



## WEEKLY ECONOMIC OUTLOOK

# Data-driven insights from the U.S. Bank Economics Research Group | March 27, 2026

## THE WEEK'S ECONOMY AT A GLANCE

### Policy patience, inflation risk

This past week underscored an evolving economic narrative, as higher oil prices continue to complicate the inflation outlook within an otherwise resilient economy. Crude prices have moved higher amid tensions in the Middle East, lifting gasoline prices and narrowing the margin for error just as some policymakers were gaining tentative confidence that price pressures were easing. For now, underlying growth momentum appears intact, but risks have become more two-sided.

Energy prices represent the most immediate challenge. Higher fuel costs are likely to push headline inflation higher in coming months and raise the likelihood that elevated input costs begin to filter into core goods and services prices. While energy price moves are often transitory, the persistence of supply disruptions and uncertainty around production recovery have increased the probability that inflation pressures prove more durable than previously expected. Market pricing reflects this concern, with oil futures remaining elevated well into the second half of the year.

Against this backdrop, many workers still have jobs. Hiring has slowed, but unemployment and layoffs data continue to point to a labor market that is cooling gradually rather than deteriorating. Moderating demand alongside stable employment has helped underpin the Fed's patient stance, even as higher energy prices introduce new uncertainty for both Fed mandates in the months ahead.

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### Quote of the week

*It's understandable that households are more worried about the economy since the war started. An oil price shock preceded five of the last seven recessions since 1970. One consolation: U.S. economy is now more insulated from energy price swings than it was in the '70s, which can help moderate the broader impact over time.*

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Post-FOMC (Federal Open Market Committee) remarks have increasingly highlighted upside risks to inflation, particularly from energy and goods prices, while downplaying near-term labor market weakness. Most officials continue to anticipate policy easing later this year, but the [bar for rate cuts has risen](#).



## THIS WEEK'S ECONOMY AT A GLANCE

### Policy patience, inflation risk continued

**What this means for business:** For businesses, the macro backdrop remains one of cautious resilience. Solid demand and a stable labor market continue to support activity, but higher energy prices will shift household money away from discretionary spending, and increase input costs, which could weigh on margins in some sectors. With interest rates potentially remaining elevated and inflation risks tilted upward, businesses should prioritize cost discipline and flexibility as the economy navigates a more uncertain stretch in the months ahead.

## ECONOMIC DATA OF THE WEEK

# 3.8%

The University of Michigan Survey of Consumers showed one-year ahead inflation expectations rising to 3.8% in March, up from 3.4% in February. With the survey spanning February 17–March 23, about two-thirds of responses were collected after the conflict in Iran began.

The uptick in short-run expectations has been mirrored in markets with one-year ahead inflation expectations, as measured by inflation swaps, rising to 3.2% in recent days, up from 2.5% just before the conflict. However, both consumers and market participants currently expect any conflict-driven inflation to be relatively short-lived. Expected inflation between five- and 10-years in the future has remained unchanged in both the consumer survey and in market-based measures to give the Fed comfort. The Fed will closely monitor these longer-term inflation expectations as the war unfolds. If these begin to rise, a rate hike would become more likely.

## ECONOMIC REPORT OF THE WEEK

### March employment report (preview)

We expect the March employment report to reinforce the theme of a cool but stable labor market. We anticipate a +45,000 increase in payrolls (consensus +51,000), a pace consistent with the economy's lower break-even rate of job growth. We also expect the unemployment rate to hold at 4.4%, leaving the Q1 average essentially unchanged from Q4.

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Job gains near break-even alongside a steady unemployment rate would echo patterns seen throughout 2025, with businesses managing headcount primarily through fewer vacancies rather than broad layoffs. We expect that the labor force participation rate (LFPR) to be 62.1 in March, well below the average rate of 65.75 from January 2000 to February 2020. We believe this drop is more likely from structural rather than cyclical factors, such as demographics, shifts in labor supply, and longer-term participation trends. If structural, maximum employment is likely lower, but wages higher, adding another challenge for the Fed to face.

## March employment report (preview) *continued*

Overall, the March report should point to gradual labor market cooling, not contraction with the unemployment rate stable. This is consistent with the Fed's preferred path toward more sustainable labor market conditions and – if not for the recent energy price volatility – continued progress on disinflation. A +45,000 print coupled with a stable unemployment rate would indicate that the labor market is settling near equilibrium, keeping the Fed in data-dependent mode as we head into spring. But, given the shrinking labor force and larger skills gap, businesses may face labor shortages which suggest that elevated wages and tight financial conditions will remain a feature of their operating environment while the Fed stays in wait-and-see mode.

### ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

## \$90 WTI: Inflation risks rise, growth outlook holds steady

**West Texas Intermediate (WTI) crude averaged approximately \$90 per barrel in March, a sharp increase from the February average of \$65 and a direct boost to headline inflation.** The most immediate transmission channel to the U.S. economy is retail gasoline, where prices typically move closely with crude benchmarks. With limited short-term substitutes for gasoline, households must absorb higher fuel costs, reducing household purchasing power with less left to spend on discretionary items. But oil-driven industrial products like petrochemicals feed into other products like fertilizer, aluminum, plastic and even toys!

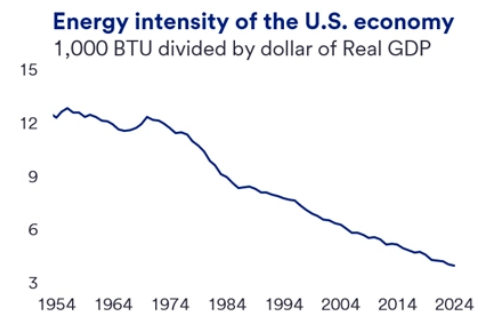
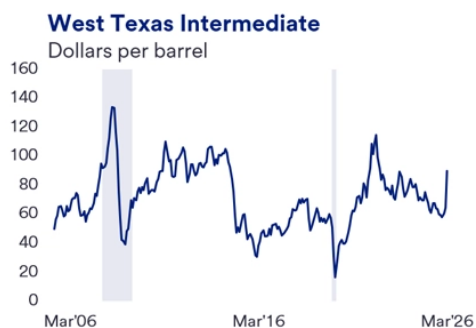
**While energy prices are volatile and historically prone to rapid reversal, the current increase may prove more persistent.** The closure of the Strait of Hormuz and damage to regional energy infrastructure have introduced meaningful uncertainty regarding supply. Even if the Strait reopens in the near term, production in affected countries will take time to return to prior levels. Reflecting this uncertainty, futures curves currently price WTI at or above \$80 through October.

Important disclosures provided on last page

**Given these dynamics, a swift reversion to pre-conflict oil prices appears unlikely.** Prolonged elevation in energy prices increases the probability that inflationary pressures extend beyond headline categories and into core components. Higher fuel costs could raise airfares and freight expenses, while plastic-related goods – already facing cost pressures from tariffs – would experience further price increases. Should these dynamics contribute to a rise in longer-term inflation expectations, the [Federal Reserve](#) could face pressure to tighten policy even as underlying economic momentum moderates.

**Despite these risks, the U.S. economy is comparatively well insulated from energy market disruptions.** Energy intensity has declined steadily for decades, leaving oil consumption per unit of GDP at historic lows and less than half of what it was in the 1970's. The U.S. has also transitioned into a major producer and net exporter of fossil fuels, a substantial structural improvement from earlier periods of energy vulnerability. Furthermore, the growing adoption of electric vehicles and electric micromobility provides consumers with meaningful alternatives to gasoline consumption. And even gas-powered cars are much more energy efficient today, with miles-per-gallon (MPG) for the average car twice what it was in 1970.

**On balance, crude prices near \$90 per barrel are likely to lift headline inflation and exert upward pressure on core inflation,** particularly if supply disruptions persist. Nonetheless, our baseline outlook anticipates continued economic expansion. We project 2026 Q4-over-Q4 real GDP growth of approximately 2%, with the unemployment rate remaining below 5%.



## ECONOMIC TRENDS: MONETARY POLICY

### Post-FOMC Fed speak: Inflation risks re-center policy calculus amid oil shock

**Public remarks from FOMC participants since the March meeting have broadly reinforced the message of hawkish patience**, with policymakers increasingly focused on the upside inflation risk posed by higher oil prices and persistent firmness in goods inflation. While most officials continue to anticipate rate cuts later this year, recent commentary suggests a higher bar for easing and a stronger preference to wait for clearer evidence that inflation has resumed making progress. Speakers have been careful to downplay near-term labor market concerns while elevating the risk of higher energy prices feeding into core inflation and, potentially, inflation expectations.

**Governor Christopher Waller struck a materially more cautious tone than earlier this year, reflecting the escalation in Iran and the associated oil price spike.** Previously more dovish, Waller now emphasized that the inflationary implications of higher energy prices are now less clearly transitory, and that oil is a “major intermediate input” across the economy, raising the risk that higher energy costs “bleed through” into core prices over time. Waller also reassessed labor market risks, citing new research suggesting that breakeven job growth this year may be close to zero, implying less downside pressure on the unemployment rate than previously assumed. While stressing that he is not advocating remaining on hold indefinitely, he argued that “caution is warranted” for now, with future rate cuts contingent on renewed inflation progress.

**Other officials echoed these themes with varying emphasis.**

**Governor Michael Barr** argued that policy may need to remain on hold “for some time,” on escalating goods inflation and still-elevated non-housing services inflation, as the labor market appears to be stabilizing. He said that rate cuts remain possible later this year, but only once there is clearer evidence that both goods and services inflation are sustainably retreating. Chicago Fed President Austan Goolsbee framed the current environment as one in which inflation risks take precedence, describing the Fed’s policy “playbook” where the Committee evaluates which side of the dual mandate is farther from target and how long each would likely take to get to target. With unemployment, layoffs and vacancy rates still consistent with a stable labor market, he argued that inflation is currently the more pressing concern. Goolsbee warned that layered shocks – from tariffs that have yet to fully fade to higher oil prices – have stalled inflation progress, creating a “tough moment” for policymakers. While rate cuts remain plausible if inflation improves, he acknowledged that “everything is always on the table,” including rate hikes, if inflation expectations were to become unanchored. By contrast, Governor Michelle Bowman remained relatively more dovish, citing expectations for solid growth, a rebound from government shutdown effects, and ongoing concern that the labor market is weakening – consistent with her outlook for multiple rate cuts this year.

**Bottom line: Recent Fed speak has reinforced the hawkish hold delivered at the March FOMC meeting.** Most policymakers are increasingly alert to the risk that higher oil prices and sustained goods inflation will delay disinflation, while labor market conditions appear stable enough to allow for patience. Although most officials still expect to ease policy later this year, the tenor of post-FOMC commentary suggests the Committee is more firmly focused on inflation risk, with renewed progress on prices a prerequisite for additional easing.

## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we're watching this week: Labor data shape the Fed's wait-and-see approach

The economic data calendar picks up this week, with labor market indicators stealing the show. With Federal Reserve officials increasingly emphasizing patience and a heightened focus on inflation risks, the **March Bureau of Labor Statistics (BLS) Payrolls report** will be scrutinized for confirmation that labor market conditions remain stable enough to for policymakers to stay on hold. A reading well off consensus (+50,000) could influence market expectations given recent moves in energy prices.

Tuesday's **February Job Openings and Labor Turnover Survey (JOLTS)** will provide an important look beneath the headline payroll numbers following February's weak employment report. We expect the “” dynamic to remain largely intact, with job openings edging modestly higher – by roughly 30,000 – after recent declines. We will be watching if February's 92,000 decline in non-farm payrolls shows up more clearly in reduced openings or an increase in layoffs and discharges. We expect layoffs to remain contained and that the quits rate holds near 2.0%, consistent with a labor market still characterized by limited worker-employer churn. A meaningfully weaker set of readings could affect market sentiment and inform how policymakers weigh inflation and employment data in coming meetings.

On Wednesday, the February **Retail Sales** report will offer insight into consumer spending momentum after a weather-related pullback in January. We expect headline retail sales to rise around 0.5% month-over-month, supported in part by a rebound in auto sales and higher gasoline spending. Retail sales are reported in nominal terms, so stronger prices – particularly at the pump – are likely to contribute to the increase.

We also expect control group sales (excluding autos, gas, restaurants and building materials) which feed directly into the GDP calculation for consumer spending, to show modest improvement, benefiting from tax refund flows. That said, severe winter weather in parts of the Mid-Atlantic and New England could have delayed some in-person spending, potentially shifting activity online and adding noise to the monthly data.

Friday's **Employment Situation report** for March will be the most consequential release of the week. We expect nonfarm payrolls to rebound modestly, with job gains of around 45,000, and the unemployment rate holding steady at 4.4%. Weather- and strike-related factors that contributed to volatility earlier in the year should be largely resolved, allowing for a cleaner read on underlying labor market conditions. From a policy perspective, Fed officials will be looking closely for confirmation that the labor market remains stable. Even modest positive job growth – if accompanied by a steady unemployment rate – would likely be sufficient to keep policymakers focused on inflation dynamics and on hold for now.

The week will feature additional Federal Reserve appearances following the March FOMC meeting. After a round of post-meeting speeches that leaned toward hawkish patience, commentary on whether stable employment conditions reinforce the case for remaining on hold while awaiting clearer evidence of renewed disinflation will be key for market expectations around the timing of any policy adjustment.

## 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 30 through April 3						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
3/31/2026	8 a.m.	S&P/Case-Shiller home prices (MoM)	Jan			0.5
		FHFA home prices (MoM)	Jan			0.1
	8:45 a.m.	Chicago PMI	Mar	55.1	55.1	57.7
	9 a.m.	Consumer confidence	Mar	88.0	88.0	91.2
JOLTS Job Openings (000)		Feb	6985	6845	6946	
4/1/2026	7:15 a.m.	ADP employment change (000)	Mar	40.0	40.0	63.0
	7:30 a.m.	Retail sales (MoM)	Feb	0.5	0.4	-0.2
		Retail sales ex-auto (MoM)	Feb	0.3	0.3	0.0
		Retail sales control group (MoM)	Feb	0.3	0.3	0.3
	8:45 a.m.	S&P Global US Manufacturing PMI	Mar F			52.4
	9 a.m.	ISM manufacturing	Mar	52.3	52.3	52.4
		Business inventories (MoM)	Jan	0.1	0.1	0.1
4/2/2026	7:30 a.m.	Trade Balance	Feb	-61.1	-61.1	-54.5
		Initial Jobless Claims	28-Mar	210	212	210
4/3/2026	7:30 a.m.	Employment report (000)	Mar	45.0	51.0	-92.0
		Unemployment rate (%)	Mar	4.4	4.4	4.4
	8:45 a.m.	S&P Global US Services PMI	Mar F			51.1
		S&P Global US Composite PMI	Mar F			51.4

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 3/27/2026.

## Federal Open Market Committee (FOMC) Speaker Calendar

- March 30, 9:30 a.m.:** Powell (Board of Governors/Voter)
- March 30, 3 p.m.:** Williams (New York Fed/Voter)
- March 31, 11 a.m.:** Goolsbee (Chicago Fed/Non-Voter)
- March 31, 2 p.m.:** Barr (Board of Governors/Voter)
- March 31, 6:10 p.m.:** Bowman (Board of Governors/Voter)
- April 1, 8:05 a.m.:** Musalem (St. Louis Fed/Non-Voter)
- April 1, 8:10 a.m.:** Barr (Board of Governors/Voter)

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