



## WEEKLY ECONOMIC OUTLOOK

# Data-driven insights from the U.S. Bank Economics Research Group | March 13, 2026

## THE WEEK'S ECONOMY AT A GLANCE

### When energy meets the economy

This week's economic update centers on how a renewed energy shock is colliding with an economy that was gradually cooling beneath the surface. Oil's brief surge above \$120 per barrel last weekend serves as the anchor, highlighting >\$100 crude as a macro threshold that can weigh on purchasing power and confidence, and complicate the inflation outlook – even if it is not recessionary on its own.

Early-March consumer sentiment data suggests households are sensitive to that pressure, while February's Consumer Price Index (CPI) reads as a clean but increasingly dated snapshot ahead of higher energy costs. Elsewhere, housing shows tentative signs of stabilization as spring approaches, but broader growth, labor and investment data point to a cooling, low-churn environment with narrowing buffers. Against this backdrop, next week's Federal Open Market Committee (FOMC) meeting takes on added importance, as officials weigh forward-looking inflation risks tied to energy against evidence of moderating activity data and decide how long patience remains the appropriate posture.

**What this means for business:** For these businesses, particularly those that provide discretionary goods and services, the mix of higher energy costs, cooling demand, and macroeconomic uncertainty reinforces the need to stay disciplined on pricing, hiring and capital spending.

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### Quote of the week

*\$100 oil isn't a U.S. recession trigger by itself, but it is a real-world stress test – one that shows up quickly in household budgets, confidence and ultimately Fed policy decisions if it persists. It makes the U.S. economy more exposed to additional shocks*

**Beth Ann Bovino**, Chief Economist,  
U.S. Bank





## ECONOMIC DATA OF THE WEEK

# >\$100

Oil prices briefly vaulted to over \$120 per barrel during the first weekend of March as markets rapidly priced in the possibility of an acute, near-term supply disruption tied to the escalation of the U.S.-Israel war with Iran – most notably fears that flows through the Strait of Hormuz could be impeded. That move has since partially reversed, with crude trading back closer to ~\$100 (as of this writing) amid some easing in immediate disruption concerns but continued headline-driven volatility.

Even so, the episode is a reminder that >\$100 oil is less about day-to-day price moves and more about a macro tolerance, where energy costs begin to matter more meaningfully for inflation and household purchasing power. Gasoline's direct weight in the CPI basket is just under 3%, which helps contain the initial inflation impulse, and the U.S. economy is far less energy-intensive than in past cycles. Vehicles are significantly more fuel-efficient than in the 1970s, and as the world's largest energy producer,

the U.S. is better positioned to absorb higher prices. For these reasons, we do not view \$100 oil as recessionary on its own. It does, however, represent a meaningful headwind.

Fuel is a hard-to-substitute expense, meaning higher prices show up quickly in weekly budgets and sentiment, leaving less room for discretionary spending. The larger macro risk is not a one-off spike, but a scenario in which oil re-prices to a higher plateau for long enough to compress real incomes, soften discretionary demand, and keep Fed policymakers cautious if headline inflation re-accelerates. If elevated energy prices persist and begin to spill over into core inflation or inflation expectations, the Fed could ultimately face a more complicated policy tradeoff. Higher interest rates would add an additional burden on households.

In our view, sustained high oil prices therefore represent a material downside risk to the baseline, even in a structurally stronger U.S. economy. As a net exporter of total petroleum, part of the income transfer from consumers to domestic producers stays at home, supporting energy sector cash flow and investment.

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At the same time, that transfer leaves households with less spending power elsewhere, weighing on industries tied to discretionary consumption. This dynamic forces businesses in discretionary sectors to adapt their strategies, potentially by adjusting pricing, managing inventory, or reevaluating growth plans to navigate shifting consumer behavior. In this sense, higher oil prices tend to shift the composition of growth rather than eliminate it. That offset becomes less effective when the expansion's margin for error is already narrow.

## ECONOMIC DATA OF THE WEEK

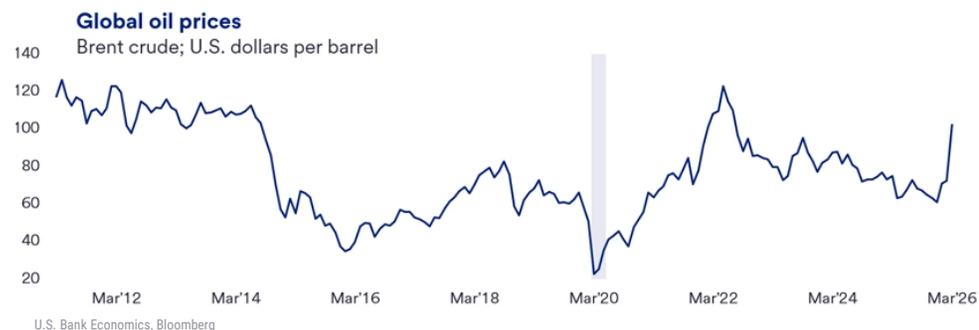
### *continued*

Looking ahead, if elevated prices fade quickly, the impact is likely a temporary inflation bump. If they persist, the growth downside risks becoming more self-reinforcing. .

## ECONOMIC REPORT OF THE WEEK

### Consumer Sentiment (University of Michigan)

The University of Michigan's early-March consumer sentiment survey offers one of the first clear signals of how households are responding to the renewed geopolitical tensions in the Middle East. Preliminary sentiment slipped to 55.5, its lowest reading of the year, as concerns about higher gasoline prices quickly erased earlier improvements seen before the conflict intensified. Year-ahead inflation expectations stalled at 3.4%, ending a six-month decline. Notably, the deterioration was broad-based across income, age, and political groups, with expectations for personal finances falling sharply as fuel costs exerted the most immediate pressure. Taken together, the survey underscores how quickly energy shocks can weigh on confidence – and reinforces the risk that sustained volatility in oil markets could feed back into spending behavior and inflation expectations in the months ahead.



## ECONOMIC TRENDS: INFLATION OUTLOOK

### Inflation: A 'clean' February CPI print – but already dated

**While it already feels backward-looking given the sharp early-March rise in oil prices now front-and-center, February's CPI report landed mostly in line with expectations**, reinforcing the 'continued but uneven' disinflation narrative. Headline CPI rose 0.3% month-over-month (MoM), 2.4% year-over-year (YoY), and core CPI increased 0.2% MoM (2.5% YoY). In that sense, Wednesday's report is best read as a pre-energy shock snapshot, with stable inflation momentum heading into March but the conversation likely to pivot quickly toward energy pass-through and potential spillovers into more cyclical service categories.



**Under the hood, the housing signal remained constructive and continued to do more of the disinflationary work than it did a year ago.** Shelter inflation rose 0.2% MoM (2.9% YoY), while rent increased just 0.1% (2.7% YoY) – the smallest monthly gain since early 2021 (take this reading with a grain of salt as the post-shutdown BLS fix to adjust for October is still filtering through the data). This matters because shelter remains the CPI's largest (roughly 35%) and stickiest component. Sustained cooling here helps keep the core trend drifting lower even as other categories bounce around month-to-month.

## ECONOMIC TRENDS: INFLATION OUTLOOK

### Inflation: A ‘clean’ February CPI print – but already dated *continued*

**Elsewhere, February still reads like crosscurrents rather than a clean victory.** Categories that matter for core services excluding housing – or ‘supercore’ – inflation were mixed, with notable increases in medical care and airline fares, while some goods categories continued to offset – including declines in used cars and motor vehicle insurance. At the same time, there were fresh hints of goods-side price pressure in tariff-sensitive areas – most notably a sharp rise in apparel. And prices for some food items took another step higher – including coffee, beef and vegetables. The key practical point is that CPI can look relatively benign even when the Personal Consumption Expenditures (PCE) read-through is firmer, reflecting differences in category weights and composition.

**Bottom line: Wednesday’s CPI print is unlikely to alter the Fed’s near-term posture.** Inflation is not re-accelerating in a broad way, but it has not yet returned convincingly to target – and the balance of risks is increasingly forward-looking. The critical question is whether the early-March surge in energy prices shows up in the March CPI as a one-off headline bump, or whether it begins to seep into travel-related services and broader inflation expectations. For now, the February figures support patience – but also underscore why policymakers may be reluctant to lean too dovish until the energy shock and goods-side crosscurrents fully work through the data.

## ECONOMIC TRENDS: HOUSING SECTOR

### Housing: Home buying season in bloom

**As the ground thaws from recent snowstorms across the U.S., so too does housing activity.** Existing home sales rose an unexpected 1.7% MoM (4.09 million annual rate) in February,

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as modestly lower mortgage rates look to be helping draw more buyers back to the table. Sales remain down -1.5% from a year ago, and the rebound was not sufficient to fully offset January’s weather-related pullback. Still, the improvement was broad-based across regions. Inventory continues to build gradually (1.29 million units, 3.8 months’ supply), while price pressures have cooled, with the median existing home price essentially flat year-over-year (\$398,000). Notably, new listings increased, with February single-family months’ supply reaching its highest level for that month in roughly a decade.



**Supply conditions for new homes also appear to be improving.** Housing starts jumped 7.2% MoM (1.49 million annual rate) in January, well above expectations despite widespread winter weather disruptions. By contrast, building permits fell a sharp 5.4% MoM (1.38 million), signaling that some of the strength in starts may not carry through in the near term. While January’s readings surprised on both sides, starts and permits remain within their typical post-2022 ranges, suggesting a housing sector that is stabilizing rather than overheating or retrenching.

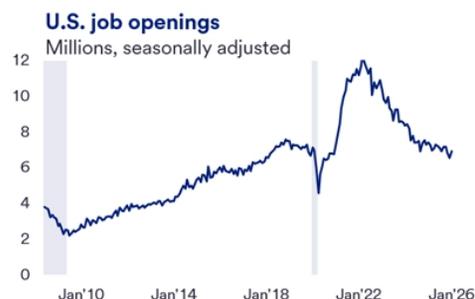
**Bottom line: The data suggest the housing market is beginning to find firmer footing ahead of the spring buying season,** with lower mortgage rates, easing price pressures, and rising inventory providing a modest but meaningful tailwind. As conditions improve and builders restart projects, residential construction should also offer incremental support to the labor market – an important offset at a time when broader employment momentum has softened.

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

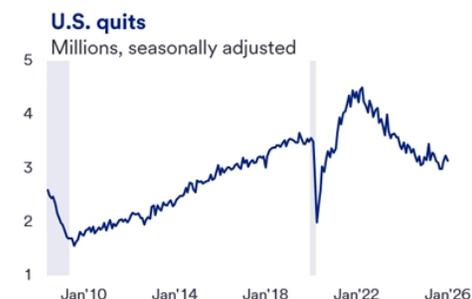
### Reading between the releases

**Friday's flurry of economic data releases offered a mixed but increasingly cautionary read on the growth backdrop.** The second estimate of Q4 2025 GDP was revised down to a 0.7% annualized pace (from 1.4% previously), reflecting weaker-than-initially-reported services consumption and underscoring that growth was already slowing late last year, even before the recent rise in energy prices. January's Personal Income and Outlays report, by contrast, showed households entering 2026 with some near-term support, as solid nominal income growth (personal income +0.4% MoM) kept pace with spending (nominal spending +0.4% MoM; real spending ~+0.1% MoM) and pushed the saving rate modestly higher. Even so, firmer PCE inflation (core PCE +0.36% MoM) meant real purchasing power improved only marginally, leaving real consumer spending soft, particularly for goods. Taken together, the data point to an economy that was losing momentum beneath the surface in late 2025, while the early-2026 consumer cushion appears increasingly vulnerable to ongoing inflation pressures, higher gasoline prices and a cooling labor market.

**The January Job Openings and Labor Turnover Survey (JOLTS) report reinforced the view of a labor market that is cooling without cracking.** Job openings edged higher to roughly 6.95 million, reversing some late-2025 declines, but remain well below prepandemic norms and do little to change the broader picture of subdued labor demand. Hiring activity was essentially unchanged, while quits stayed low and layoffs declined modestly, extending the now-familiar ['low-hire, low-fire'](#) dynamic that has characterized the past year. On balance, the labor market is signaling limited job switching and restrained wage pressure, offering little inflation risk but also diminishing support for income growth and consumer spending as higher energy costs erode purchasing power.



U.S. Bank Economics, Bureau of Labor Statistics (BLS), Bloomberg



**Finally, January's advance durable goods report pointed to a pause in manufacturing momentum rather than a renewed downturn.** Headline orders were essentially flat (0.0% MoM), undershooting expectations, but the weakness was concentrated in volatile defense and transportation categories, while orders excluding transportation rose modestly (+0.4% MoM). More importantly, core capital goods orders (nondefense excluding aircraft) were unchanged (0.0% MoM) after a string of prior gains, suggesting business investment is cooling at the margin rather than rolling over outright. Shipments held up better (headline shipments +0.5% MoM), indicating that earlier order strength is still flowing through to production and near-term equipment spending. Viewed in context, the data reinforce a picture of uneven but resilient investment, with activity increasingly concentrated in select areas such as technology and AI-related equipment, even as higher borrowing costs, rising input prices and uncertainty around the macro outlook continue to restrain broader capex expansion.

## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we're watching this week: Fed takes center stage as data calendar lightens

**This week's economic calendar is relatively light, placing the spotlight squarely on the Federal Reserve's March 17–18 FOMC meeting.** With policymakers convening amid elevated inflation, mixed signals on labor market momentum, and renewed geopolitical uncertainty,

## ECONOMIC TRENDS: THE WEK AHEAD

### Data and reports we're watching this week: Fed takes center stage as data calendar lightens *continued*

markets will focus on the Fed's updated assessment of the economic outlook and the balance of risks.

Ahead of the decision, **Wednesday's February Producer Price Index (PPI)** will be the key data release. We expect headline PPI to rise 0.4% MoM and core PPI (excluding food and energy) to increase 0.3% MoM, both a moderation from January's stronger pace. Some upstream price pressures likely persisted in February, consistent with elevated readings in the ISM Manufacturing PMI's prices-paid component, including further increases in metals prices. As a result, manufacturing-related PPI components could add modest upward pressure. That said, we expect services inflation within PPI to cool somewhat, particularly in portfolio management fees, as equity market returns moderated relative to late 2025, helping to offset goods-related pressures.

Attention then turns to the **FOMC meeting and Chair Powell's press conference on Wednesday afternoon**. We expect the Fed to hold the target range for the federal funds rate steady, with potentially dissenting views from Governors Miran and Waller – and possibly Bowman – in favor of a 25-basis point cut, reflecting growing concern over labor market fragility. This view was in place even before recent developments in the Middle East, though heightened geopolitical tensions – particularly the conflict with Iran and its implications for energy prices – may reinforce the case for a prolonged hold.

The meeting will also feature an updated **Summary of Economic Projections (SEP)**. We expect inflation projections to be revised higher, driven by recent firmness in core PCE inflation and higher energy prices.

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By contrast, GDP growth projections are likely to be revised modestly lower in light of softer recent activity data, while unemployment projections may be unchanged or edge slightly higher. Policymakers are likely to emphasize data dependence and flexibility, noting that inflation progress has stalled while recent labor market data – particularly February's employment report – failed to confirm January's apparent stabilization. We expect Powell to smooth through recent month-to-month volatility, stress the need for greater clarity, and highlight elevated uncertainty tied to global developments. On energy prices, officials are likely to reiterate a willingness to look through near-term pressures, conditional on inflation expectations remaining well anchored and limited pass-through to broader inflation.

Finally, **Thursday brings January New Home Sales**. We expect a modest decline from December levels, largely reflecting adverse winter weather that likely disrupted buyer traffic. While builder incentives and modestly lower mortgage rates continue to support affordability at the margin, weather-related distortions remain a headwind for January activity and are unlikely to signal a material shift in underlying housing demand.

## ECONOMIC DATA CALENDAR THIS WEEK

What we're watching this week, including release dates and projections from the U.S. Bank Economics Research Group.

U.S. economic calendar - March 9 through March 13						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
3/10/2026	5 a.m.	NFIB Small business optimism index	Feb	99.6	99.6	99.3
	9 a.m.	Existing home sales (mln)	Feb	3.9	3.9	3.9
3/11/2026	7:30 a.m.	CPI (MoM)	Feb	0.2	0.2	0.2
		CPI (YoY)	Feb	2.4	2.5	2.4
		CPI (ex-food & energy) (MoM)	Feb	0.2	0.3	0.3
		CPI (ex-food & energy) (YoY)	Feb	2.5	2.4	2.5
		US budget deficit (\$ bil.)	Feb			
3/12/2026	7:30 a.m.	Trade Balance	Jan	-68.3	-67.9	-70.3
		Initial Jobless Claims	7-Mar	215		213
		Housing starts (000)	Jan	1350	1340	1404
		Building permits (000)	Jan P	1400	1392	1455
		3/13/2026	7:30 a.m.	Personal income (MoM)	Jan	0.5
Personal spending (MoM)	Jan			0.3	0.3	0.4
PCE Deflator (MoM)	Jan			0.3	0.3	0.4
PCE Deflator (YoY)	Jan			2.9	2.9	2.9
Core PCE Deflator (MoM)	Jan			0.4	0.4	0.4
Core PCE Deflator (YoY)	Jan			3.1	3.1	3.0

## ECONOMIC DATA CALENDAR THIS WEEK

What we're watching this week, including release dates and projections from the U.S. Bank Economics Research Group.

U.S. economic calendar - March 16 through March 20							
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous	
3/16/2026	7:30 a.m.	Empire State manufacturing	Mar	3.6	3.9	7.1	
	8:15 a.m.	Industrial production (MoM)	Feb	0.1	0.1	0.7	
	9 a.m.	NAHB housing index	Mar	39.0	37.0	36.0	
3/17/2026	9 a.m.	Leading index	Feb			-0.2	
		Pending home sales (MoM)	Feb	-0.8	-1.0	-0.8	
3/18/2026	7:30 a.m.	PPI (MoM)	Feb	0.4	0.3	0.5	
		PPI (YoY)	Feb			2.9	
		PPI (ex-food & energy) (MoM)	Feb	0.3	0.3	0.8	
	9 a.m.	PPI (ex-food & energy) (YoY)	Feb			3.6	
		Factory orders (MoM)	Jan			-0.7	
		Durable goods orders (MoM)	Jan F	0.0	1.1	0.0	
		Durable goods ex Transportation (MoM)	Jan F	0.4	0.5	0.4	
		Capital goods orders nondefense ex. Aircraft	Jan F	0.0	0.5	0.0	
		1 p.m.	FOMC rate decision (Upper Bound)	18-Mar	3.75	3.75	3.75
		1:30 p.m.	FOMC press conference	18-Mar			
	3 p.m.	TIC flows (\$ bil.)	Jan			44.9	
	3/19/2026	7:30 a.m.	Initial Jobless Claims	14-Mar	215		213
			Philly Fed manufacturing	Mar			16.3
9 a.m.		New home sales (000)	Jan	725.0	725	745	
		Wholesale Inventories (MoM)	Jan			0.2	

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 3/13/2026.

## Federal Open Market Committee (FOMC) Speaker Calendar

**March 18, 1:30 p.m.:** FOMC Press Conference  
(Chair Jerome Powell)

**Disclosures**

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