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Consumer Outlook Analysis Report 2026

Household Spending, Financial Constraints, and the Outlook Through 2027

With a Maryland and Baltimore-Area Supplement

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Abstract

This report presents the first edition of Crimson Business Consulting's annual assessment of the United States consumer, with a supplement on Maryland. It synthesizes official statistics, central-bank and industry survey data, corporate disclosures, and market-based forecasts released through September 10, 2026, and organizes them within a four-part framework: flows (income and spending), stocks (balance sheets and credit), expectations (sentiment and policy), and distribution (the composition of demand across income and wealth groups). The evidence indicates a consumer who continues to spend in nominal terms while purchasing fewer units, financed by a personal saving rate near 3% and by a temporary surge in tax refunds. Real average hourly earnings declined 0.2% over the year to July 2026, headline PCE inflation stands at 3.7%, and an energy shock associated with the U.S.–Iran conflict has raised gasoline prices 32% year over year. Household debt of \$18.8 trillion has not produced a broad rise in delinquency, but stress is concentrated in credit cards, subprime auto credit, FHA mortgages, and federal student loans. Distributional evidence is contested: card-transaction data show income cohorts converging in nominal spending growth, while survey, credit, and firm-level evidence indicate widening divergence in real discretionary capacity. The policy environment through 2027 is characterized by a Federal Reserve leaning toward tightening, the reversal of the 2026 refund windfall, and scheduled reductions in health and nutrition benefits. Three scenarios are developed. For Maryland, the analysis documents a partial recovery from the 2025 federal workforce contraction alongside above-average household cost burdens. The report closes with planning implications for small and mid-sized enterprises and a methodology intended to be repeated annually.

Keywords: consumer spending, household debt, real wages, inflation, consumer sentiment, K-shaped economy, Maryland economy, small business planning.

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1. Introduction

1.1 Purpose and scope

Consumer spending accounts for roughly two-thirds of U.S. gross domestic product, and for the small and mid-sized enterprises (SMEs) that make up Crimson Business Consulting's client base it is, in practical terms, the entire demand side of the business. Decisions about inventory, pricing, hiring, and capital commitments are all bets on what customers will be able and willing to spend over the next twelve to twenty-four months. Those bets are usually made on the basis of a firm's own recent sales, which, in an inflationary period, is an unreliable guide: nominal revenue can rise while the number of customers and the number of units sold fall.

This report is intended to be the first in an annual series. Its purpose is to establish a disciplined, source-verified picture of the consumer's condition at a fixed point in each year, to project the principal forces acting on the consumer over the following twelve to twenty-four months, and to translate that projection into planning guidance for owner-operated businesses. Because Crimson's practice is concentrated in Maryland, the report adds a state and Baltimore-area supplement in which the national findings are re-examined against local labor, housing, cost, and fiscal conditions.

The 2026 edition is dated September 10, 2026. Several significant data releases were scheduled within days of that date (the August Consumer Price Index and the University of Michigan preliminary September sentiment reading on September 11; the Federal Open Market Committee decision and August retail sales on September 16). Those releases are not incorporated. Appendix B lists the release calendar so that readers can update the key figures.

1.2 Research questions

The report addresses five questions. First, what is the current state of aggregate consumer spending, and how much of its growth is real rather than price-driven? Second, what are the principal financial constraints on households, including real income growth, saving, debt service, and credit access, and how are they distributed across income and wealth groups? Third, what is the relationship between reported consumer sentiment, which is near historic lows, and observed spending, which has remained resilient? Fourth, which policy and structural forces will act on the consumer through 2027, and with what timing? Fifth, how do these national conditions manifest in Maryland, and what do they imply for the planning decisions of SMEs?

1.3 Structure of the report

Section 2 describes the analytical framework, data sources, verification procedure, and scenario method. Section 3 summarizes the macroeconomic context. Sections 4 through 7 present findings on consumption and sentiment, income and prices, household balance sheets and credit, and distribution. Section 8 examines the policy and structural outlook through 2027. Section 9 is the Maryland supplement. Section 10 develops three scenarios. Section 11 draws planning

implications for SMEs and for consulting engagements. Section 12 states the limitations of the analysis and sets an agenda for the 2027 edition. A complete reference list in APA format and three appendices follow.

2. Methodology

2.1 Analytical framework

The analysis is organized around four lenses that together describe the household sector's capacity and willingness to spend. The *flow* lens examines current income and current outlays: nominal and real personal consumption expenditures, retail sales, wage growth, and the personal saving rate. The *stock* lens examines balance-sheet position: the level and composition of household debt, delinquency transitions, debt service relative to income, liquid savings, and asset holdings. The *expectations* lens examines forward-looking measures: consumer sentiment and confidence indices, inflation expectations, perceived job-loss probability, and the policy path implied by central-bank communication and market pricing. The *distribution* lens cuts across the first three, asking how flows, stocks, and expectations differ between upper- and lower-income households, since aggregate measures can conceal divergent conditions.

The framework follows the general structure of institutional consumer-outlook publications such as the Federal Reserve's *Economic Well-Being of U.S. Households* series, the Federal Reserve Bank of New York's *Quarterly Report on Household Debt and Credit*, and industry consumer-pulse reports, but is adapted to the decision needs of small firms by adding an explicit unit-versus-dollar decomposition and a planning section.

2.2 Data sources and selection criteria

Primary official sources were used wherever available: the Bureau of Economic Analysis (personal income and outlays; GDP), the Bureau of Labor Statistics (CPI, employment, wages, employment cost index, JOLTS), the Census Bureau (retail sales), the Board of Governors of the Federal Reserve System (FOMC communications, consumer credit, distributional financial accounts, the SHED survey, the Senior Loan Officer Opinion Survey, and the Financial Stability Report), the Federal Reserve Banks of New York, Atlanta, Cleveland, Minneapolis, and Richmond, the Energy Information Administration, the Internal Revenue Service, the Congressional Budget Office, the Government Accountability Office, and, for Maryland, the Department of Labor, the Office of the Comptroller, the Department of Legislative Services, and the Public Service Commission.

Survey and industry sources were used for measures that official statistics do not provide: the University of Michigan and Conference Board sentiment indices; Bank of America Institute card-transaction data; TransUnion, Experian, and VantageScore credit-bureau data; the Mortgage Bankers Association delinquency survey; Fitch subprime auto ABS data; LendingTree, Bankrate, and Vanguard consumer-finance surveys; Edmunds vehicle-financing data; and holiday-season forecasts from Deloitte and PwC. Corporate disclosures from Walmart, Target, Dollar General, McDonald's, Chipotle, Affirm, Klarna, and the major card issuers were used as firm-level evidence of consumer behavior. Market-based forecasts were drawn from the Federal Reserve's Summary of Economic Projections, the CBO, the *Wall Street Journal* economist survey, Goldman Sachs, and the Polymarket and Kalshi prediction markets. For Maryland, local reporting from Maryland

Matters, the *Baltimore Banner*, the *Baltimore Sun*, and regional outlets supplemented official data.

Selection criteria were, in order: recency (the most recent release as of September 10, 2026), primacy (the originating source over secondary coverage), and comparability (series with an established methodology and a year-earlier comparison). Where only secondary coverage of a primary release could be retrieved, the figure is retained and flagged in the companion research file.

2.3 Verification procedure

All figures were compiled with their reporting period, release date, and source URL in a companion research file, which serves as the audit trail for this report. Nine load-bearing figures were independently re-verified against the primary release page on the compilation date: the New York Fed's total debt, card balance, and delinquency-transition figures; the BEA saving rate and PCE price indices; the University of Michigan and Conference Board index values; the July CPI components; Maryland's July labor statistics; the July FOMC vote; the identity and start date of the Federal Reserve Chair; and the September FOMC meeting dates. One discrepancy was found and corrected (the FOMC meeting dates). Known conflicts between sources are reported rather than resolved by selection, and are enumerated in Section 12.

2.4 Scenario method

Section 10 develops three scenarios for the period through the end of 2027. The scenarios are narrative rather than model-based. Each is defined by assumptions about the two exogenous drivers with the widest plausible range (the energy price path and the Federal Reserve's policy response) and by the scheduled policy events described in Section 8. Subjective probabilities are assigned as analytical judgments anchored to published forecaster and market estimates of recession risk; they are not derived from a statistical model and should be read as ordinal rankings of likelihood rather than point estimates.

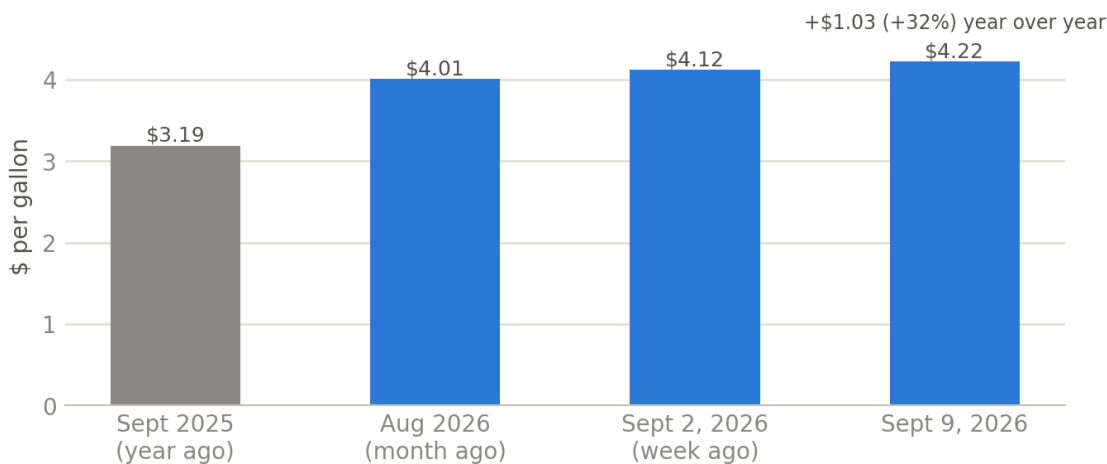
2.5 Limitations of the data

Four limitations are inherent in the data. First, the most recent months of any series are subject to revision; the preliminary benchmark revision to payroll employment published in August 2026 removed 79,000 jobs from the year to March 2026 and illustrates the scale of possible revisions (BLS, 2026b). Second, several important measures are defined differently across sources, notably credit card balances, the share of households living paycheck to paycheck, and Maryland's federal job losses; these are treated explicitly in the text. Third, survey measures of sentiment have, since 2020, diverged persistently from observed spending, so their predictive value is lower than in prior cycles. Fourth, state-level data lag national data by one to three months and are often available only in non-seasonally-adjusted form.

3. Macroeconomic Context

The 2026 consumer environment has been shaped by three developments. The first is an energy shock. The U.S.–Iran conflict that began in February 2026 and the associated disruption to shipments through the Strait of Hormuz pushed crude oil above \$100 per barrel at several points during the year, most recently on September 8–10 following U.S. strikes on tankers linked to the Islamic Revolutionary Guard Corps (NPR, 2026b). The AAA national average price of regular gasoline was \$4.22 on September 9, 2026, compared with \$3.19 a year earlier (AAA, 2026). The EIA's September outlook assumes Brent crude averages \$91 in 2026 and \$74 in 2027, with Middle East output remaining below pre-conflict levels until the second quarter of 2027 (EIA, 2026).

Figure 2. U.S. average regular gasoline price (AAA national average, \$/gallon)



Source: AAA (2026). Retrieved September 9, 2026.

The second is a change in the inflation trajectory. Headline CPI inflation, which stood at 2.4% in January and February 2026, rose to a peak of 4.2% in May before easing to 3.4% in July; the PCE price index followed a similar path to 3.7% (BLS, 2026a; BEA, 2026a). Core measures rose less, but tariff pass-through became measurable during the year, and AI-related capital spending added to both equipment prices and construction costs (Federal Reserve Bank of Minneapolis, 2026).

The third is a change in monetary-policy leadership and direction. Kevin Warsh took office as Chair of the Federal Reserve on May 22, 2026 (Board of Governors, 2026j). The FOMC held the federal funds target range at 3.50–3.75% at its July meeting by a vote of 9–3, with the three dissenters preferring an increase of 25 basis points (Board of Governors, 2026b). Nine of eighteen participants in the June Summary of Economic Projections anticipated at least one increase during 2026, and the median projection placed the policy rate at 3.8% at the end of 2026 and 3.6% at the end of 2027 (Board of Governors, 2026e). As of September 3, futures markets priced roughly a 70% probability of an increase at the September 15–16 meeting (Yahoo Finance, 2026c).

Against this backdrop, real GDP grew 1.5% at an annual rate in the second quarter of 2026 after 2.1% in the first, with real consumer spending accelerating to approximately 3.4% from 0.5% (BEA, 2026b). The labor market has been characterized by low layoffs and low hiring: the unemployment rate was 4.1% in August, the three-month average of payroll gains was 71,000, the hires rate was 3.2%, and the quits rate 1.9% (BLS, 2026b, 2026e).

4. Findings I: Consumption and Sentiment

4.1 Aggregate spending

Nominal personal consumption expenditures rose 0.2% in July 2026, but real PCE rose by less than 0.1% after a 0.4% increase in June (BEA, 2026a). The composition was notable: nominal services outlays rose \$86.2 billion while goods outlays fell \$49.9 billion. The second-quarter acceleration in real consumer spending to roughly 3.4% at an annual rate, which contributed approximately 2.3 percentage points to GDP growth, followed a first quarter in which spending grew only 0.5% (BEA, 2026b). The FOMC minutes for July record that staff regarded consumer spending as having "firmed," while participants observed that the strength was concentrated among higher-income households and that "low- and moderate-income households were under increasing strains, with inflation eroding their real disposable income" (Board of Governors, 2026d).

Goldman Sachs attributes the second-quarter strength primarily to the timing of tax refunds and projects that real consumer spending will slow to 1–1.5% at an annual rate in the second half of 2026 "as real cash flow stagnates" (Yahoo Finance, 2026a). This interpretation is consistent with the IRS filing-season data discussed in Section 8.2, which show total refunds up 17% year over year.

4.2 Retail sales and the unit–dollar decomposition

Advance retail and food services sales for July 2026 were \$763.6 billion, a decline of 0.6% from June and the first monthly decline since October 2025, against a consensus expectation of a small increase (Census Bureau, 2026). The control group, which excludes automobiles, gasoline, building materials, and food services and maps most directly to the goods component of PCE, fell 0.4%. On a year-over-year basis, total sales were 5.0% higher, sales excluding automobiles and gasoline 4.8% higher, and the control group 4.5% higher. Gasoline station sales were 16.2% higher, reflecting price rather than volume.

The distinction between nominal and real growth is central to the interpretation of these figures. With the PCE price index 3.7% above its year-earlier level and a substantial share of nominal retail growth attributable to fuel prices, real retail growth is on the order of 1–1.5%. This is an arithmetic inference from the published figures rather than a published statistic, and is presented as such. Firm-level unit data corroborate it. Circana's analysis of the back-to-school season found that July general-merchandise retail dollars fell 1.0% while units fell 2.0%, and that discretionary general-merchandise dollars fell 4.3% while units fell 3.9%; the season was characterized as "moderate at best: low on unit demand, with higher spending driven by pricing" (Circana, 2026). In the restaurant sector, Black Box Intelligence reported June same-store sales growth of 1.8% on traffic of –1.9%, noting that "check growth—not increased guest frequency—is driving industry performance" (Black Box Intelligence, 2026), and the National Restaurant Association's July

survey found 49% of operators reporting lower year-over-year traffic against 40% reporting higher (National Restaurant Association, 2026).

From the seller's side, the NFIB Small Business Economic Trends survey for August 2026 recorded a net -9% of owners reporting higher sales over the prior three months, the weakest reading since November 2025, while a net 31% reported raising average selling prices (NFIB, 2026). The combination of falling unit demand and rising prices is the defining characteristic of the 2026 consumer, and it implies that revenue-based measures of business health overstate underlying conditions.

4.3 Consumer sentiment and confidence

The University of Michigan Index of Consumer Sentiment stood at 51.7 in the final August 2026 reading, down 6.3% from July and 11.2% from a year earlier; the Current Conditions component was 51.9 and the Expectations component 51.5 (University of Michigan, 2026). Year-ahead inflation expectations were 4.0% and long-run expectations 3.3%. The survey director attributed the decline to "continued worries that inflation will remain elevated" and noted that weakness was concentrated among "older consumers, lower-income groups, and those without stock holdings." The Conference Board Consumer Confidence Index was 89.4 in August, a seven-month low; the Present Situation Index rose to 121.2 while the Expectations Index fell to 68.2 (Conference Board, 2026a). The Expectations Index has remained below 80, the level the Conference Board associates with recession within the following year, in every month since February 2025. The New York Fed's Survey of Consumer Expectations for August found 38.6% of respondents reporting that their household finances were worse than a year earlier and 32.6% expecting further deterioration, while the perceived probability of job loss declined to 13.8% (Yahoo Finance, 2026d).

4.4 The sentiment–spending divergence

The persistence of near-record-low sentiment alongside positive real spending growth requires explanation rather than dismissal. Two mechanisms account for most of the gap. The first is asset ownership. The S&P 500 was approximately 20% above its year-earlier level in August; Fidelity reported a record average 401(k) balance of \$155,800 at the end of the second quarter, up 13% year over year (Fidelity Investments, 2026); and mortgage-holder home equity reached a record \$18 trillion (ICE, 2026). Households that hold these assets report materially better sentiment and account for a disproportionate share of discretionary spending. The second is timing: the 2026 refund surge and, for higher-income households, bonus income concentrated in the first half of the year supported spending in a period when sentiment was already depressed.

The implication is that the sentiment indices and the spending data are each accurate descriptions of different halves of the household distribution. Sentiment is a reasonable guide to the condition of the lower- and middle-income, non-stockholding household; aggregate spending is a reasonable guide to the condition of the upper quintile. Section 7 develops this point.

4.5 Firm-level evidence

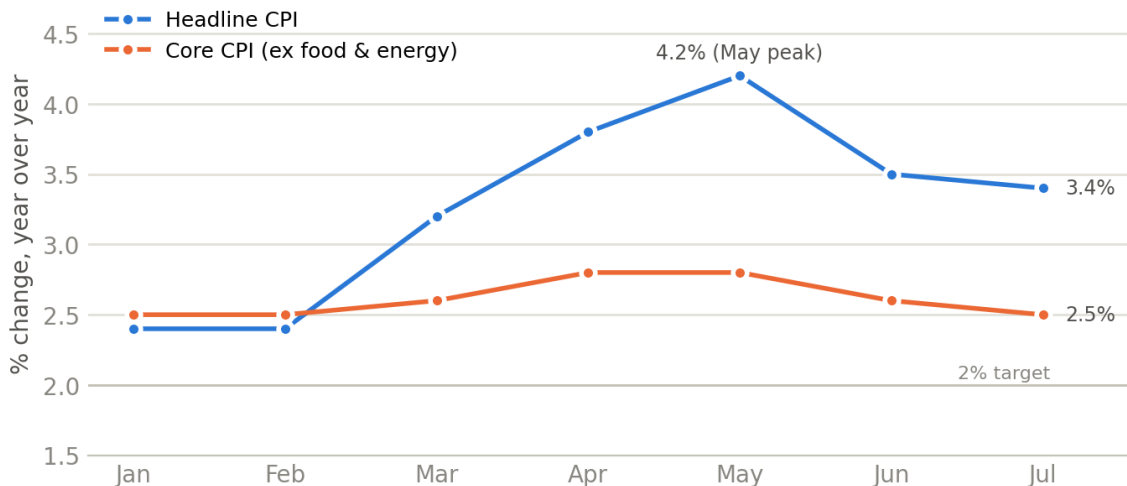
Corporate disclosures for the quarter ended July 2026 describe a consumer who is present but constrained. Dollar General reported its fifth consecutive quarter of traffic growth, with same-store sales up 3.5%, and characterized trade-down by households earning more than \$100,000 as having shifted "from sporadic to everyday"; its \$1 price-point assortment grew 16% (Dollar General, 2026). Walmart reported U.S. comparable sales growth of 2.6%, share gains "particularly among higher-income households seeking value," and "visible consumer trade-offs in June as gas prices exceeded \$4," and disclosed that approximately \$2.9 billion in refunded IEEPA tariffs had been redeployed into price reductions (Walmart, 2026). Target reported comparable sales growth of 3.8% with traffic up 3.6% (Target, 2026). McDonald's U.S. comparable sales rose 0.8% with negative guest counts, while Chipotle's transactions rose 1.0% (Chipotle, 2026). Deloitte's consumer survey found that 52% of respondents had cancelled at least one subscription in the preceding six months (WUUQ, 2026), and PwC's holiday outlook recorded planned gift spending down 2% and travel spending down 24%, with trade-down behavior "at every income tier" (PwC, 2026). Deloitte nonetheless forecasts holiday-season sales growth of 4.0–4.8% (Reuters, 2026).

5. Findings II: Income, Prices, and Real Purchasing Power

5.1 Inflation

The CPI for all urban consumers rose 3.4% over the twelve months to July 2026, with the core index excluding food and energy up 2.5% (BLS, 2026a). Energy prices rose 14.7%, gasoline 24.6%, and electricity 4.2%. Shelter rose 3.2%, food at home 2.7%, and food away from home 3.4%. Airline fares rose 25.5% and apparel 3.9%, the latter reflecting tariff pass-through. The PCE price index rose 3.7% with core PCE at 3.3% (BEA, 2026a); the unusually wide gap between core CPI and core PCE is attributed in part to the heavier weight of AI-related information-processing equipment, whose prices rose 12.2% year over year, in the PCE basket (Federal Reserve Bank of Minneapolis, 2026). The Cleveland Fed's nowcast for August CPI was 3.38% (Federal Reserve Bank of Cleveland, 2026). The producer price index for final demand rose 5.4% over the year to August, with diesel prices up 24.1% in the month, indicating that pipeline pressures were building rather than dissipating (BLS, 2026g).

Figure 1. Consumer price inflation, January-July 2026 (12-month % change)



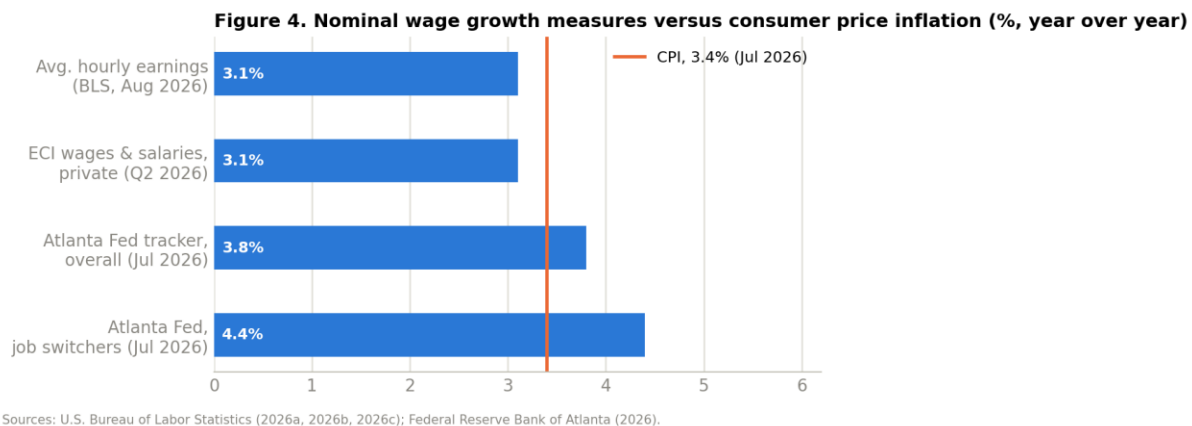
Source: U.S. Bureau of Labor Statistics (2026a); FRED series CPIAUCNS and CPILFENS, not seasonally adjusted.

Tariffs are a secondary but persistent contributor. Following the Supreme Court's February 20, 2026 decision invalidating tariffs imposed under the International Emergency Economic Powers Act, replacement measures under Sections 122, 301, 232, and 338 have maintained an average statutory rate of approximately 11.0%, projected to reach 11.8% by year-end; the Yale Budget Lab estimates the household cost at roughly \$1,100 per year, with the burden on the lowest income decile approximately three times that on the highest as a share of income (Yale Budget Lab, 2026). The Minneapolis Fed estimates that tariffs contributed 0.2–0.4 percentage points to core PCE inflation as of July 2026 and that pass-through, initially delayed, is now "markedly positive" (Federal Reserve Bank of Minneapolis, 2026). Harvard Business School's Pricing Lab estimates that consumers have borne approximately 43% of tariff costs and firms 57% (Harvard Business School, 2026).

5.2 Wages and real earnings

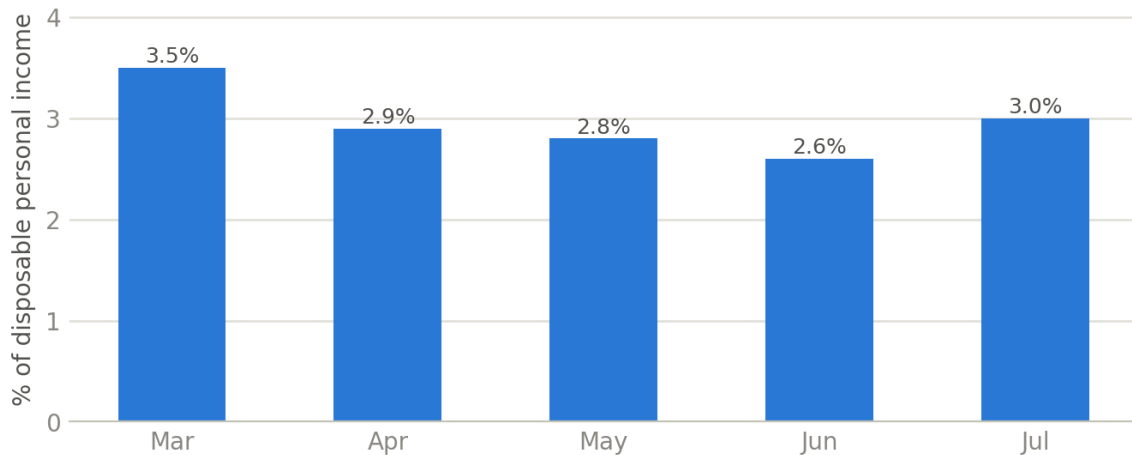
Nominal average hourly earnings rose 3.1% over the year to August 2026 (BLS, 2026b). Real average hourly earnings declined 0.2% over the year to July, and real average weekly earnings rose 0.1% owing to a longer workweek (BLS, 2026d). The Employment Cost Index for private-industry wages and salaries rose 3.1% nominally and fell 0.4% in real terms over the year to June (BLS, 2026c). The Atlanta Fed Wage Growth Tracker, which measures wage growth for continuously employed individuals, showed 3.8% overall in July, 3.6% for job stayers, and 4.4% for job switchers; by wage quartile, growth was 3.7% for the lowest and 3.8% for the highest, indicating that the low-wage premium of 2021–2023 has closed (Federal Reserve Bank of Atlanta, 2026). Workers aged 16–24 recorded 6.7% growth and those aged 55 and over 2.9%.

The sign of real wage growth therefore depends on the measure and the population. For the median continuously employed worker it is approximately zero; for the average worker on the establishment survey it is slightly negative; for job switchers and young workers it is positive; for older workers and for households with energy-intensive consumption baskets it is clearly negative.



5.3 Saving

The personal saving rate was 3.0% in July 2026, having declined from 3.5% in March to 2.6% in June (BEA, 2026a). Rates near or below 3% are low by historical standards and indicate that households have maintained consumption growth in excess of real income growth by reducing the share of income saved. The Federal Reserve's SHED survey, fielded in October 2025, found that 63% of adults could cover a \$400 unexpected expense with cash or its equivalent, unchanged from the prior year, that 12% could not cover it by any means, and that 55% had set aside three months of expenses (Board of Governors, 2026a). Bankrate's survey found 29% of adults with more credit card debt than emergency savings (Bankrate, 2026). Vanguard reported that 6% of 401(k) participants took hardship withdrawals in 2025, a record, with foreclosure or eviction prevention the most common reason (Vanguard, 2026).

Figure 3. Personal saving rate, March-July 2026 (% of disposable income)

Source: U.S. Bureau of Economic Analysis (2026a); FRED series PSAVERT.

5.4 The cost of essentials

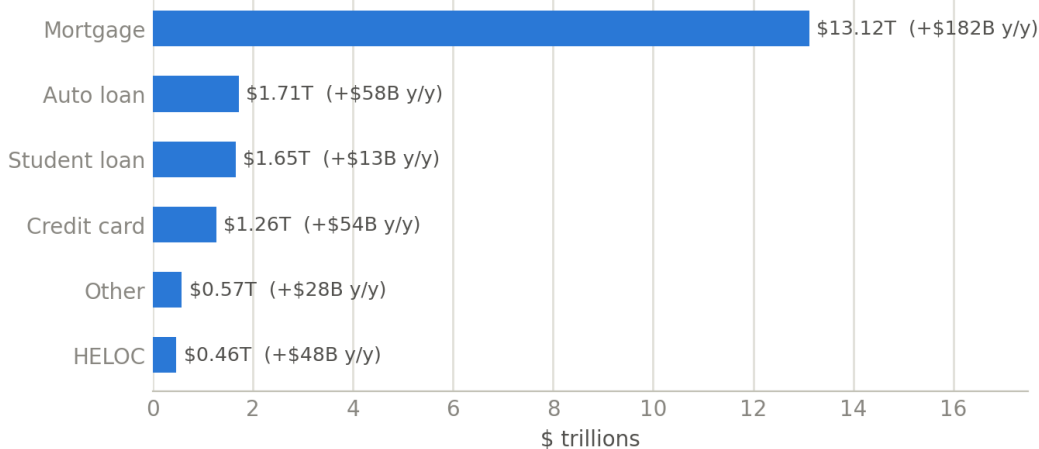
Beyond energy, several categories of non-discretionary spending have risen faster than income. The 30-year fixed mortgage rate was 6.71% on September 3, 2026 (Freddie Mac, 2026), and national home prices rose 1.5% over the year to June, a decline in real terms (S&P Global, 2026). Rent measures diverge by methodology: Zillow's asking-rent index rose 2.5% while Apartment List's new-lease index fell 0.8% and the CPI rent index rose 2.9%. Homeowners insurance premiums rose 12% in 2025 with a further 4% projected for 2026 (Insurify, 2026). The EIA projects residential electricity prices up 5.0% in 2026 on data-center demand, with increases exceeding 20% in several states (EIA, 2026; Utility Dive, 2026). Average net premiums for Affordable Care Act marketplace coverage rose 58% in 2026 following the expiration of enhanced premium tax credits, and effectuated enrollment fell from 22.1 million to 19.2 million (KFF, 2026a). Average auto insurance and vehicle payments are addressed in Section 6.3.

6. Findings III: Household Balance Sheets and Credit

6.1 Aggregate debt

Total household debt was \$18.771 trillion at the end of the second quarter of 2026, down \$13 billion from the first quarter and up \$383 billion from a year earlier (Federal Reserve Bank of New York, 2026a). Mortgage balances fell \$74 billion in the quarter to \$13.117 trillion; auto loans rose \$28 billion to \$1.713 trillion; credit card balances rose \$21 billion to \$1.263 trillion; student loans fell \$7 billion to \$1.651 trillion; and home equity lines of credit rose \$13 billion to \$459 billion, the fastest-growing category in percentage terms over the year. The Federal Reserve's Financial Accounts place the ratio of household debt to disposable income at 0.90 in the first quarter, near its lowest level since the late 1990s excluding the pandemic period (Board of Governors, 2026k), and the debt-service ratio at 11.2%.

Figure 5. Composition of U.S. household debt, Q2 2026 (total \$18.77 trillion)



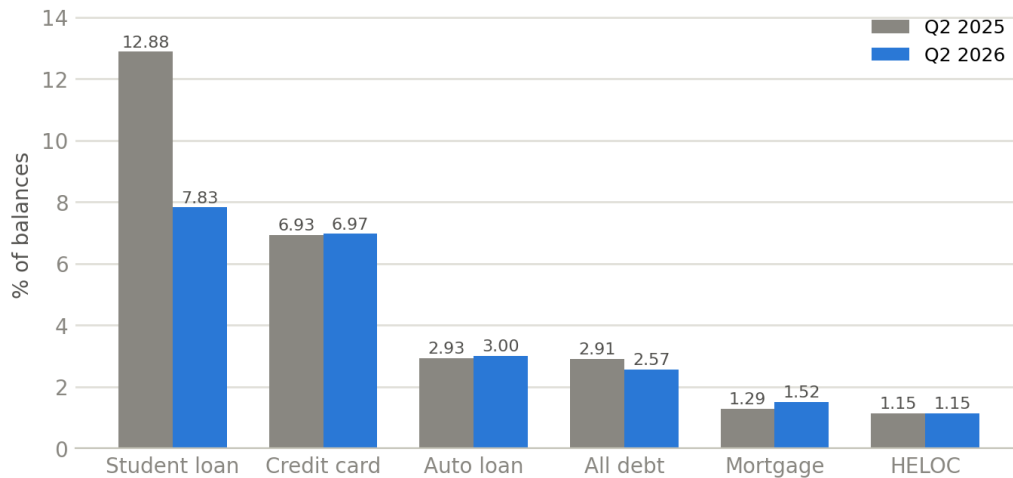
Source: Federal Reserve Bank of New York (2026a). Quarterly Report on Household Debt and Credit, 2026:Q2.

6.2 Delinquency

The share of outstanding debt in some stage of delinquency was 4.7% in June 2026, down 0.1 percentage point from March. The annualized rate of transition into 90-day or longer delinquency was 6.97% for credit cards (6.93% a year earlier), 3.00% for auto loans (2.93%), 1.52% for mortgages (1.29%), 1.15% for HELOCs (unchanged), and 7.83% for student loans (12.88%, a figure distorted by the resumption of reporting on defaulted federal loans). Across all products the transition rate was 2.57% against 2.91% a year earlier. The New York Fed characterized the position as follows: "Delinquency rates across most products have held steady over the past two years. Still, new delinquencies for auto loans and credit cards remain at elevated levels" (Federal Reserve Bank of New York, 2026a). Bank-level data are consistent: the charge-off rate on credit card loans at commercial banks fell to 3.82% in the second quarter from 4.19% a year earlier, and the major card issuers reported better-than-expected credit performance for the quarter, with

JPMorgan, Citi, and Capital One releasing reserves (Board of Governors, 2026l; Motley Fool, 2026).

Figure 6. Transition into 90+ day delinquency by product (% of balances, annualized)



Source: Federal Reserve Bank of New York (2026a, 2026b). Student loan figures are distorted by re-reporting of defaulted debt.

6.3 Segment-level stress

Credit cards

The average interest rate on credit card accounts assessed interest was 22.15% in the second quarter (Board of Governors, 2026f). Average balances per consumer were approximately \$6,600 across the three bureaus, with utilization near 30% (Experian, 2026; TransUnion, 2026a; VantageScore, 2026). Bankcard originations rose 11.8% year over year and unsecured personal loan originations 19.5%, while personal loan 60-day delinquency rose to 3.81% from 3.37% (TransUnion, 2026a). TransUnion's first-quarter analysis found that subprime borrowers' non-mortgage debt-to-income ratio had risen 143–176 basis points since 2019 against 29 basis points for super-prime borrowers (TransUnion, 2026b).

Auto credit

The average monthly payment on a new-vehicle loan reached a record \$777 in the second quarter, 20.3% of buyers committed to payments of \$1,000 or more, 23.9% financed over 84 months or longer, and the average down payment fell to its lowest level since 2020 (Edmunds, 2026). Fitch's index of 60-day delinquency on subprime auto asset-backed securities peaked at 6.90% in January 2026, a multi-decade high, before easing to 5.67% in June (Wolf Street, 2026). Repossession volumes at auction rose 11% year over year in the first half of 2026 (Jalopnik, 2026).

Mortgages

The MBA's National Delinquency Survey recorded an overall delinquency rate of 4.37% in the second quarter, up 44 basis points year over year, with the seriously delinquent rate up for a fourth consecutive quarter. FHA delinquency stood at 11.79%, up 122 basis points, and VA delinquency at 4.89% (Mortgage Bankers Association, 2026). The Federal Reserve's Financial Stability Report

identified distress among FHA and VA borrowers and low-down-payment recent purchasers as the principal mortgage-market vulnerability (Board of Governors, 2026g). Tappable home equity stood at \$11.7 trillion (ICE, 2026).

Student loans

Following the resumption of credit reporting on federal student loans, more than 17% of borrowers were 90 or more days past due, approximately 3.6 million borrowers were transferred to default in the fourth quarter of 2025 and first quarter of 2026, and newly defaulted borrowers experienced an average credit-score decline of 91 points; among first-quarter defaulters, 56% were also delinquent on credit cards and roughly 40% on auto loans (Federal Reserve Bank of New York, 2026d). The Department of Education paused involuntary collections through wage garnishment and Treasury offset on January 16, 2026; the pause remained in effect as of late June, and its status after July 1 could not be confirmed at the time of writing (National Association of Tax Professionals, 2026).

Buy now, pay later

LendingTree's 2026 survey found that 47% of BNPL users had made a late payment in the prior year, up from 41% in 2025 and 34% in 2024, and that 29% had used BNPL for groceries, up from 14% two years earlier (Chain Store Age, 2026). The Federal Reserve's SHED survey found 16% of adults had used BNPL in the prior year (Board of Governors, 2026a). Affirm reported 30-day delinquency slightly above the prior fiscal year with 44% of receivables non-prime (Investing.com, 2026), and Klarna reported credit-loss provisions of 0.52% of gross merchandise volume (Klarna, 2026).

6.4 Credit supply

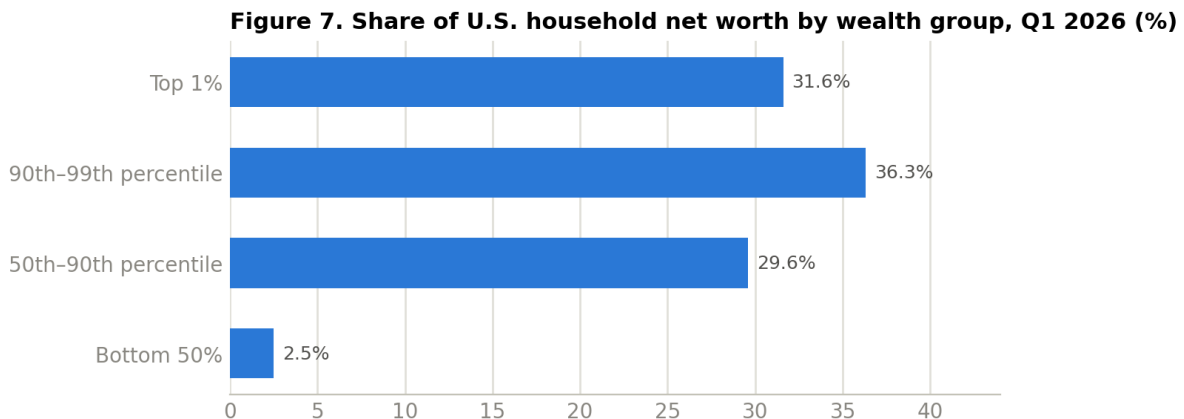
The July Senior Loan Officer Opinion Survey reported a modest net tightening of credit card standards and unchanged standards for auto and other consumer loans, with weaker demand for auto credit (Board of Governors, 2026h). The New York Fed's Credit Access Survey for June recorded an overall application rejection rate of 16.1%, down from 23.1% a year earlier, with the application rate at its highest since 2021 (Federal Reserve Bank of New York, 2026e). Credit supply, in short, is not the binding constraint on the consumer; the price of credit and the level of real income are.

7. Findings IV: Distributional Analysis

7.1 The case for a bifurcated consumer

The proposition that the U.S. consumer is "K-shaped"—that upper-income households are pulling away on the strength of asset gains while lower-income households are squeezed—is supported by several strands of evidence. The Federal Reserve's Distributional Financial Accounts place 31.6% of household net worth with the top 1%, 36.3% with the 90th–99th percentiles, 29.6% with the 50th–90th percentiles, and 2.5% with the bottom half, the last figure unchanged for five consecutive quarters (Board of Governors, 2026c). Moody's Analytics estimates that the top 20% of households by income account for approximately 60% of personal outlays, compared with roughly 50% in the late 1990s, and hold approximately 90% of equities (Fortune, 2026); TD Economics places the top two income quintiles at 61.4% of consumer spending in 2024 (TD Economics, 2026). Goldman Sachs projects discretionary cash-flow growth of 0.8% for the bottom income quintile in 2026 against roughly 6% for middle-income households, noting that the bottom quintile spends approximately four times as large a share of income on gasoline (Goldman Sachs, 2026). The FOMC minutes, the University of Michigan survey, and the corporate disclosures reviewed in Section 4.5 all describe the same pattern.

A widely cited estimate that the top 10% of households account for approximately half of consumer spending is methodologically contested; alternative estimates using BEA distributional data and different income definitions range from roughly 20% to 35% (TheStreet, 2025). This report does not rely on it.



Source: Board of Governors of the Federal Reserve System (2026c), Distributional Financial Accounts.

7.2 The counter-evidence: convergence in card data

Bank of America Institute's analysis of July card transactions, published under the title "The great convergence," reports that spending per household grew 5.4% year over year among lower-income households and 4.9% among middle-income households, with higher-income households excluding the top 5% converging toward those rates; after-tax wage growth was 5.2% for lower-income and 4.2% for middle-income households; deposit balances remained above inflation-

adjusted 2019 levels across all tiers; and card payoff rates rose across cohorts. Only the top 5% of households clearly outspent the rest, a pattern the Institute attributes to equity-market gains (Bank of America Institute, 2026).

7.3 Reconciliation

The two bodies of evidence are reconcilable. Nominal spending growth is converging across income groups because lower-income wages continue to grow in nominal terms and because lower-income households have limited ability to reduce spending on essentials; when the prices of gasoline, groceries, utilities, and insurance rise, their measured spending rises with them. Real discretionary capacity is diverging because those same essentials constitute a much larger share of a lower-income budget. Higher-income households, meanwhile, are visibly trading down—the Walmart and Dollar General disclosures are explicit on this point—which pulls their measured growth toward the mean. The distributional divide in 2026 is therefore better described as a divide in financial fragility and discretionary room than as a divide in headline spending growth. For a business, the practical corollary is that a lower-income customer base will show stable dollar sales, falling units, and high sensitivity to any income shock, while an upper-income customer base will show resilient volume that is unusually dependent on equity prices—a dependence the Federal Reserve staff identified in July as a material downside risk (Board of Governors, 2026d).

8. Policy and Structural Factors Through 2027

8.1 Monetary policy

The direction of monetary policy has reversed from the easing anticipated at the start of 2026. Chair Warsh's Jackson Hole remarks on August 28 stated that inflation "hasn't meaningfully improved," that price increases were broad-based across more than half of tracked items, and that AI infrastructure investment was adding to inflation through construction and semiconductor costs; the probability of a September increase priced in futures markets rose from roughly one-third to more than one-half on the speech (NPR, 2026a; PBS, 2026). The June projections imply a policy rate of approximately 3.6% at the end of 2027, and the July minutes record that staff judged inflation risks to be "skewed to the upside" (Board of Governors, 2026d, 2026e). For households, this implies that credit card rates near 22%, auto rates near 7%, and mortgage rates in the mid-6% range persist through the forecast horizon.

8.2 Fiscal policy: the refund reversal

The 2025 tax legislation enacted several individual provisions retroactively—an enlarged child tax credit, a higher standard deduction, a \$40,000 SALT cap, a \$6,000 senior deduction, and deductions for tips, overtime, and auto-loan interest—without a corresponding update to 2025 withholding tables, so that the tax reduction was delivered as refunds in the spring of 2026 (Tax Foundation, 2026). Through April 17, 2026, the IRS had issued 90.4 million refunds totaling \$296.1 billion, up 17.0% year over year, with the average refund at \$3,275, up 11.3% (IRS, 2026). Withholding tables were updated for tax year 2026, so refunds in the 2027 filing season are expected to normalize. The 2026 windfall thus represents a one-time transfer that supported second-quarter spending and will not recur.

8.3 Tariffs

Tariff policy is a steady rather than an episodic influence. Refunds of the invalidated IEEPA duties, which totaled approximately \$166 billion, are being paid to importers of record—\$106.6 billion had reached Treasury's disbursement stage by late August—and are being partly recycled by large retailers into price reductions (GHY, 2026; Walmart, 2026). No consumer-facing rebate exists. Small importers without refund claims do not share in this benefit, which places them at a temporary pricing disadvantage relative to national chains. Additional Section 338 tariffs of 50% on Canadian dairy, alcohol, and automobiles took effect August 22, 2026, and Canada's retaliation took effect September 8 (Dorsey, 2026).

8.4 Health and nutrition benefits: the 2027 cliff

Several scheduled changes reduce lower-income household resources during 2027. Enhanced ACA premium tax credits expired at the end of 2025; insurers have proposed a median 14% premium increase for 2027 on top of the 2026 increase (KFF, 2026b). Twice-yearly Medicaid

eligibility redeterminations for expansion enrollees begin in late 2026, and work requirements of 80 hours per month must be in place by the end of 2026 or early 2027 (AARP, 2026). States' share of SNAP administrative costs rises from 50% to 75% on October 1, 2026, and state cost-sharing of benefits begins October 1, 2027; AARP estimates that approximately 3 million recipients could lose benefits. The concentration of these changes in the first three quarters of 2027 is the principal reason prediction markets price 2027 as materially riskier than 2026.

8.5 The labor market

The labor market's principal feature is low turnover rather than rising unemployment. Announced job cuts were 41% lower through August 2026 than in the same period of 2025 (Challenger, Gray & Christmas, 2026), initial jobless claims were 206,000 in the week of September 5, and the unemployment rate was 4.1% (BLS, 2026b). Hiring, however, is weak: the hires rate of 3.2% and quits rate of 1.9% are at or below their 2019 levels (BLS, 2026e); the three-month average payroll gain was 71,000; and the preliminary benchmark revision implies underlying job growth of roughly 11,000 per month in the year to March 2026. Long-term unemployment accounts for 27.0% of the unemployed, and recent college graduates face an unemployment rate of approximately 5.6% and an underemployment rate of 42% (Federal Reserve Bank of New York, 2026f). The federal civilian workforce contracted by roughly 256,000 positions, or more than 11%, between December 2024 and January 2026 (GAO, 2026). In such an equilibrium a job loss takes longer to reverse, which raises the effective cost of any income shock even when the headline unemployment rate is stable.

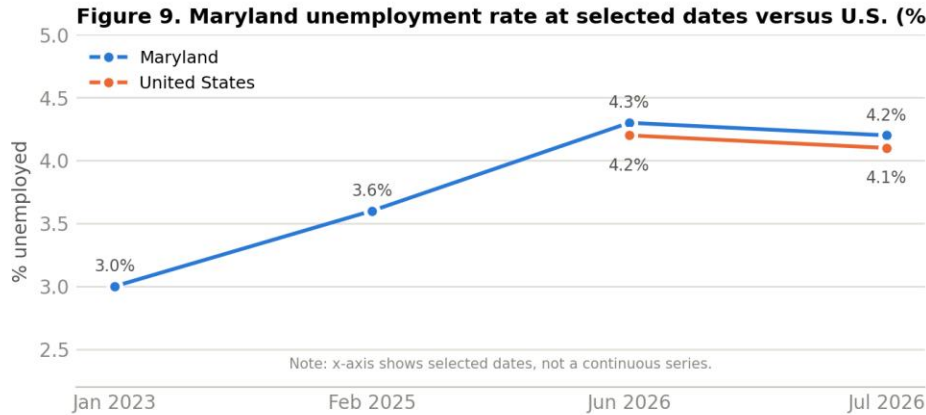
9. Maryland Supplement

9.1 Federal exposure

Maryland's household sector is distinguished from the national picture chiefly by its exposure to the federal government. Federal wages and federal retirement income together represent 9.2% of Marylanders' adjusted gross income; federal employment accounts for approximately 6% of jobs in the state but 10% of wages; and total federal activity, including contracts, grants, and transfers, approaches 30% of state GDP (Office of the Comptroller of Maryland, 2025a; Brookings Institution, 2026). The state lost 24,900 federal jobs in calendar 2025, the largest decline of any state (Maryland Matters, 2026a); measured from January 2025 to spring 2026, the Comptroller and Brookings each place the decline at approximately 29,000 positions, or 18% of the state's federal workforce. Federal-employee unemployment claims, which peaked at 1,357 in the week of the October 2025 government shutdown against a 2024 baseline of roughly 11 per week, had stabilized at a few dozen per week by August 2026 (Towson University RESI, 2026). Contractor reductions continue: 2026 WARN notices from Leidos, GDIT, Peraton, BAE Systems, and Amentum cover approximately 900 positions, with Amentum's Hanover reductions effective in October and November 2026 (Maryland Department of Labor, 2026b). Social Security Administration staffing in Maryland declined 16% between January 2025 and April 2026 (CBPP, 2026). A continuing resolution funds the federal government only through December 11, 2026 (CRFB, 2026).

9.2 Labor market

Maryland's recovery from the 2025 contraction is real but incomplete. The state added 29,800 nonfarm jobs between January and July 2026, a 1.1% rate against 0.3% nationally, and recorded the only statistically significant monthly gain of any state in July (Maryland Department of Labor, 2026a). Employment nonetheless remained approximately 26,500 jobs, or 1%, below its level of a year earlier as of the second quarter (Office of the Comptroller of Maryland, 2026). The unemployment rate was 4.2% in July against 4.1% nationally, up from 3.6% in February 2025 and 3.0% in January 2023 (Maryland Department of Labor, 2026a; Capital News Service, 2026). Baltimore City's unadjusted rate was 5.7% and the Baltimore metropolitan area's 4.2%. Wage growth lags the nation: the state's average weekly wage rose 3.0% over the year to the fourth quarter of 2025 against 4.2% nationally, and seven of the state's eight largest counties lost employment over that year, with Montgomery County down 2.6% (BLS, 2026f). The Department of Legislative Services projects wage and salary income growth of 2.7% and employment growth of -0.3% for 2026 (Maryland Department of Legislative Services, 2025).



Sources: Maryland Department of Labor (2026a); Maryland Matters (2026a); Capital News Service (2026).

9.3 Household cost burdens

Maryland households carry above-average financial obligations. The state ranks third in average credit card balance per user at approximately \$9,047 on 2024 data (WalletHub, 2026), first or second in average federal student loan balance at approximately \$45,500 across roughly 845,000 borrowers (EducationData.org, 2026; SmartAsset, 2026), and tenth in cost of living (FOX 5 DC, 2026). Full-coverage auto insurance averages \$1,802 per year statewide, 21% above the national average, and approximately \$2,976 in Baltimore (MoneyGeek, 2026). Baltimore Gas and Electric customers absorbed approximately \$16 per month in PJM capacity charges during 2025–26 in addition to January 2026 distribution increases; approximately 290,000 BGE customers were in arrears as of March 2026; and BGE's pending request for a \$156.1 million electric distribution increase, approximately \$8 per month for the average customer, is scheduled for decision in January 2027 (Baltimore Banner, 2026; Maryland Public Service Commission, 2026; Maryland Matters, 2026b). Maryland's foreclosure rate ranked seventh-highest nationally in July 2026, and first-quarter filings were 43.9% above their year-earlier level (ATTOM, 2026).

9.4 Housing

The Baltimore metropolitan median sale price was \$425,000 in August 2026, up 2.4% year over year, with active inventory up 14.7%, new pending sales down 4.9%, and showings down 6.0%; Bright MLS anticipates a "slower fall housing market" (Bright MLS, 2026). The statewide median was \$433,000 in June, flat for two quarters, and first-half residential permits declined significantly (Office of the Comptroller of Maryland, 2026). Baltimore City median rent was \$1,514 by Apartment List's measure, up 2.4% year over year, though Zillow's measure was flat (Apartment List, 2026). The 2026 triennial reassessment raised residential values 13.2%, phased in over three years (Conduit Street, 2025).

9.5 State fiscal position

The state's finances exhibit the same two-tier pattern as its households. General fund revenue for fiscal 2026 was \$28.06 billion, 9.1% above the prior year and \$563.5 million above estimate,

driven by a 9% increase in personal income tax receipts that in turn reflected a 20% increase in non-wage income—capital gains, dividends, and business income—following the introduction of new top brackets of 6.25% and 6.5% and a 2% capital-gains surcharge; sales tax receipts of \$6.48 billion were approximately 1% above estimate and corporate income tax fell 5.3% (Southern Maryland Chronicle, 2026). The Comptroller has observed that high-income activity "can mask the struggles of those on the downward layer of the K" (Office of the Comptroller of Maryland, 2025b). The fiscal 2027 budget of \$70.8 billion was enacted without new taxes, but structural deficits are projected at \$2.57 billion for fiscal 2028, rising to \$3.44 billion by fiscal 2030 (Maryland Department of Legislative Services, 2026). A \$25 minimum wage bill failed in the 2026 session and is expected to return in 2027. The Board of Revenue Estimates meets on September 24, 2026.

9.6 Local demand indicators

The Richmond Fed's August survey of Maryland businesses recorded positive expected sales (+12.3) and strong wage pressure (+24.0) alongside negative employment (−5.3) and capital-expenditure (−6.3) intentions (Federal Reserve Bank of Richmond, 2026), and the September Beige Book reported that Fifth District consumers "favor experiential spending" and "pulled back elsewhere," with brick-and-mortar retail flat to negative (Board of Governors, 2026i). Ocean City's summer season was weak: May hotel revenue fell 24% year over year, Boardwalk convenience-store sales fell 22–28% in June and July, and operators cited pricing that had become "too exorbitant" (OC Today-Dispatch, 2026). Maryland casino revenue fell 6.0% year over year in August (Maryland Lottery and Gaming Control Agency, 2026). Countervailing indicators include Baltimore City's record-low first-half homicide count of 50, down 23.1% (Baltimore City Mayor's Office, 2026), a stabilized city population of approximately 570,000, the commencement of Harborplace redevelopment in fall 2026, and the Port of Baltimore's second-best year on record in 2025. Maryland fell from 26th to 49th in CNBC's 2026 business-climate ranking, and a Salisbury-area chamber survey found only 20% of small businesses comfortable with their cash flow (Inc., 2026; WMDT, 2026).

Table 1. Maryland indicator dashboard, September 2026

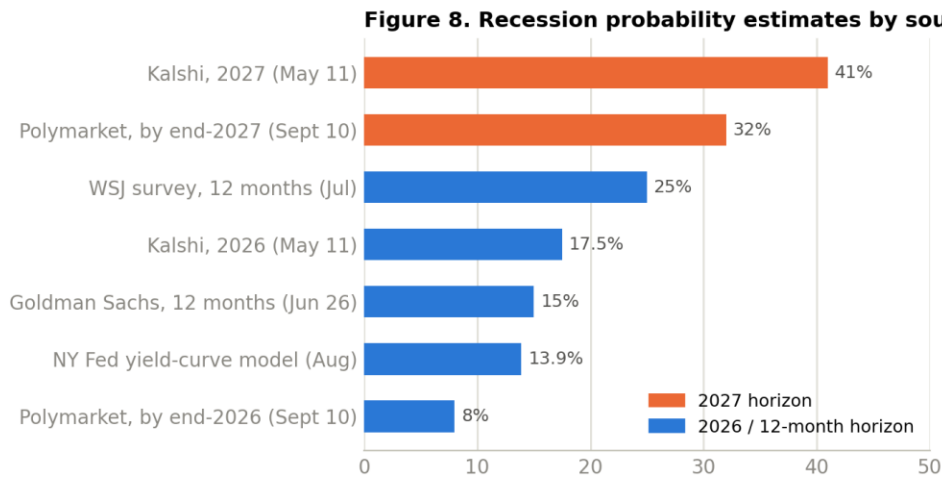
Indicator	Maryland	United States	Period	Source
Unemployment rate (SA)	4.2%	4.1%	Jul 2026	MD DoL; BLS
Payroll growth, Jan–Jul 2026	+1.1% (+29,800)	+0.3%	YTD 2026	MD DoL
Employment vs. year earlier	≈ −1% (−26,500)	≈ +0.2%	Q2 2026	Comptroller; BLS
Avg. weekly wage growth	3.0%	4.2%	Q4 2025 y/y	BLS QCEW
Labor force participation	63.8%	61.4%	Jul 2026	MD DoL
Federal jobs lost, CY2025	−24,900 (largest of any state)	≈ −256,000 (Dec 2024–Jan 2026)	2025	Governor's Office; GAO
Credit card balance per user	\$9,047 (3rd highest)	≈ \$6,600	2024 / 2026	WalletHub; bureaus

Indicator	Maryland	United States	Period	Source
Avg. federal student loan balance	≈ \$45,500 (1st–2nd)	≈ \$39,600	2025–26	EducationData; SmartAsset
Foreclosure rate	1 in 2,830 units (7th highest)	—	Jul 2026	ATTOM
Metro median home price	\$425,000 (+2.4%)	Case-Shiller +1.5%	Aug / Jun 2026	Bright MLS; S&P
Median rent (city)	\$1,514 (+2.4%)	\$1,390 (–0.8%)	Aug 2026	Apartment List
General fund revenue, FY2026	\$28.06B (+9.1%)	—	FY2026	Comptroller closeout
Structural deficit, FY2028	\$2.57B	—	Projected	DLS
Consumer confidence index	None published	89.4 (CB); 51.7 (UMich)	Aug 2026	—

Note. Dashes indicate no comparable figure. National credit card and student loan averages are approximate and drawn from bureau and EducationData.org figures; see the companion research file for definitions.

10. Scenario Analysis Through 2027

Three scenarios are developed for the period from the fourth quarter of 2026 through the end of 2027. They differ principally in the assumed path of energy prices and the Federal Reserve's response, and they share the scheduled policy events of Section 8. The probabilities are analytical judgments anchored to the published estimates summarized in Figure 8: a 25% twelve-month recession probability in the July *Wall Street Journal* survey, 13.9% from the New York Fed's yield-curve model, 15% from Goldman Sachs as of June, and prediction-market probabilities of 8% by the end of 2026 and 32% by the end of 2027 (Polymarket, 2026) and 17.5% for 2026 and 41% for 2027 (Yahoo Finance, 2026b).



Sources: Polymarket (2026); Kalshi via Yahoo Finance (2026); WSJ survey via Economic Greenfield (2026a); TheStreet (2026); FRBNY (2026c).

Table 2. Scenarios for the U.S. consumer through 2027

Dimension	Base case: "Grind" (≈55%)	Downside: "2027 squeeze" (≈30%)	Upside: "Energy relief" (≈15%)
Narrative	Oil follows the EIA path toward \$74; the Fed raises once or twice and holds; real consumer spending slows to 1–1.5% in H2 2026 and 1.5–2% in 2027; no recession, no relief.	Oil remains above \$90 into 2027 or equities correct 15% or more; the Fed tightens into a low-hiring labor market; refund normalization and benefit cliffs compound in Q1–Q3 2027; a mild recession with unemployment above 5%.	A ceasefire reopens Hormuz; gasoline falls toward \$3.30 by spring 2027; inflation returns toward 2.5%; the Fed holds or eases by late 2027; real wages turn positive.
CPI inflation, end-2027	2.5–3.0%	3.5% or higher, then falling as demand contracts	2.0–2.5%
Federal funds rate, end-2027	3.5–4.0%	Reduced to ≈3% after a hike-then-reverse cycle	≈3.25%
Consumer behavior	Units flat; dollars up 3–4%; trade-down persists; holiday 2026 +4% nominal	Units decline; delinquency rises from the tails inward; discretionary services (dining, travel, fitness) affected first	Sentiment recovers from record lows; pent-up lower-income demand released

Dimension	Base case: "Grind" (≈55%)	Downside: "2027 squeeze" (≈30%)	Upside: "Energy relief" (≈15%)
Maryland	Federal headcount flat; contractor attrition; revenue debate in 2027 session; BGE increase approved	December shutdown; state revenue shortfall forces mid-year cuts; foreclosure rank worsens	Federal stability permits housing and hiring to normalize
Confirming indicators	UMich 50–55; card 90+ transition ≈7%; gasoline below \$4 by year-end	UMich below 50; card transition above 7.5%; continuing claims above 1.9 million; S&P 500 –15%	Gasoline below \$3.50; UMich above 60; real average hourly earnings above +0.5%

Note. Probabilities are subjective analytical judgments (see Section 2.4), not model outputs.

Beyond 2027, several structural conditions persist under any scenario: a wealth distribution in which the bottom half of households holds 2.5% of net worth; a student loan system re-entering enforcement; tariffs of 11–12% as a standing feature of the price level; an electricity cost curve bent upward by data-center demand; and federal interest costs of roughly \$1 trillion per year. These conditions imply a consumer whose discretionary capacity grows slowly and whose sensitivity to prices and interest rates remains elevated for the remainder of the decade, independent of the business cycle.

11. Implications for Small and Mid-Sized Enterprises

11.1 Planning principles for owner-operated businesses

Budget in units, not dollars. The single most consequential analytical error available to an SME in 2026 is to treat nominal revenue growth as evidence of a healthy customer base. Firms should track transaction counts and unit volumes alongside revenue, restate at least two years of results in both terms, and build 2027 budgets on an assumption of flat units and 3–4% price growth. A revenue plan that requires unit growth should identify the specific source of that growth.

Identify the income composition of the customer base. The distributional findings of Section 7 imply that a firm's exposure to the 2027 risks depends primarily on which half of the household distribution it serves. Firms serving lower- and middle-income customers should expect stable dollar sales, declining units, heightened price sensitivity, and vulnerability to the Q1–Q3 2027 benefit and refund cliffs; a visible low-price entry point and smaller purchase sizes are appropriate responses. Firms serving upper-income customers should expect resilient volume that is contingent on equity prices and should avoid expanding fixed capacity on the strength of 2026 results.

Protect gross margin before pursuing volume. With producer prices rising 5.4% and tariff pass-through underway, input-cost pressure is re-accelerating. The NFIB data indicate that modest price increases are being absorbed; large ones are not. Incremental re-pricing tied to identifiable cost drivers, undertaken before the September and October CPI releases reset expectations, is preferable to a single later adjustment.

Hold liquidity and assume no relief in financing costs. Floating-rate obligations should be modeled at the prime rate plus one percentage point. A six-month operating reserve is appropriate given a labor market in which lost revenue takes longer to replace. Retiring revolving balances at 22% is the highest-return use of surplus cash available to most small firms.

Retain rather than recruit. Maryland survey data show strong wage pressure alongside negative hiring intentions. Targeted retention increases for experienced staff are less costly than replacement in a low-hire, low-quit labor market. Headcount additions should follow demonstrated demand.

Plan explicitly for the December 11, 2026 funding deadline and the first half of 2027. Firms with revenue exposure to federal employees, contractors, or Medicaid- and SNAP-supported customers should model a 60-day disruption beginning in mid-December and a step reduction in lower-income demand in the first half of 2027, and should defer fixed-cost commitments until first-quarter 2027 data are available.

Manage the 2026 holiday season for margin. With forecast growth of 4–4.8% and survey evidence of lower gift and travel budgets, inventory should be purchased to a flat-unit plan,

promotions concentrated early on a small number of visible items, and deep late-season discounting avoided.

11.2 Applications in consulting engagements

For Crimson engagements, the report suggests four standard analyses. First, a customer-mix diagnostic that segments a client's revenue by income proxy (geography, ticket size, payment method including BNPL share) and maps the segments to the distributional findings. Second, a three-scenario stress test of the client's income statement using Table 2 as the template, with the downside case specifying a 10–15% unit decline in discretionary categories, a two-point increase in floating-rate costs, and a 90-day extension of receivables on any government-funded revenue; the deliverable should be a trigger list linking indicator thresholds to pre-agreed actions. Third, a nominal-to-real restatement of two years of client results prior to any benchmarking. Fourth, a Maryland policy calendar (BGE decision, legislative session, federal funding deadline, Medicaid redeterminations, Board of Revenue Estimates meetings) integrated into the client's planning cycle. Spring 2026 results influenced by the refund surge, and any competitive pricing effects of large retailers' tariff refunds, should be normalized before being used as run rates.

12. Limitations and Agenda for the 2027 Edition

12.1 Limitations

The analysis is subject to the data limitations described in Section 2.5 and to several specific caveats. The estimate of real retail growth in Section 4.2 is an inference from published figures rather than a published statistic. The distributional conclusion in Section 7 rests on reconciling sources that measure different things, and the reconciliation offered is an interpretation. The scenario probabilities in Section 10 are judgments. Several Maryland figures—credit card balances by state, the BGE cumulative bill impact, and the federal job-loss tally—are either dated, assembled from components, or reported inconsistently across sources. The status of federal student loan collections after July 1, 2026 could not be confirmed. Some corporate and survey figures were obtained through secondary coverage; these are identified in the companion research file. Finally, the report predates four significant releases scheduled within a week of its compilation date.

12.2 Recommendations for the annual methodology

Future editions should: fix the compilation date immediately after the September FOMC meeting so that the policy decision and the August CPI and retail sales are incorporated; maintain the companion research file as the audit trail, with each figure carrying its period, release date, URL, and a verification flag; retain the four-lens framework and the unit-dollar decomposition as fixed elements so that editions are comparable; add a time-series appendix once three or more editions exist; obtain the Maryland state personal income figures from BEA's interactive tables and the Maryland Realtors statewide data from the source PDFs, both of which were unavailable in usable form for this edition; and replace secondary-source figures with primary releases where the primary source was inaccessible at compilation. A companion methodology and template document accompanies this edition for that purpose.

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Appendix A. Key Indicators and Monitoring Thresholds

Table A1. Key national indicators at a glance

Indicator	Latest value	Period	Source
Real PCE, monthly change	<0.1% (after +0.4%)	Jul 2026	BEA (2026a)
Real consumer spending, Q2 (annualized)	≈3.4% (Q1: 0.5%)	Q2 2026	BEA (2026b)
Personal saving rate	3.0%	Jul 2026	BEA (2026a)
Retail sales, m/m; y/y	−0.6%; +5.0%	Jul 2026	Census Bureau (2026)
Retail control group, m/m	−0.4%	Jul 2026	Census Bureau (2026)
UMich consumer sentiment	51.7	Aug 2026	University of Michigan (2026)
Conference Board CCI; Expectations	89.4; 68.2	Aug 2026	Conference Board (2026a)
CPI headline; core	3.4%; 2.5%	Jul 2026	BLS (2026a)
PCE headline; core	3.7%; 3.3%	Jul 2026	BEA (2026a)
Gasoline, national average	\$4.22 (vs. \$3.19)	Sept 9, 2026	AAA (2026)
Average hourly earnings, nominal y/y	+3.1%	Aug 2026	BLS (2026b)
Real average hourly earnings, y/y	−0.2%	Jul 2026	BLS (2026d)
Unemployment rate	4.1%	Aug 2026	BLS (2026b)
Payroll gain, 3-month average	+71,000	Jun–Aug 2026	BLS (2026b)
Total household debt	\$18.771T	Q2 2026	FRBNY (2026a)
Credit card balances	\$1.263T	Q2 2026	FRBNY (2026a)
Card 90+ day transition rate	6.97%	Q2 2026	FRBNY (2026a)
Card APR, accounts assessed interest	22.15%	Q2 2026	Board of Governors (2026f)
FHA mortgage delinquency	11.79%	Q2 2026	MBA (2026)
Adults able to cover \$400 expense in cash	63%	2025	Board of Governors (2026a)
Bottom 50% share of net worth	2.5%	Q1 2026	Board of Governors (2026c)
Federal funds target range	3.50–3.75%	Since Jul 29, 2026	Board of Governors (2026b)
Effective tariff rate	11.0%	Aug 24, 2026	Yale Budget Lab (2026)
Average 2026 tax refund	\$3,275 (+11.3%)	Through Apr 17, 2026	IRS (2026)
30-year mortgage rate	6.71%	Sept 3, 2026	Freddie Mac (2026)

Table A2. Monitoring indicators and threshold levels

Indicator	Current	Cadence	Threshold (judgment)	Rationale
Gasoline, AAA national average	\$4.22	Daily	> \$4.50 downside; < \$3.50 relief	Largest single influence on lower-income cash flow
UMich sentiment	51.7	Monthly	< 50 sustained	Record-low territory; watch lower-income sub-index
Conference Board Expectations	68.2	Monthly	> 80 clears signal	Below the recession line since Feb 2025
Retail control group, m/m	-0.4%	Monthly	Two consecutive declines	Underlying goods demand
Personal saving rate	3.0%	Monthly	< 2.5%	Cushion nearly exhausted
Real average hourly earnings, y/y	-0.2%	Monthly	Positive = relief	The squeeze in one figure
FRBNY card 90+ transition	6.97%	Quarterly	> 7.5%	Stress spreading from the tails
Subprime auto 60+ (Fitch)	5.67%	Monthly	> 6.5%	Leading indicator of lower-income stress
Continuing jobless claims	1.774M	Weekly	> 1.9M	Duration matters in a low-hire market
Payrolls, 3-month average	+71K	Monthly	Negative print	Benchmark revision implies ≈11K trend
Federal funds target	3.50–3.75%	8 per year	Second increase	Confirms tightening cycle
S&P 500, y/y	≈ +20%	Daily	-15% from peak	Upper-income spending support
Maryland minus U.S. unemployment	+0.1 pt	Monthly	> +0.5 pt	Federal exposure showing through
Maryland UCFE claims	≈37/week	Weekly	> 200/week	Renewed federal cuts or shutdown
Maryland sales tax vs. estimate	≈ +1%	Quarterly	Below estimate	Best real-time read on state spending
BGE customers in arrears	≈290,000	Periodic	Rising	Household cost stress

Note. Thresholds are analytical judgments intended to trigger review, not forecasts.

Appendix B. Data Release and Policy Calendar

The following releases and events fall after the compilation date and bear directly on the findings. Users of this report should update Table A1 as each is published.

Table B1. Scheduled data releases and policy events, September 2026 – October 2027

Date	Release or event	Relevance
Sept 11, 2026	August CPI; August real earnings (BLS)	Cleveland Fed nowcast 3.38% headline; first read of the gasoline spike
Sept 11, 2026	UMich preliminary September sentiment	Consensus ≈51; sub-50 would be record territory
Sept 11, 2026	Fed Z.1 Financial Accounts, Q2 2026	Household net worth and debt-to-income
Sept 15, 2026	Census CPS income and poverty report, 2025	National and state median household income
Sept 15–16, 2026	FOMC meeting with Summary of Economic Projections	≈70% probability of a 25 bp increase; new 2027 projections
Sept 16, 2026	August retail sales (Census)	First read after the July decline
Sept 24, 2026	Maryland Board of Revenue Estimates	FY2027 revenue outlook; sales-tax read on state spending
Late Sept 2026	BEA state personal income, Q2 2026	Maryland's rank and growth
Oct 1, 2026	SNAP state administrative cost share rises to 75%	State budget pressure
Oct 2026	NRF and Adobe holiday forecasts; Q3 bank earnings	Consumer credit commentary
Nov 2026	FRBNY Household Debt and Credit, Q3 2026; BGE rate-case hearings	Delinquency flows; ≈\$8/month proposed increase
Dec 11, 2026	Federal continuing resolution expires	Shutdown risk for Maryland federal workers and contractors
Late 2026 – early 2027	Medicaid redeterminations and work requirements take effect	Lower-income coverage and cash flow
Jan 2027	BGE rate-case decision; Maryland General Assembly convenes	Household energy cost; possible revenue measures and minimum wage bill
Feb–Apr 2027	2027 tax filing season	Refunds normalize; the 2026 windfall does not recur
Oct 1, 2027	SNAP benefit cost-sharing to states begins	Estimated ≈3 million at risk of losing benefits

Appendix C. Definitions and Measurement Notes

Control group retail sales. Retail sales excluding motor vehicles and parts, gasoline stations, building materials, and food services; used by BEA in estimating the goods component of PCE.

Transition into 90+ day delinquency. The New York Fed's annualized share of balances that were current or less than 90 days delinquent in the prior quarter and became 90 or more days delinquent in the current quarter. Not comparable with credit-bureau borrower-level delinquency rates or with bank-level delinquency rates on outstanding loans.

Credit card balances. The New York Fed figure (\$1.263 trillion) is drawn from Equifax consumer credit panel data. TransUnion's bankcard figure (\$1.14 trillion) and the Federal Reserve's G.19 revolving credit figure (\$1.357 trillion) differ by definition and are not interchangeable.

Real average hourly earnings. Nominal average hourly earnings of all employees on private nonfarm payrolls deflated by the CPI-U. The Atlanta Fed Wage Growth Tracker measures median nominal wage growth for continuously employed individuals and therefore excludes composition effects.

Personal saving rate. Personal saving as a percentage of disposable personal income, as published by BEA.

Paycheck to paycheck. Bank of America Institute defines the condition as necessity spending exceeding 95% of household income ($\approx 24\%$ of households); PYMNTS uses a self-reported measure ($\approx 67\%$). The two are not comparable.

Maryland federal job losses. Figures vary by window and source: $-24,900$ for calendar 2025 (BLS Current Employment Statistics, as reported by the Governor's Office); approximately $-29,000$ from January 2025 to March or April 2026 (Comptroller; Brookings); $-22,000$ second quarter over second quarter (Comptroller dashboard). Any single figure should be cited with its window.

Scenario probabilities. Subjective analytical judgments anchored to published forecaster and market estimates; see Section 2.4.