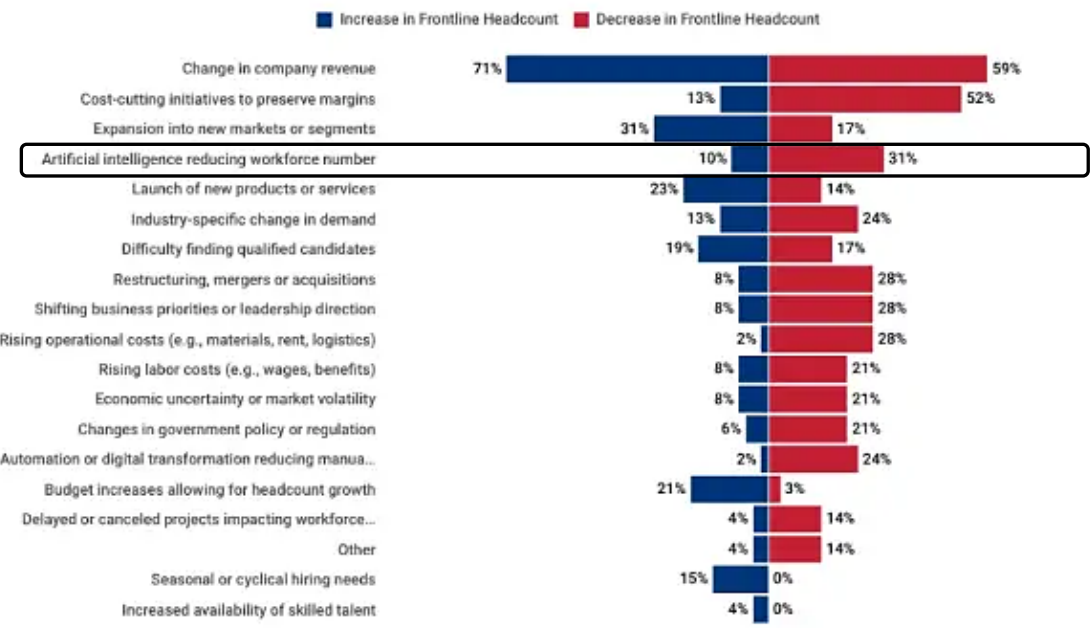
Capacity utilization rose but remains lower (76.2%).
GDP exceeds potential by 0.8%.



Inflation is rising for durable and recently for nondurable goods. Effects of tariff increases not yet obvious in broad price measures, but Y/Y inflation is rising.

Tech Revolution: Debt Remedy?

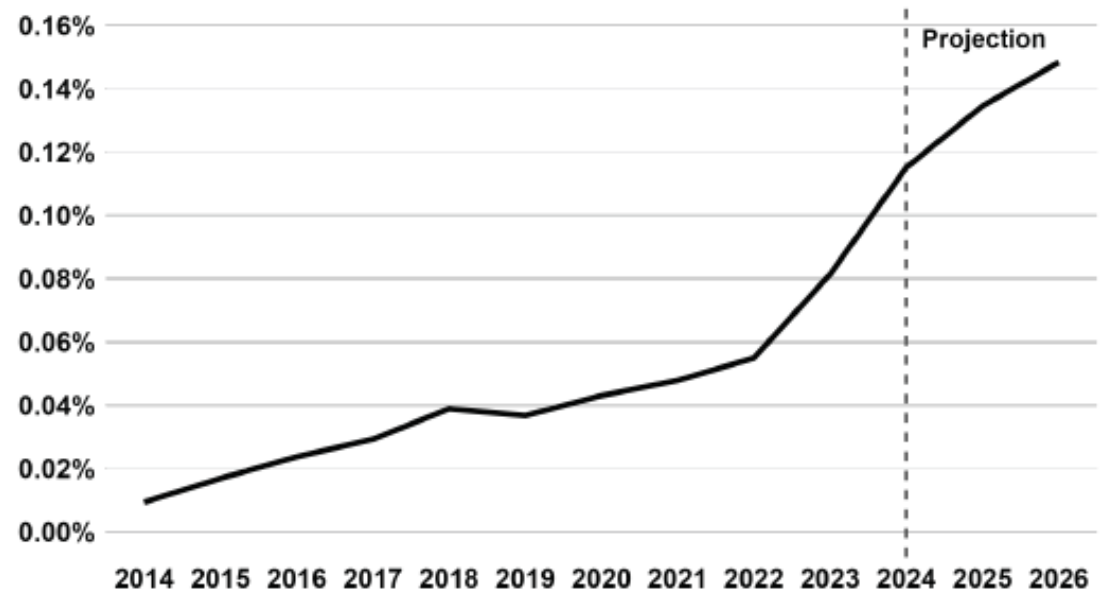
Primary Factors Driving Increase/Decrease in Frontline Headcount in 2025



Source: 2024-26 Financial Benchmarks Report for U.S. Companies, Revenue and Pricing Module, Survey of 1,695 Senior Executives, ChiefExecutive.org

ChiefExecutive

Figure 3. Data Center Construction Spending (% of GDP)



SOURCE: RAND Analysis using historical and projected data on data center construction spending are from, respectively, the U.S. Census Bureau (2025c) and AIA (2025). Historical and projected data on GDP are from, respectively, U.S. Bureau of Economic Analysis (National Income and Product Accounts, Table 1.1.5) and CBO (2025a).
 NOTE: Data center construction spending projections are based on the AIA (2025) Consensus Construction Forecast, indicating a 21.9 percent increase in 2025 and a 14.6 percent increase in 2026.

AI adoption accounts for substantial headcount reduction, though it partially is mitigated by AI-related hiring.

RAND: AI-boosted GDP could reduce federal debt/GDP ratio