



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | May 1, 2026

THE WEEK'S ECONOMY AT A GLANCE

Patience is a policy

This week's economic data releases underscored a key tension shaping the economic outlook: resilience in activity and labor markets alongside renewed inflation pressure. Growth rebounded in early 2026, supported by solid domestic demand and a still-durable consumer, even as inflation pressures re-intensified – largely driven by energy and tariff-related costs. At the same time, jobless claims remain historically low, underscoring a labor market marked by worker retention rather than broad layoffs. Taken together, the backdrop supports a cautious Federal Reserve that is comfortable waiting, with policy patience reinforced by sticky inflation rather than economic fragility.

What this means for business: For businesses, the environment remains one of steady demand but tighter margins – where pricing power and cost management may matter more than volume growth, and relief from financing costs is unlikely in the near term.

Quote of the week

The private sector is still running on all cylinders despite roadblocks in the form of high prices. We expect softer spending later this year but not a complete halt, with a jobs market slowing, not crumbling.

Beth Ann Bovino, Chief Economist,
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ECONOMIC DATA OF THE WEEK

189,000

Initial jobless claims fell by 26,000 to 189,000 in the week ending April 25, coming in well below expectations (212,000) and the lowest level in decades. Continuing claims also declined (to 1.79 million), the lowest level in roughly two years, pointing to limited follow through after layoffs. Taken together, the data suggest a labor market characterized by low layoffs and ongoing worker retention, even as hiring has cooled. In that sense, recent high profile layoff announcements appear more idiosyncratic than indicative of broad stress.

ECONOMIC REPORT OF THE WEEK

Q1 GDP (Advance)

Real GDP grew at a 2.0% annualized pace in Q1, a pickup from the 0.5% pace in Q4 but still below both our forecast and consensus estimates (U.S. Bank Economics: 2.6%; Consensus: 2.3%). On the face of it, the softer than expected headline could be read as a sign of slowing momentum. However, the top-line figure overstates underlying weakness. The private sector continued to spend, albeit at higher prices – particularly for gasoline and tariff-affected goods. In nominal terms, GDP rose by 5.6%, with roughly 3.6 percentage points of that increase reflecting inflation. Growth was also dampened by a sharp rise in imports, while domestic activity remained constructive, supported by solid consumer spending, strong AI-related business investment, and a rebound in government outlays following last quarter's shutdown-related drag.

Stripping out trade and other volatile components, underlying demand looked healthier than the topline suggests. Real final sales to private domestic purchasers rose 2.5% annualized, consistent with trend-like growth in the private sector.

U.S. Bank Economics Research Group

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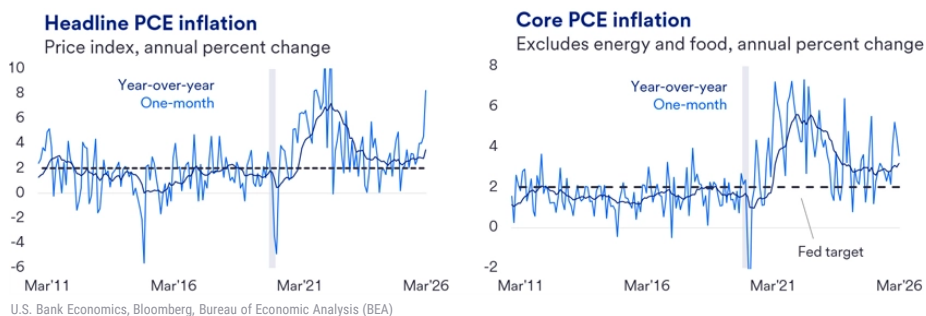
Andrea Sorensen, Economist

The March Personal Income and Outlays report, released the same day, underscored the extent of price pressures, with headline Personal Consumption Expenditures (PCE) inflation posting its largest monthly increase since mid-2022, on a jump in gasoline prices. Even so, spending remained healthy and broad-based, suggesting consumers are still willing to open their wallets. Taken together, the combination of steady real activity and renewed inflation pressures reinforces continued Fed patience and supports our expectation for policy rates to remain on hold, at least until the December Federal Open Market Committee (FOMC) meeting.

ECONOMIC TRENDS: INFLATION OUTLOOK

Inflation and the consumer: Full speed ahead

March's Personal Income and Outlays report highlighted a familiar tension: resilient consumer spending alongside renewed inflation pressure. Headline PCE inflation jumped 0.7% month-over-month (MoM), lifting the year-over-year rate to a three-year high of 3.5%, largely driven by higher energy prices. Core PCE rose 0.3% on the month and 3.2% over the year, underscoring that underlying inflation remains firmer than the Fed would like. While gasoline explains much of the near-term pop in headline inflation, the persistence of core readings above the Fed's 2% target reinforces the view that disinflation is proving uneven rather than linear.



Even so, consumer spending has yet to meaningfully falter. Nominal personal income rose a solid 0.6% MoM in March, but higher prices and taxes pushed real disposable income into negative territory for a second consecutive month. Despite that headwind, nominal spending increased 0.9% MoM, with real outlays up a more modest 0.2%, pointing to a continued willingness among households to absorb higher prices – at least for now. That resilience is being supported in part by a drawdown in savings, with the personal saving rate falling to 3.6%, down sharply from last spring and earlier this year.

Taken together, the data suggest demand remains resilient but increasingly reliant on thinner real income growth and lower saving – supporting the Fed's cautious posture as it waits for clearer evidence that inflation pressures are easing on a sustained basis.

ECONOMIC TRENDS: MONETARY POLICY

Fed meeting: Patience, optionality and an institutional defense

As expected, the Federal Reserve left the target range for the federal funds rate unchanged at 3.50–3.75%, but reinforced a clear signal of patience rather than imminent easing at the April FOMC meeting. Chair Powell emphasized that officials want greater confidence that tariff-related price pressures are fading before reconsidering rate cuts, while acknowledging elevated inflation and ongoing uncertainty tied to energy prices. The Committee modestly strengthened its inflation language and highlighted volatility in recent job gains, otherwise reinforcing a wait-and-see posture.

More notable than the rate decision was the unusual breadth of dissents, underscoring growing discomfort with the easing bias rather than a shift toward tightening. Governor Miran dissented again in favor of an immediate cut, while three additional participants (regional Fed presidents Hammack, Kashkari and Logan) dissented over retaining forward-guidance language that implies further easing. Powell framed the debate as one of timing and uncertainty – not direction – suggesting the easing bias remains in place but increasingly conditional, as officials weigh whether such language can be credibly maintained amid firmer inflation data. Importantly, he pushed back on any interpretation that dissents signal renewed tightening risk, noting that “nobody’s calling for a hike right now.”

ECONOMIC TRENDS: MONETARY POLICY

Fed meeting: Patience, optionality and an institutional defense *continued*

The press conference also took on an unmistakably institutional tone, as Powell used his final appearance as Chair to defend Federal Reserve independence and explain his decision to remain on the Board. He characterized the move as institutional rather than personal, describing it as a response to heightened legal and political scrutiny and a means of ensuring continuity. Taken together, the meeting reinforced a Fed that is comfortable waiting, increasingly cautious about signaling future easing, and focused on protecting both policy credibility and institutional independence as uncertainty remains elevated.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumer confidence: Stabilizing, but still subdued

April's Consumer Confidence report offered tentative signs of stabilization, though sentiment remains subdued and below levels typically associated with robust growth. The Conference Board's index edged up to 92.8 from an upwardly revised 92.2 in March, driven by a modest improvement in expectations. Even so, the expectations component remains firmly below the 80 threshold historically associated with elevated recession risk, while assessments of present conditions were little changed as weaker views on business conditions were offset by slight improvement in labor market perceptions.

Under the surface, the details continue to point to cooling – but not stressed – household conditions. The labor market differential improved again as fewer consumers described jobs as “hard to get,” aligning with other data suggesting slower hiring without a meaningful rise in layoffs.

At the same time, inflation expectations remain elevated, higher gasoline prices are weighing on confidence, and a growing share of consumers expect interest rates to rise over the next year. Taken together, confidence appears to be stabilizing at low levels rather than deteriorating sharply, but persistent weakness in expectations reinforces the view that consumer spending is likely to cool further if labor market conditions soften as 2026 progresses.



ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: April jobs report takes center stage

This week's economic calendar is headlined by the April Employment Situation report, alongside updated other labor market indicators and housing data that will help clarify whether recent softness reflects temporary factors or a more durable cooling in demand. The week will also feature a heavy slate of Federal Reserve speakers following the April FOMC meeting, with markets listening closely for signals on how officials interpret recent labor market and inflation dynamics.

Tuesday's March **Job Openings and Labor Turnover Survey (JOLTS)** will provide an important read on labor demand beneath the headline payroll figures. We do not expect a meaningful change in job openings from February, with continued strength in healthcare likely offset by caution across more cyclically sensitive sectors.

ECONOMIC TRENDS: THE WEEK AHEAD

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We expect the quits rate to remain subdued (around 1.9%), consistent with surveys showing workers continue to view jobs as hard to find. The layoffs rate could edge lower, reflecting relatively low initial jobless claims during the month. Overall, the report is likely to reinforce the Fed's view that the labor market is no longer a source of inflationary pressure, though elevated energy prices tied to geopolitical risks could weigh on hiring sentiment at the margin.

Also on Tuesday, **New Home Sales** for February and March are scheduled for release – following delays tied to last fall's government shutdown. January data showed sales falling to their lowest level since 2022, reflecting softer buyer demand amid affordability constraints and unusually severe winter weather. While builder incentives and selective price cuts continue to provide some support, high mortgage rates remain a key headwind, and the modest relief seen from earlier rate declines has since faded. As a timelier indicator than existing home sales, the release should offer a useful read on near-term housing demand and whether activity stabilized as weather conditions improved.

Friday's April **Employment Report** will be the most consequential release of the week. We expect nonfarm payrolls to increase by 60,000, reflecting slower hiring momentum compared to March, with particular softness likely in leisure and hospitality. Strength in construction and logistics hiring tied to ongoing data center investment could provide some offset. We expect the unemployment rate to hold steady at 4.3%, though risks are skewed slightly lower given that expected job gains remain above estimated breakeven.

The week will also include numerous appearances from Federal Reserve officials following the April FOMC meeting. We will be listening closely for commentary around the three dissents related to statement language – particularly preferences to remove the easing bias – as well as officials' broader assessments of labor market conditions and the policy outlook. Whether rate cuts remain embedded in policymakers' baseline views, and how recent data shape confidence in the disinflation process, will be key for market expectations in the weeks ahead.

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 - May 4 through May 8						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
5/4/2026	9 a.m.	Factory orders (MoM)	Mar	0.4	0.4	0.0
		Durable goods orders (MoM)	Mar F	0.8	0.8	0.8
		Durable goods ex Transportation (MoM)	Mar F	0.9		0.9
		Capital goods orders nondefense ex. Aircraft	Mar F	3.3		3.3
5/5/2026	7:30 a.m.	Trade Balance	Mar	-59.8	-59.0	-57.3
	8:45 a.m.	S&P Global US Services PMI	Apr F			51.3
		S&P Global US Composite PMI	Apr F			52.0
	9 a.m.	ISM Services Index	Apr	53.7	53.7	54.0
		New home sales (000)	Mar	665	667.5	587.0
		JOLTS Job Openings (000)	Mar	6880	6867.0	6882.0
5/6/2026	7:15 a.m.	ADP employment change (000)	Apr	79	79.0	62.0
5/7/2026	7:30 a.m.	Nonfarm productivity (QoQ)	1Q P			1.8
		Unit labor costs (QoQ)	1Q P			4.4
	9 a.m.	Initial Jobless Claims	2-May	210k	196.5	189.0
		Construction spending (MoM)	Mar			-0.3
		Consumer Credit	Mar	12.5	12.5	9.5
5/8/2026	7:30 a.m.	Employment report (000)	Apr	60	60	178
		Unemployment rate (%)	Apr	4.3	4.3	4.3
	9 a.m.	U. Mich. Consumer sentiment	May P	49.3	49.4	49.8
		Wholesale Inventories (MoM)	Mar F			1.4

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 5/1/2026.

Disclosures

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