WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | May 8, 2026

Quote of the week

Resilience without momentum – that remains the defining feature of the current economic backdrop.

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

THE WEEK'S ECONOMY AT A GLANCE

When defense becomes the strategy

This week's data portrayed an economy that continues to expand, but with momentum increasingly defined by defensive stability rather than acceleration. The labor market remains intact, adjusting primarily through restrained hiring and hours rather than rising layoffs, while business activity surveys point to ongoing expansion alongside persistent cost pressures. At the same time, firmer factory orders and capital goods data suggest the real economy entered the second quarter on solid footing, even as net exports remain a modest headwind. Taken together, the picture is one of resilience without dynamism: growth is holding up, inflation risks remain elevated and the path forward hinges less on whether activity slows abruptly than on how long households, businesses and policymakers can navigate this narrow equilibrium.

***What this means for business:** With growth intact but momentum constrained, businesses are navigating a landscape that favors cautious hiring, tight cost control, and adaptability as inflation pressures linger and demand remains uneven.*

ECONOMIC DATA OF THE WEEK

+115,000

Nonfarm payrolls rose 115,000 in April, firmer than expected and marking a second consecutive month of job gains. Stepping back, however, the trend remains modest. February and March payrolls were revised down by a net -16,000, leaving three-month average job growth at +48,000 – roughly a breakeven-ish pace in today's environment of slower labor force growth. Overall, the headline supports a narrative of resilience without acceleration, helping anchor growth expectations even as uncertainty remains elevated.

ECONOMIC REPORT OF THE WEEK

April employment situation

The April employment report points to a labor market best characterized by defensive stability – intact, but still somewhat guarded. Payroll growth came in firmer than expected, while the unemployment rate held at 4.3%, signaling that labor demand has cooled without materially deteriorating. Rather than a clear reacceleration or renewed softening, the data suggest a narrow equilibrium in which hiring persists cautiously and adjustment continues without a surge in job losses.

Beneath the headline, job growth remained selective rather than broad-based, concentrated in health care and social assistance, transportation and warehousing, and retail sectors, while more cyclical and white-collar sectors saw little net growth. One constructive signal was that temporary help employment appears to be stabilizing after a prolonged decline, suggesting businesses are pausing further cuts rather than preparing to reaccelerate hiring.

At the margin, however, a rise in involuntary part-time work points to greater reliance on hours adjustments over headcount reductions, even as wage growth remained contained – supportive of household incomes but consistent with easing labor-cost pressures.

U.S. Bank Economics Research Group

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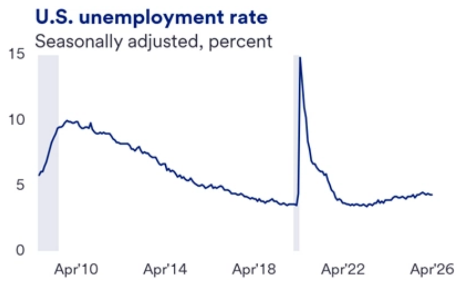
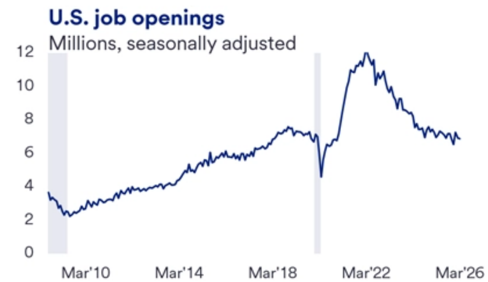


U.S. Bank Economics, Bloomberg, Bureau of Labor Statistics (BLS)



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

ECONOMIC TRENDS: LABOR LANDSCAPE

Labor market: Defensive stability, with guardrails

Recent labor market dynamics point to an economy adjusting through restraint rather than retrenchment. Hiring has slowed meaningfully from last year's pace, but the moderation has occurred largely through reduced hiring intensity – not rising layoffs – leaving the labor market intact even as uncertainty has increased. The result is a state of defensive stability. Employment is being preserved, but momentum remains guarded and increasingly reliant on selective demand.

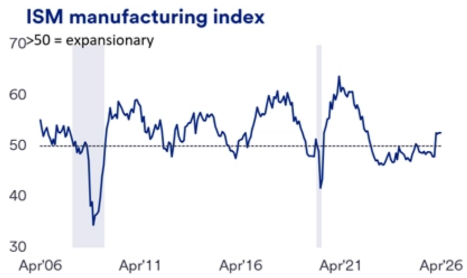
A defining feature of this environment is adjustment along the margins rather than through headcount. With firms cautious about adding workers but still reluctant to shed staff, flexibility has shown up through hours and utilization. The rise in involuntary part-time employment, for example, points to some softening in labor demand, but stops short of the displacement dynamics that typically precede sharper increases in unemployment. This week's Job Openings and Labor Turnover Survey (JOLTS) labor-flow data reinforced this view. Smoothing through recent volatility, quit rates, layoffs, and job openings, all remain little changed from a year ago, inconsistent with an abrupt pullback – a message also echoed by still-low initial jobless claims.

Overall, defensive stability buys time – but not certainty. With hiring near breakeven and layoffs still contained, the labor market continues to support growth without generating renewed inflation pressure. At the same time, this equilibrium leaves the outlook more sensitive to shocks, but with risks tilted less toward an abrupt break than toward a gradual upward drift in unemployment if hiring remains restrained. For now, the labor market remains a stabilizer – cooling without cracking as broader momentum stays constrained.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Business activity: Growth holds, costs linger

The April Institute for Supply Management (ISM) surveys continued to point to an economy that is expanding, albeit with a more uneven internal mix. The ISM Services Purchasing Managers' Index (PMI) edged down to 53.6, marking a 22nd consecutive month of expansion, while its Manufacturing Index held at 52.7, the fourth straight month in growth territory. Together, the reports suggest business activity remains resilient at the start of the second quarter, even as momentum has softened from earlier highs and sectoral divergences are becoming more pronounced.



U.S. Bank Economics, Bloomberg, Institute of Supply Management (ISM)

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Business activity: Growth holds, costs linger *continued*

Beneath the surface, demand remains generally supportive – but businesses appear increasingly cautious on labor. In manufacturing, new orders rose further into expansion, while production growth moderated and employment moved deeper into contraction. Services activity strengthened on the month, but new orders cooled meaningfully and employment remained below breakeven for a second consecutive reading. The common thread across both sectors is continued output growth amid restrained hiring – consistent with a *defensive stability* approach as businesses balance demand against cost and uncertainty.

Where the ISM data sent the clearest signal was on cost pressures. Prices paid remain elevated across both manufacturing and services, with the factory sector seeing a renewed surge in input costs alongside continued lengthening in supplier delivery times. Services price pressures similarly remained sticky, with fuel and transportation costs frequently cited. For the macro-outlook, this combination – ongoing expansion alongside persistent cost pressures and softening labor demand – underscores the central tension. Growth is holding up, but inflation risks remain uncomfortably alive, complicating confidence in a smooth disinflation path.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Production and trade: A firm hand-off into Q2

The latest 'hard' data on production and trade suggest the real economy entered the second quarter on a stable footing. Factory orders rose 1.5% month-over-month (MoM) in March, and 3.7% year-over-year (YoY) – a clear acceleration from sluggish growth earlier in the year. Importantly, core nondefense capital goods orders excluding aircraft – an established proxy for business equipment investment – jumped more than 3% over the month (9.5% YoY), pointing to firmer momentum late in the first quarter. While month-to-month volatility remains a feature of the factory orders and shipments data, the broader trend argues for continued support from goods-related capital spending in early 2026.

At the same time, the trade deficit widened to $60.3 billion in March, as imports outpaced exports – reflecting still-resilient domestic demand and, in part, higher energy- and transportation-related price effects rather than a deterioration in export volumes. From a growth perspective, net exports may remain a modest drag on GDP arithmetic, but the broader message from both the trade and production data is constructive. Domestic demand continues to absorb higher imports, and – paired with improving factory activity – the data remain consistent with our view that growth is holding up, with Q2 GDP tracking near 2.3% (quarter-over-quarter annualized).

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: More inflation pressures alongside a check on consumer momentum

This week's data will offer a timely read on how households are holding up amid persistent inflation pressures,

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: More inflation pressures alongside a check on consumer momentum *continued*

with both price dynamics and consumer spending in focus. The calendar is front-loaded with April Consumer Price Index (CPI) and Producer Price Index (PPI) reports, before shifting to an important update on consumer demand with Thursday's Retail Sales release.

Tuesday's April CPI report is the clear focal point. We expect headline CPI to rise 0.6% MoM (3.8% YoY), driven largely by higher energy prices linked to the Middle East conflict. Core CPI is expected to increase a firm 0.4% MoM (2.7% YoY) – a second consecutive strong reading. Part of that strength, however, reflects a technical boost from corrections to shelter inflation that was understated late last year due to government shutdown-related disruptions. As such, not all of the firmness should be interpreted as renewed underlying inflation momentum. Higher fuel costs are also likely to push airfares higher, though softer pricing across other travel-related and discretionary categories may provide some offset. Even so, the overall message is likely to be another above target inflation print.

Wednesday's April PPI report will help assess whether higher energy costs are beginning to pass through more clearly to producer prices. We expect headline PPI to rise 0.5% MoM, lifting the year-over-year rate to 5.0%, while core PPI firms to 0.3% MoM (4.3% YoY). After a softer-than-expected March report, key transportation-related categories – including airfares and freight services – will be closely watched, along with components that feed into the Fed's core Personal Consumption Expenditures (PCE) gauge, such as health care services and portfolio management fees.

On Thursday, the April Retail Sales report will provide an important check on consumer momentum following March's outsized 1.7% MoM gain. We expect headline sales to rise a still-healthy 0.6%, supported by gasoline prices but at a slower pace than in March. Auto sales are likely to cool, though underlying demand remains resilient. Control group sales – which feed directly into GDP – are expected to increase a solid 0.5% MoM, following a 0.7% gain previously, consistent with steady real consumption growth entering the second quarter.

Taken together, next week's data should reinforce a mixed but stable macro picture – with inflation pressures remaining elevated even as consumer demand continues to support growth. While energy-related swings and technical factors complicate the near-term inflation signal, the persistence of firm readings is likely to keep the Fed cautious as it looks for clearer evidence of sustained inflation progress without a meaningful deterioration in household spending.

Data and reports we're watching this week: More inflation pressures alongside a check on consumer momentum *continued*

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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 11 through May 15						
Date	**Time (CT)**	**Release**	**For**	**USB Econ**	**Consensus**	**Previous**
5/11/2026	9 a.m.	**Existing home sales (mln)**	Apr	**4.1**	4.1	4.0
5/12/2026	5 a.m.	**NFIB Small business optimism index**	Apr	**95.9**	96.0	95.8
	7:30 a.m.	**CPI (MoM)**	Apr	**0.6**	0.6	0.9
		CPI (YoY)	Apr	**3.8**	3.7	3.3
		CPI (ex-food & energy) (MoM)	Apr	**0.4**	0.3	0.2
		CPI (ex-food & energy) (YoY)	Apr	**2.7**	2.7	2.6
	1 p.m.	**US budget deficit ($ bil.)**	Apr			-164.1
5/13/2026	7:30 a.m.	**PPI (MoM)**	Apr	**0.5**	0.5	0.5
		PPI (YoY)	Apr	**5.0**	5.0	4.0
		PPI (ex-food & energy) (MoM)	Apr	**0.3**	0.3	0.1
		PPI (ex-food & energy) (YoY)	Apr	**4.3**	4.3	3.8
5/14/2026	7:30 a.m.	**Import prices (MoM)**	Apr	**1.00**	1.0	0.8
		Initial Jobless Claims	9-May	**200**	205	200
		Retail sales (MoM)	Apr	**0.6**	0.5	1.7
		Retail sales ex-auto (MoM)	Apr	**0.7**	0.6	1.9
		Retail sales control group (MoM)	Apr	**0.5**	0.4	0.7
	9 a.m.	**Business inventories (MoM)**	Mar	**0.3**	0.3	0.4
5/15/2026	7:30 a.m.	**Empire State manufacturing**	May	**8.0**	8.0	11.0
	8:15 a.m.	**Industrial production (MoM)**	Apr	**0.2**	0.2	-0.5

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 5/8/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

May 12, noon: Goolsbee (Chicago Fed/Non-Voter)
May 13, 10:30 a.m.: Collins (Boston Fed/Non-Voter)
May 13, 12:15 p.m.: Kashkari (Minneapolis Fed/Voter)
May 14, Noon: Hammack (Cleveland Fed/Voter)
May 14, 4:30 p.m.: Barr (Board of Governors/Voter)

Disclosures