



## WEEKLY ECONOMIC OUTLOOK

# Data-driven insights from the U.S. Bank Economics Research Group | April 3, 2026

## THE WEEK'S ECONOMY AT A GLANCE

### Still standing, but feeling the heat

This week's data flow reinforces a familiar – but increasingly nuanced – theme: the U.S. economy remains resilient, but momentum is ever more uneven. A sharp rebound in March payroll growth helped stabilize near-term labor market concerns, even as underlying indicators continue to point to a low-hire, low-fire environment marked by slowing momentum beneath the surface. Consumer spending has likewise proven steady but cooler, with February retail sales showing real growth that is increasingly vulnerable to headwinds from higher energy prices, subdued confidence, and softening labor dynamics. Against that backdrop, gasoline prices surged back above \$4 per gallon – one of the most visible shocks households face – pushing inflation and reduced purchasing power back into focus just as policymakers assess whether recent price pressures reflect transitory energy effects or something more durable. Taken together, the latest data argue for a patient Federal Reserve, while keeping attention squarely on whether higher energy costs and tightening financial conditions begin to weigh more meaningfully on growth as spring unfolds.

**What this means for business:** *For businesses, the message is less about retrenchment and more about discipline – maintaining operations and investment where demand is durable, while remaining cautious on hiring and pricing as energy costs and policy uncertainty complicate the outlook. Businesses face a balancing act: managing costs while keeping price-sensitive clients interested in their products.*

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## Quote of the week

*Recent indicators suggest the economy is holding together, despite higher energy prices. But the margin for error is narrowing. Volatile job growth, rising energy costs, and softer confidence point to an environment where the durability of growth will matter more than any single strong data release.*

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





## ECONOMIC DATA OF THE WEEK

# \$4.09

The national average price for a gallon of regular gasoline has climbed to \$4.09, according to AAA – up roughly 11 cents over the past week and \$1.10 since the end of February. This marks the highest level since June 2022, when average prices briefly topped \$5. Pump prices continue to track elevated crude oil markets as the Iran conflict approaches its fifth week, with global supply risks keeping energy markets tight. At the same time, seasonal demand is adding fuel to the surge, as spring break travel lifts gasoline consumption just as refineries transition to more expensive summer fuel blends.

Why it matters: Gasoline remains one of the most visible prices in the economy, and sharp moves tend to register quickly with households – even if broader inflation and economic measures respond more slowly. Fuel efficiency has improved meaningfully over time, with the average vehicle now achieving roughly 25–26 miles per gallon (MPG), compared with about 13 MPG in the 1970s.

Even so, sustained pump prices above \$4 still risk eroding disposable income, weighing on confidence, and redirecting spending away from discretionary categories. While higher gasoline prices may mechanically boost nominal retail sales and headline inflation in the near term, the net effect is typically a drag on real consumption if elevated energy costs persist. With consumer confidence already subdued and labor market signals softening, gasoline prices now represent an important swing factor for spending momentum heading into late spring.

## ECONOMIC REPORT OF THE WEEK

### March consumer sentiment (Conference Board)

The Conference Board’s Consumer Confidence Index rose modestly in March, increasing to 91.8 from 91.0 in February – an upside surprise given the escalation of the Iran conflict and the sharp rise in gasoline prices during the survey period. Taken alongside a modest decline in the University of Michigan’s sentiment index, the broader takeaway is that consumer surveys have thus far shown only limited immediate fallout from the energy shock –

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a reminder that headline confidence can be slow to respond, particularly early in a geopolitical event. With much of the Conference Board survey completed before late month price increases fully showed up at the pump, it may simply be too soon to observe the full behavioral impact if energy prices remain elevated into the spring.

The more telling signal within the report lies in the labor market details. The Conference Board’s labor market differential – the share of respondents saying jobs are plentiful minus those saying jobs are hard to get –

## ECONOMIC REPORT OF THE WEEK

### March consumer sentiment (Conference Board) *continued*

was little changed in March at 5.8%, though it continues to trend lower from last year's highs. Notably, the share of consumers saying jobs are hard to get edged up again, a measure that has historically tracked movements in the unemployment rate with a lag. In that sense, the confidence report aligns with other recent indicators pointing to a steady cooling in labor market conditions rather than outright stress.

All told, while current confidence levels are unlikely to restrain near-term consumption on their own, a continued weakening in labor market perceptions would matter more for spending decisions than fluctuations in headline sentiment. For policymakers, the report reinforces a familiar theme: consumer confidence remains subdued but stable, while labor market signals embedded in the survey suggest upside risk to unemployment as 2026 progresses.



## ECONOMIC TRENDS: LABOR LANDSCAPE

### March employment report: A clear rebound, but volatility complicates the signal

### March's employment report delivered a clear upside surprise, partially pushing back against February's 'stall speed' narrative.

Nonfarm payrolls rose by 178,000, exceeding expectations for only a modest rebound, while the unemployment rate edged down to 4.3%. Job gains were led by a sharp rebound in health care hiring, including strike normalization, alongside solid increases in construction and transportation & warehousing. Taken at face value, the report reads as reassuring and reduces the immediacy of any perceived labor-market deterioration.

**Beneath the headline, however, the signal is more nuanced.** Payroll growth in early 2026 has been unusually volatile, with a sharp contraction in February followed by a strong rebound in March. Part of this swing reflects temporary factors, including weather normalization and the return of striking workers. Even so, March's gains were broadening across both cyclical and service-producing sectors – with leisure and hospitality rebounding, manufacturing jobs edging higher, and temporary help turning positive. Averaging through the noise, payroll growth has strengthened to about +68,000 per month over the past three months, but the six-month average remains much slower at roughly +15,000 – still below our estimated breakeven pace of +25,000. Taken together, the data point to a labor market that is stabilizing from late-2025 softness but remains consistent with a 'low-hire, low-fire' equilibrium rather than a renewed acceleration.



## ECONOMIC TRENDS: LABOR LANDSCAPE

### March employment report: A clear rebound, but volatility complicates the signal *continued*

**The household survey tempers the strength of the payroll headline.** While the unemployment rate declined, household employment fell and labor-force participation edged lower, indicating that the improvement in unemployment partly reflects labor-supply dynamics. Measures of latent slack also moved higher, with increases in the marginally attached and discouraged workers, while long-term unemployment remains elevated. Together, these details suggest that underlying labor market slack continues to build gradually, even as payroll growth rebounds month to month.

### **Government employment remains a headwind, particularly at the federal level, where payrolls declined again in March.**

Persistent federal job losses continue to offset part of the private sector expansion and help explain why overall employment momentum appears less firm beneath the headline gains. At the same time, wage growth moderated, and average hours ticked lower, reinforcing the view that labor demand is no longer overheating despite the stronger payroll print.

### **From a policy perspective, the report reinforces patience rather than resolving uncertainty.**

Stronger job growth and a lower unemployment rate ease near-term concerns about labor market weakness and support a wait-and-see Fed. However, softer household data, rising measures of slack, and heightened volatility in monthly payrolls keep the focus on sustainability – particularly as energy-related uncertainty builds into the second quarter. In short, March marks a genuine rebound from February’s weakness, but not yet definitive evidence of a durable reacceleration in labor market momentum.

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Vacancies deflate (again): Hiring craters as labor market churn stays low

**The February Job Openings and Labor Turnover Survey (JOLTS) report showed another step down in labor demand, reinforcing the deceleration narrative already in place.** Job openings fell by 358,000 to 6.88 million, unwinding January’s temporary rebound and leaving vacancies roughly 5% below year-ago levels. The openings-to-unemployed ratio slipped to 0.91, in line with its average since November, indicating that labor market balance has remained broadly steady through the winter.

**Beneath the headline, however, labor market churn remains historically muted, with February marking a more pronounced deterioration in hiring.** The hiring rate fell to 3.1%, the lowest in more than 15 years outside the early-pandemic period, with total hires down nearly half a million on the month. Quits edged lower to 1.9%, signaling still-limited job-switching opportunities, while the layoff rate held near 1.1%, consistent with ongoing labor hoarding. In short, businesses continue to adjust by restraining hiring rather than actively shedding workers.



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



## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Vacancies deflate (again): Hiring craters as labor market churn stays low *continued*

**Taken together, February's data portray a labor market that is easing – now more decisively on the hiring margin – without unraveling.** Openings continue to drift lower, hiring has slowed to cycle lows, and separations remain restrained, leaving the labor market with little net momentum. This configuration should further damp wage and inflation pressures, while limiting near-term job growth. For the Fed, the message is largely unchanged: conditions remain soft enough to justify patience, though the sharp drop in hiring bears watching as a potential early signal of broader labor market deterioration. It is also worth noting that February's JOLTS data predate a quickly shifting macro backdrop – including higher energy prices and tighter financial conditions – that may pose additional headwinds to labor demand in coming months.

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Retail sales: A measured rebound, with downside risks building

**February's retail sales report showed a clear rebound from January's weather – and timing-driven softness –** with headline sales rising 0.6% month-over-month (MoM) after an upwardly revised -0.1% decline in January. The pickup was broad-based, led by a rebound in autos following weaker sales late last year, alongside renewed strength in restaurants and gasoline stations. In our view, some of these improvements likely reflect payback from January's distortions rather than a meaningful acceleration in underlying demand.

**Beneath the headline, the report continued to show steadier core spending.** Retail sales excluding autos and gasoline rose 0.4% MoM, while control group sales – which exclude autos, gasoline, building materials and food services, and feed directly into GDP – advanced a solid 0.5% MoM, supporting first quarter consumption. Gains were broad across discretionary categories such as clothing, health and personal care, sporting goods, and non-store (primarily online) retailers, offset by declines at grocery and furniture stores. **So far, households appear to be maintaining spending patterns despite higher gasoline prices.** However, if energy costs remain elevated, we expect some reallocation away from discretionary categories as fuel absorbs a larger share of budgets. Even so, control group sales growth over the past three months remains modest but positive (2.7% annualized) – still running ahead of goods price inflation (1.2% annualized) – pointing to ongoing real consumption growth early in Q1, albeit at a slower pace than in prior years.

**Taken together, February's report reinforces the view that consumer spending remains resilient but is gradually cooling,** with retail sales consistent with steady – albeit slower – real goods demand rather than retrenchment. Looking ahead, however, risks tilt to the downside. Higher energy prices, subdued consumer confidence, and continued softening in labor market indicators threaten to erode discretionary spending power in coming months. While nominal sales will benefit mechanically from higher gasoline prices, that support is likely to come at the expense of other categories, suggesting that real consumption growth faces increasing headwinds as the year progresses.

## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we're watching this week: Inflation in focus as war-driven energy costs enter the data

Inflation takes center stage this week, with **Friday's March Consumer Price Index (CPI) report** offering the first comprehensive look at how the Iran war-related surge in energy prices is feeding through to consumer prices. Gasoline prices tend to pass through quickly into CPI, so March should capture the most immediate effects, while other channels are likely to unfold more gradually in coming months. **Thursday's February Personal Consumption Expenditures (PCE) inflation report**, by contrast, will lag these developments. While still the Fed's preferred inflation gauge, the PCE data should be more informative about underlying price dynamics – particularly the balance between tariff-related goods pressures and a potentially cooling services backdrop.

**Tuesday's February durable goods report** will provide a read on business investment conditions, though given it's before the war, may not gather much attention from markets. Our focus will be on nondefense capital goods orders excluding aircraft, a key leading indicator for equipment investment in GDP. A stable or modestly positive print would suggest firms are maintaining capital outlays despite tariff-related elevated input costs, while weaker results would signal growing caution at the margin.

On **Wednesday, minutes from the March 17–18 Federal Open Market Committee (FOMC) meeting** should shed light on how policymakers assessed the evolving balance of risks – especially the inflation implications of higher energy prices and whether geopolitical developments were framed as transitory shocks or a source of more persistent pressure.

The minutes may highlight renewed uncertainty and reinforce the view that policy remains firmly on hold as the Committee looks for clearer evidence on inflation progress and the durability of recent labor market normalization. Independent views on the FOMC's two mandates will be watched closely to see how members frame challenges as their next meeting approaches.

**Thursday's February personal income and spending report**, alongside the PCE deflator, will round out the inflation picture for February. We expect core PCE inflation to firm to around 0.4% MoM, with the details crucial for distinguishing between broadening goods pressures and ongoing moderation in services. On the activity side, personal income is expected to rise about 0.3% MoM. We will be watching for signs that higher prices are weighing on real spending or pushing the savings rate lower – an important gauge of how households are absorbing rising living costs.

**Friday's March CPI report** is the clear focal point of the week. We expect a sharp headline increase – around 1.0% MoM – driven primarily by the surge in gasoline prices, alongside a firm core print near 0.4%. Core goods inflation may accelerate further as tariff effects continue to pass through, partially offset by slower price growth in select services categories. While the inflationary effects of the war are unlikely to materialize all at once, March should capture the earliest – and most visible – impulse. A core reading in line with expectations would reinforce the Fed's patient stance, keeping attention on whether inflation pressures are re-intensifying or instead reflect a shock-driven, temporary disruption.

## 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 - April 6 through April 10						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
4/6/2026	9 a.m.	ISM Services Index	Mar	54.9	54.9	56.1
4/7/2026	7:30 a.m.	Durable goods orders (MoM)	Feb P	-0.8	-1.0	0.0
		Durable goods ex Transportation (MoM)	Feb P	0.5	0.5	0.4
		Capital goods orders nondefense ex. Aircraft	Feb P	0.8	0.8	0.1
	2 p.m.	Consumer Credit	Feb	11.3	11.3	8.1
4/8/2026	1 p.m.	FOMC minutes	18-Mar			
4/9/2026	7:30 a.m.	Personal income (MoM)	Feb	0.3	0.3	0.4
		Personal spending (MoM)	Feb	0.5	0.5	0.4
		PCE Deflator (MoM)	Feb	0.4	0.4	0.3
		PCE Deflator (YoY)	Feb	2.8	2.8	2.8
		Core PCE Deflator (MoM)	Feb	0.4	0.4	0.4
		Core PCE Deflator (YoY)	Feb	2.9	2.9	3.1
		Initial Jobless Claims	4-Apr	208.0	210.0	202.0
		GDP final update (QoQ %)	4Q T	0.7	0.7	0.7
	9 a.m.	Wholesale Inventories (MoM)	Feb F			-0.5
4/10/2026	7:30 a.m.	CPI (MoM)	Mar	1.0	1.0	0.3
		CPI (YoY)	Mar	3.4	3.4	2.4
		CPI (ex-food & energy) (MoM)	Mar	0.4	0.3	0.2
		CPI (ex-food & energy) (YoY)	Mar	2.8	2.7	2.5
	9 a.m.	Factory orders (MoM)	Feb	-0.2	-0.2	0.1
		U. Mich. Consumer sentiment	Apr P	52.2	52.0	53.3

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 4/3/2026.

## Federal Open Market Committee (FOMC) Speaker Calendar

**April 7, 11:35 a.m.:** Goolsbee (Chicago Fed/Non-Voter)

**April 7, 4:50 p.m.:** Jefferson (Board of Governors/Voter)

**Disclosures**

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