



# U.S. Regional Economic Outlook

## Key Points:

- Gas price surge shifts spending away from discretionary spend categories
- High costs and low job growth set to weigh on consumer spending in the Midwest
- Economic growth in the Northeast and West poised to outperform the nation

## Surging gas prices shift spending, slow regional growth

U.S. gas prices surged 46 percent from January to April of this year due to the conflict in the Middle East, pushing households to spend more on fuel and pull back on discretionary purchases—particularly in the South and West. As fuel prices have increased, Visa’s Spending Momentum Index (SMI) indicates that consumers are spending much more on gas and less on other categories (Fig. 1).

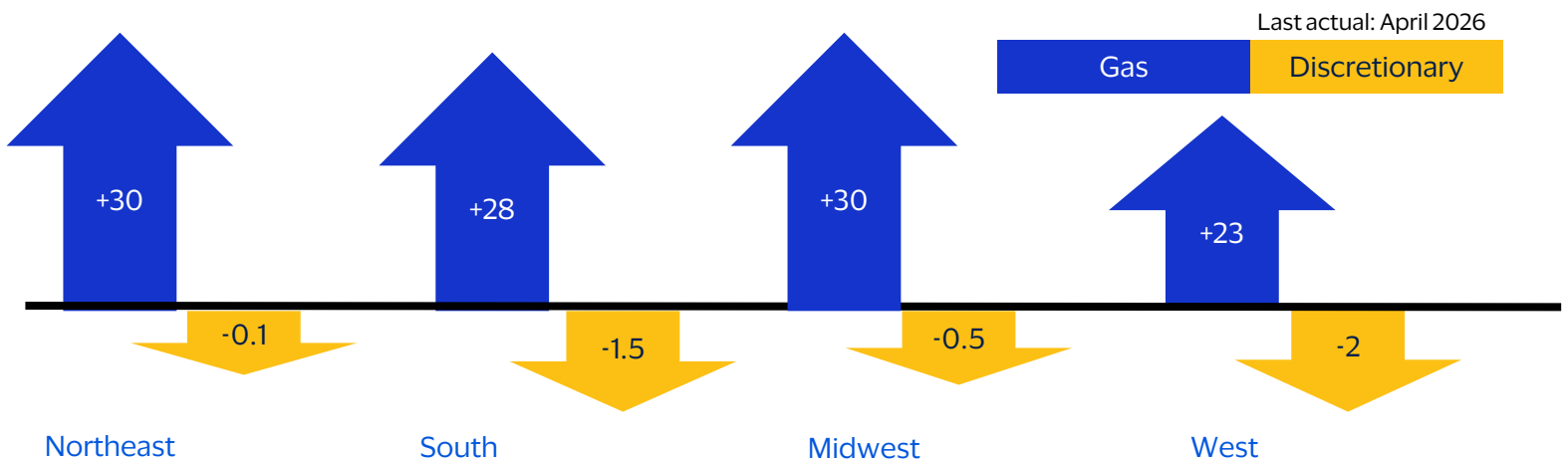
Looking ahead, we anticipate the conflict to last until early summer. A more protracted conflict will likely keep oil prices and inflation elevated for longer, according to our forecasts, and in turn lead the Federal Reserve to forgo rate cuts this year.

Given that both the South and West tend to have higher debt-to-income (DTI) ratios than other regions,<sup>1</sup> we expect higher price growth and a lack of interest rate

relief to disproportionately impact their economic, consumer spending and employment growth. Additionally, restrictive immigration policy is expected to have an outsized impact on employment and consumer spending growth in these regions, which saw the highest share of new immigrants from 2021-2024.<sup>2</sup>

While the Northeast and Midwest have relatively lower DTI ratios,<sup>3</sup> higher energy and borrowing costs will likely drag on economic and consumer spending growth. Gas spending momentum has risen the most in these two regions, signaling that consumer budgets are being stretched thinner. The Midwest is likely to be hit particularly hard in the coming months, as the manufacturing sector continues to shed jobs and the region is unlikely to reap the same magnitude of tax refund benefits as the Northeast and West.

Fig. 1: Fuel spending is displacing other spending  
January to April change in SMI by category and region (NSA, Index)



Sources: Visa Business and Economic Insights and Visa Spending Momentum Index (SMI)

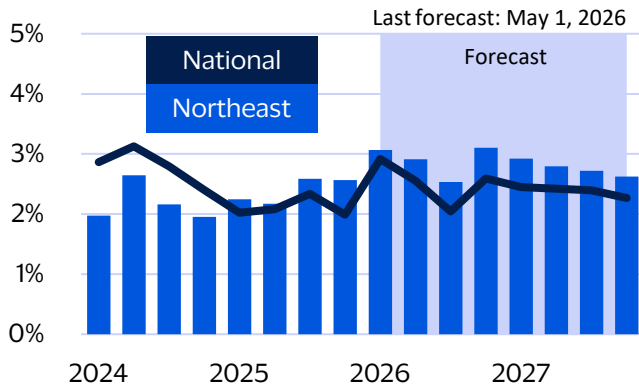
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# Northeast Regional Economic Forecast

## Northeast growth to hold up despite recent headwinds

**Fig. 2: Real gross domestic product (GDP)**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

Our updated forecasts continue to show the Northeast as a relative outperformer in 2026, but headwinds have emerged. Higher energy costs will likely translate into slower real spending growth this year, leading us to downwardly revise our real GDP growth forecast for 2026. Consumer confidence is also expected to remain subdued this year, consistent with a strong-spending/soft-sentiment mix tied to policy-driven income effects and higher household cost pressures.

State and Local Taxes (SALT) cap relief is still expected to boost after-tax incomes in high-income states such as New York, New Jersey, Massachusetts and Connecticut, supporting stronger consumer spending in the first half of the year. However, this tailwind is now partially offset by higher energy costs. The sharp rise in gas spending early in 2026 suggests some displacement away from discretionary categories, even in more affluent households.

State-level developments continue to provide important offsets to broader structural headwinds. In New York, Micron’s \$100 billion semiconductor megafab broke ground in January 2026, marking one of the largest manufacturing investments in U.S. history and supporting a multiyear construction and supply-chain cycle tied to AI-related demand.<sup>4</sup>

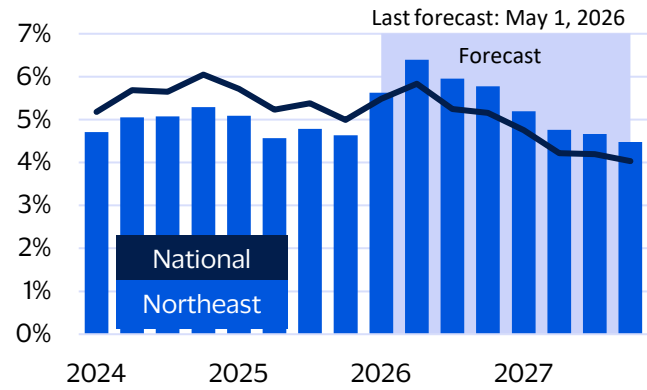
### Northeast

	2025				2026				Actual		Forecast	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026	2027
Gross Domestic Product (YoY% Change)	2.2	2.2	2.6	2.6	3.1	2.9	2.5	3.1	2.2	2.4	2.9	2.8
Nominal Personal Consumption (YoY% Change)	5.1	4.6	4.8	4.6	5.6	6.4	6.0	5.8	5.0	4.5	5.0	4.8
Consumer Confidence Index	90.9	91.1	91.0	90.2	84.2	88.3	95.3	98.6	103.1	90.8	91.6	106.1
Employment (YoY% Change)	0.9	0.5	0.2	0.1	0.1	0.4	0.5	0.5	1.1	0.4	0.4	0.3

Sources: Visa Business and Economic Insights, U.S. Department of Commerce, The Conference Board and U.S. Department of Labor

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**Fig. 3: Nominal personal consumption expenditures**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

Energy and grid investment is also rising in importance. Massachusetts’ Vineyard Wind 1 completed construction in March 2026.<sup>5</sup> This development has a projected 800-MW capability, and is intended to support specialized construction, port activity, and supply-chain services.

Pennsylvania continues to stand out as a key growth node within the Northeast, benefitting from a surge in AI and infrastructure investment. Amazon announced plans to invest at least \$20 billion in cloud computing and data center campuses across the state as part of a broader pipeline involving tens of billions of dollars in AI, energy and digital infrastructure projects.<sup>6</sup> These developments are supporting near-term construction activity and longer-term growth in high-value services, though rising electricity demand and infrastructure constraints present emerging headwinds.

Overall, the Northeast outlook remains characterized by a front-loaded boost to spending, followed by slowing momentum later in 2026 as demographic constraints, elevated energy costs and higher interest rates weigh on growth—even as large-scale investment in semiconductors and AI infrastructure provides targeted support in key states.

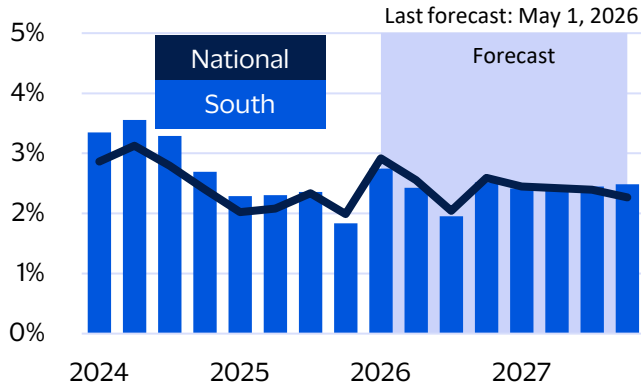
Forecast as of: May 1, 2026



# South Regional Economic Forecast

Migration slowdown set to constrain growth in the South this year

**Fig. 4: Real gross domestic product (GDP)**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

Our updated forecast for the South reflects a region dealing with higher costs and a smaller workforce than in previous years. Real GDP growth has been downwardly revised, as the region transitions from a migration-led expansion to one increasingly shaped by capital investment, infrastructure demand, and cost pressures.

A key shift in 2026 is the cooling of the migration boom that defined the region’s post-pandemic strength. In Florida, population growth has slowed sharply as affordability pressures rise and both domestic and international migration moderate.<sup>7</sup> Net domestic migration has fallen significantly from its earlier peak, and recent estimates show the pace of inflows has normalized. This shift is important because population inflows had been a primary driver of housing demand, labor force growth and consumption across much of the region. While large states like Florida are seeing slower net inflows, the Carolinas continue to post some of the fastest growth rates in the country. This divergence is likely to lead to more variation in housing demand, labor market tightness and consumer spending performance across the South.

At the same time, the composition of growth is shifting toward large-scale industrial and digital infrastructure investment, particularly in Texas and the Southeast.

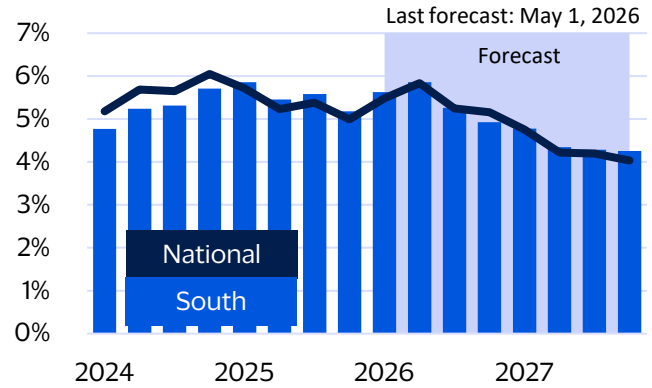
## South

	2025				2026				Actual		Forecast	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026	2027
Gross Domestic Product (YoY% Change)	2.3	2.3	2.4	1.8	2.7	2.4	2.0	2.5	3.2	2.2	2.4	2.4
Nominal Personal Consumption (YoY% Change)	5.9	5.5	5.6	5.2	5.6	5.9	5.3	4.9	5.3	4.3	5.3	4.4
Consumer Confidence Index	106.8	100.7	105.9	100.3	94.4	89.3	96.4	99.7	105.5	103.4	95.0	107.3
Employment (YoY% Change)	0.9	0.7	0.4	0.0	0.1	0.1	0.3	0.5	1.5	0.5	0.2	0.4

Sources: Visa Business and Economic Insights, U.S. Department of Commerce, The Conference Board and U.S. Department of Labor

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**Fig. 5: Nominal personal consumption expenditures**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

Texas is emerging as one of the largest data center markets globally, driven by AI-related demand, abundant land and access to energy resources.<sup>8</sup> This expansion is already pushing power demand sharply higher, prompting accelerated investment in generation and grid capacity. This is expected to support construction, utilities and capital spending in the coming years.

Similar dynamics are playing out across the broader Southeast manufacturing corridor. In Georgia, Hyundai’s EV Metaplant is ramping up production and expanding, supporting thousands of jobs and reinforcing the region’s position as a hub for advanced manufacturing.<sup>9</sup> These types of projects are helping offset slower population-driven growth by anchoring longer-term investment cycles and supplier ecosystems across multiple states.

Overall, the South in 2026 is no longer defined by rapid population inflows. Instead, growth is increasingly shaped by the interaction between large-scale capital investment and emerging constraints such as energy capacity, infrastructure needs and cost pressures. While these forces should continue to support solid regional growth, they also point to a more moderate and uneven expansion over the remainder of the year.

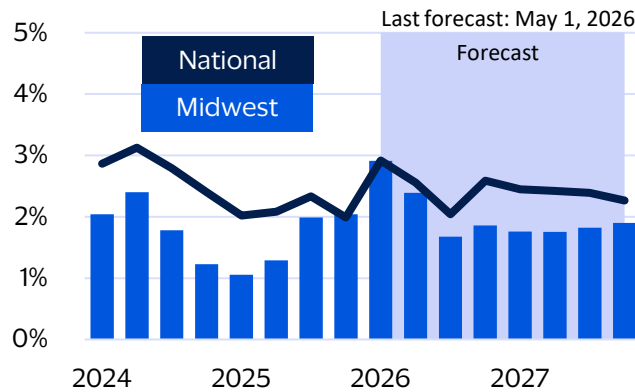
Forecast as of: May 1, 2026



# Midwest Regional Economic Forecast

The heartland holds steady as manufacturing drags

**Fig. 6: Real gross domestic product (GDP)**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

The Midwest economy held its own at the end of 2025, growing 2 percent year-over-year in the fourth quarter, unchanged from the previous quarter. We expect growth to accelerate this year before mildly downshifting in 2027.

Minnesota and Indiana are carrying much of the Midwest’s growth burden, and it’s no coincidence that both states are also leading the region in healthcare employment growth and investment. Minnesota alone added more than 7,000 healthcare workers in the first quarter of 2026, while Indiana added nearly 4,000. With billions of dollars being invested in hospital expansion, biotech, and pharmaceuticals, these states are poised to continue outperforming the region in employment, consumer spending, and overall growth.

But healthcare tailwinds aren’t limited to the region’s outperformers. The sector has been a bulwark for average and even underperforming states. In Ohio, for example, healthcare accounted for more than one-quarter of the state’s job growth in the first quarter of 2026. Even in states like Michigan, where payrolls have recently declined, healthcare employment is helping offset job losses elsewhere.

Nonetheless, manufacturing remains the primary factor limiting the region’s growth, particularly in states with

## Midwest

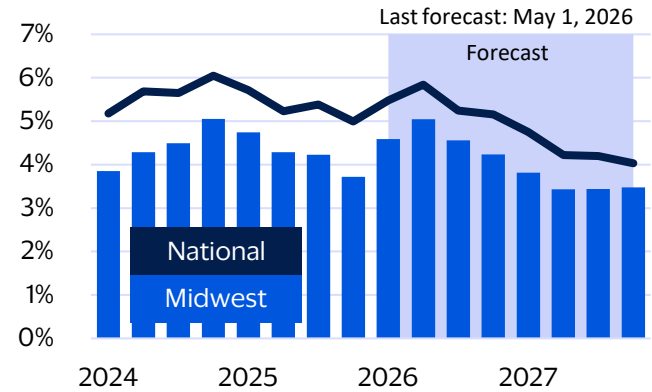
	2025				2026				Actual		Forecast	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026	2027
Gross Domestic Product (YoY% Change)	1.1	1.3	2.0	2.0	2.9	2.4	1.7	1.9	1.9	1.6	2.2	1.8
Nominal Personal Consumption (YoY% Change)	4.7	4.3	4.2	3.7	4.6	5.0	4.6	4.2	4.4	3.5	4.4	3.5
Consumer Confidence Index	104.6	95.9	98.5	88.1	94.7	89.2	96.2	99.6	105.4	96.7	94.9	107.1
Employment (YoY% Change)	0.3	0.2	0.1	-0.3	0.0	-0.1	-0.1	0.0	0.7	0.1	-0.1	0.0

Forecast as of: May 1, 2026

Sources: Visa Business and Economic Insights, U.S. Department of Commerce, The Conference Board and U.S. Department of Labor

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**Fig. 7: Nominal personal consumption expenditures**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

an overreliance on the sector, such as Michigan, Wisconsin, Ohio, and even Indiana. Input costs were already high in the wake of tariffs and other trade disruptions, even before the recent surge in oil and gasoline prices. Add in elevated borrowing costs, and the operating environment has become increasingly challenging for many producers.

The region’s agricultural sector is also under increasing duress. China’s continued pullback in U.S. soybean exports is driving down prices and hurting row-crop producers in top soybean-producing states like Illinois and Iowa. Fertilizer prices have also risen sharply since the conflict with Iran began. Iran was a major exporter of nitrogen fertilizer, and the contested Strait of Hormuz is a crucial shipping route for global seaborne fertilizer trade. While strong demand and historically low herd counts are driving record prices for cattle ranchers, Midwest row-crop producers are reeling from higher input costs and weakening export prices.

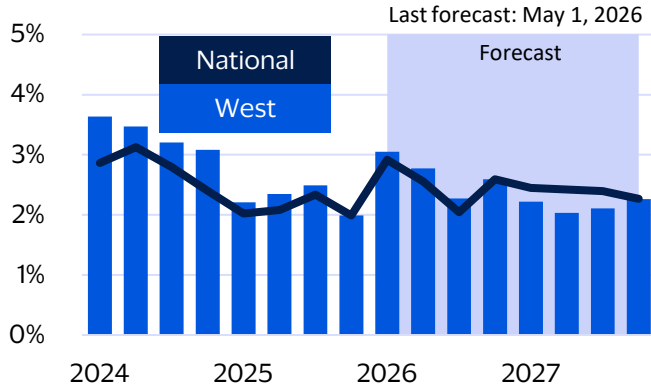
Looking ahead, we expect the Midwest to lag the nation, as agricultural headwinds and manufacturing woes continue to hold back growth, even as pockets of strength in healthcare, biotech, and advanced manufacturing take root.



# West Regional Economic Forecast

Growth shifts from momentum to moderation in the West

**Fig. 8: Real gross domestic product (GDP)**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

The West’s economy slowed toward the end of 2025, with regional GDP growth easing from 2.5 percent year over year in the third quarter to 2 percent in the fourth. States across the region face uneven job growth, mixed demographic trends, softer tourism, and higher energy costs. While AI-related investment should keep growth near the top of regional rankings in 2026—second only to the Northeast—these headwinds are expected to intensify. As a result, growth in the West is projected to fall behind both the Northeast and the South by 2027.

The AI boom is supporting growth in the region’s major tech hubs, but heavy capital spending is prompting firms to cut costs elsewhere, raising uncertainty about longer-term impacts. For example, two of Washington’s largest tech firms announced sizable headcount reductions this year, and tech employment there has been essentially flat since 2024. In contrast, manufacturing employment—particularly in transportation equipment and advanced manufacturing—has risen alongside improved demand and a temporary easing of trade tensions with China.

Similar uncertainty surrounds California’s tech sector, which continues to adjust after post-pandemic overhiring. Tech employment in the state remains below pre-pandemic averages.

## West

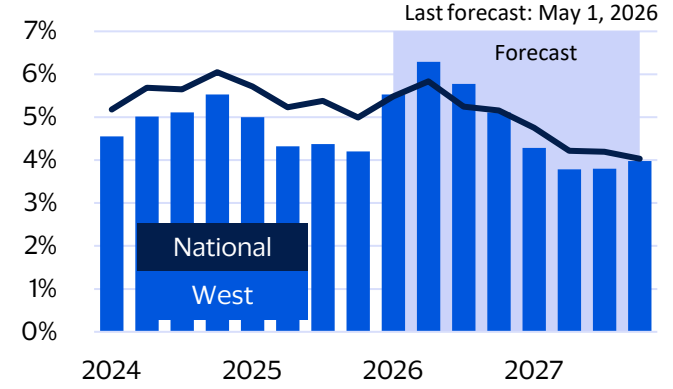
	2025				2026				Actual		Forecast	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2024	2025	2026	2027
Gross Domestic Product (YoY% Change)	2.2	2.3	2.5	2.0	3.0	2.8	2.3	2.6	3.3	2.3	2.7	2.2
Nominal Personal Consumption (YoY% Change)	5.0	4.3	4.4	4.2	5.5	6.3	5.8	5.1	5.1	4.0	5.1	4.0
Consumer Confidence Index	94.6	86.6	87.3	87.0	83.8	86.9	93.8	97.0	102.9	88.8	90.4	104.4
Employment (YoY% Change)	0.4	0.6	0.3	0.1	0.5	0.5	0.6	0.6	1.1	0.3	0.5	0.1

Forecast as of: May 1, 2026

Sources: Visa Business and Economic Insights, U.S. Department of Commerce, The Conference Board and U.S. Department of Labor

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**Fig. 9: Nominal personal consumption expenditures**  
(Seasonally adjusted, year-over-year percent change)



Sources: Visa Business and Economic Insights and U.S. Department of Commerce

For now, healthcare and AI-related hiring are supporting job growth, but California is likely to lag in 2027 as AI investment reshapes, rather than expands, tech employment.

Tourism-dependent states were already seeing slower travel demand before the surge in fuel prices and now face an even weaker outlook. Visitor numbers for Las Vegas declined last year for the first time since the pandemic, and higher airfares and gasoline prices point to continued softness in 2026. Still, strong migration and population growth should offset some of these pressures. Nevada, for instance, is benefiting from robust nonresidential investment, particularly in data centers and logistics, while Hawaii’s reliance on tourism and ongoing population losses will keep it underperforming.

Arizona, Utah, and Idaho remain key growth engines, supported by strong migration that is boosting population, investment, and high-wage job creation. These states will underpin regional growth in 2026, but over the longer term the West is expected to underperform the U.S. economy due to tech sector restructuring, higher energy and financing costs, and persistent affordability constraints in coastal markets.

## Footnotes

1. Visa Business and Economic Insights and The U.S. Department of Commerce
2. Visa Business and Economic Insights and The Federal Reserve Board
3. Visa Business and Economic Insights and The Federal Reserve Board
4. Visa Business and Economic Insights and Office of the Governor of New York, [From Promise to Progress: Governor Hochul Celebrates Groundbreaking of Micron's Semiconductor Manufacturing Facility in Central New York](#), January 16, 2026
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8. Visa Business and Economic Insights and Texas Tribune, [Texas forecast to be top market for data centers in two years, increasing grid demand](#), January 20, 2026
9. Visa Business and Economic Insights and CBT News, [Inside Hyundai's \\$7.6 billion EV power play: A first look at the MetaPlant America Revolution](#), May 14, 2026

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