



## WEEKLY ECONOMIC OUTLOOK

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

## THE WEEK'S ECONOMY AT A GLANCE

### Holding the line

This week's update highlights an economy that continues to adjust gradually rather than pivot sharply. Trade policy remains a persistent but manageable headwind, with headline tariff developments masking a more stable realized burden. Consumer sentiment rebounded modestly in February but continues to reflect late-cycle restraint, particularly around affordability and job security. At the same time, upstream inflation pressures remain firm enough to reinforce the Federal Reserve's patient stance, even as labor market indicators point to ongoing stabilization rather than renewed strength. Taken together, the data suggest a slower, more uneven path forward – one in which risks are accumulating gradually rather than crystallizing abruptly.

**What this means for business:** *For businesses, this backdrop points to a need for continued caution – managing through persistent cost pressures and policy uncertainty while planning for slower, more uneven demand growth rather than a sharp cyclical turn.*



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### Quote of the week

*The economy isn't racing ahead or hitting the brakes – it's cruising cautiously, with a few headwinds reminding everyone to keep both hands on the wheel.*

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



## ECONOMIC DATA OF THE WEEK

# 212,000

Initial jobless claims edged up modestly last week to 212,000 – but remain at a low and steady level by historical standards, underscoring that layoffs continue to be limited. Weekly readings are likely being distorted in the near term by holiday timing and weather-related disruptions, suggesting some noise around the trend. More broadly, low claims point to a labor market that is cooling primarily through softer hiring rather than rising job losses. While we expect initial and continuing claims to drift higher later this year, the current level is consistent with only gradual labor market softening. As a result, we still anticipate the unemployment rate to move modestly higher from its 4.3% reading in January as 2026 progresses.

## ECONOMIC REPORT OF THE WEEK

### February employment report (preview)

Next Friday's February Employment Report is likely to reinforce the recent narrative of labor market stability rather than signal a meaningful shift in underlying momentum.

After January's stronger-than-expected gain, the key question is whether hiring strength is sustained or whether familiar seasonal dynamics reassert themselves. While the labor market no longer appears to be weakening rapidly, evidence of a re-acceleration in labor demand remains limited.

We expect nonfarm payrolls to rise by 45,000 in February, a moderation from January and broadly consistent with job growth nearer its breakeven pace. This outcome would align with a where cautious employer behavior is restraining employment gains rather than a sharp deterioration in demand. Wage growth should remain contained, with average hourly earnings rising at a trend-like pace (0.3% month-over-month; 3.7% year-over-year), consistent with gradually easing labor market tightness.

We expect the unemployment rate to hold steady at 4.3%. While population control updates to the household survey and lingering seasonal effects add some noise this month, they are unlikely to materially alter the broader signal. More important than the headline payroll figure will be whether unemployment and participation measures drift higher in coming months, which would be harder to dismiss as seasonal.

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Bottom line: February's report is unlikely to provide a decisive signal on the labor market outlook, instead extending the appearance of stability seen over the winter. For the Federal Reserve, the data should be consistent with remaining on hold at the March 17–18 meeting, as policymakers await clearer evidence from spring and early-summer data on whether labor market cooling resumes or a more durable stabilization takes hold.

## ECONOMIC TRENDS: INTERNATIONAL TRADE

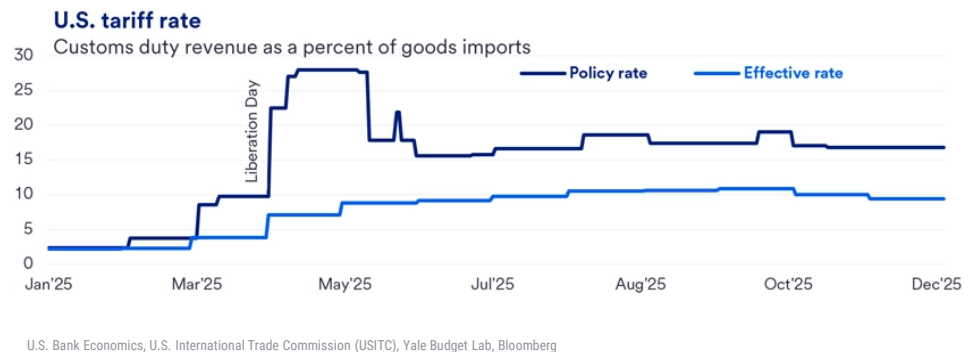
### Trade update: Different paths, similar outcome

**Last week's Supreme Court decision invalidated the legal basis for the broad "Liberation Day" tariffs that had been imposed under emergency authority.** In practical terms, the ruling affects the mechanism used to implement tariffs rather than signaling a shift in the overall trade environment. For businesses, an immediate issue is the treatment of tariffs already paid. The Court did not specify a refund process or timeline, leaving those questions to subsequent administrative and legal proceedings. While this creates uncertainty at the firm level – particularly around timing and eligibility – it does not, in our view, represent a material near-term change to the macroeconomic outlook.

**Subsequent policy actions underscore this distinction.** Within hours of the ruling, the White House shifted to Section 122 of the Trade Act, implementing a 10% global import surcharge – which can legally rise as high as 15% but is currently set at the lower rate – for up to 150 days, alongside a wide set of exemptions and non-stacking provisions (for example, USMCA-qualifying goods and many items already covered by sector-specific tariffs are excluded). The key point for the macro outlook is that headline announcements tend to overstate the realized burden. In practice, exemptions, product carve-outs, and behavioral shifts in sourcing limit how much stated tariff changes translate into realized costs. As a result, even with a temporary global surcharge in place, the effective tariff burden is unlikely to change one-for-one with headline rates.

**Taken together, we expect the realized effective tariff rate to remain near – or modestly below – recent levels,** broadly in the 9–10% range, leaving the overall economic impact largely unchanged. With close to a year of data now available, duties collected as a share of imports have consistently come in below early, worst-case assumptions. This reflects a combination of supplier substitution, uneven pass-through to prices, and the growing role of exemptions. At these levels, tariffs function more as a persistent headwind – adding some stickiness to goods prices at the margin and weighing modestly on activity – rather than as a sharp or destabilizing shock to the expansion.

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**The temporary nature of Section 122 also shapes the path forward.** Because the surcharge is time-limited absent further authorization, it is best viewed as a bridge, maintaining a baseline while additional, potentially more durable measures are evaluated under other statutory channels (such as Section 232 and Section 301). This points to a trade environment that remains elevated but continues to evolve across products and trading partners, potentially encouraging some short-term timing effects in trade flows even if the aggregate tariff burden does not change meaningfully. From a monetary policy perspective, this reinforces a cautious stance: tariffs remain a source of incremental inflation persistence, but they do not appear to be driving a renewed or broad-based inflation impulse.

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Consumer confidence: A modest rebound, but the same late-cycle message

**The Conference Board's Consumer Confidence Index ticked up in February, to 91.2, retracing a small portion of January's drop after that month was revised meaningfully higher.** Even so, confidence remains well below its long-run norm, and, more importantly, the internal mix continues to look distinctly fatigued. Consumers appear incrementally less pessimistic about the road ahead, as reflected in a rebound in the Expectations Index to 72.0, but that measure has now spent more than a year below the 80 level historically associated with heightened recession risk.

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Consumer confidence: A modest rebound, but the same late-cycle message *continued*

In short, sentiment improved at the margin, but the survey still points to restraint rather than a renewed willingness to lean into growth.

**That restraint is most evident in perceptions of current conditions.** The Present Situation Index slipped further to 120.0 in February, its lowest level in four years, driven by softer views of current business conditions. In our view, this widening gap between assessments of the present and expectations for the future matters for near-term spending behavior. When households feel worse about the here and now, they tend to become more selective, prioritizing necessities and lower-ticket discretionary purchases while deferring larger commitments. Consistent with that dynamic, write-in responses continued to emphasize cost-of-living pressures, with prices, inflation and the cost of goods remaining top-of-mind. This reinforces our view that the level of prices – not just the pace of inflation – remains a binding constraint for many families.

**Labor market perceptions improved modestly in February, but the signal remains one of stabilization at subdued levels rather than renewed strength.** The labor market differential – the share of consumers saying jobs are plentiful minus those saying jobs are hard to get – improved to 7.4, yet it remains far below pre-pandemic norms and consistent with a cooling, “low-hire, low-fire” labor market. Forward-looking labor sentiment also remains fragile. Fewer respondents expect job availability to worsen over the next six months, but the share anticipating fewer jobs is still historically elevated. As in prior cycles, this combination suggests households are becoming more sensitive to changes in employment conditions, even absent a sharp rise in unemployment.

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**Taken together, the February Consumer Confidence report does little to alter the broader narrative.** Households continue to convey the same two concerns: affordability is tight, and job security feels less certain than it did a year or two ago. With households increasingly tapping savings to manage day-to-day costs, confidence is likely to remain subdued and uneven across income groups. While low confidence has not been a reliable real-time predictor of spending this cycle, the labor market differential remains a key canary. If it remains near current levels or shows renewed signs of slippage, it would likely be consistent with a further rise in unemployment, weighing first on discretionary demand and ultimately on overall consumption growth as 2026 progresses.

## ECONOMIC TRENDS: PRODUCER AND CONSUMER PRICES

### Wholesale inflation: Upstream pressures still flowing through

**January's PPI (Producer Price Index) offered little reassurance for inflation watchers,** pointing instead to another elevated core PCE (Personal Consumption Expenditures) print and reinforcing the Fed's patient stance. Headline PPI surprised to the upside, rising a strong 0.5% month-over-month (MoM), 2.9% year-over-year (YoY) – marking a modest acceleration from December even after downward revisions. The strength was driven by services inflation, with another sharp increase in wholesaler and retailer margins signaling continued pass-through of higher costs –

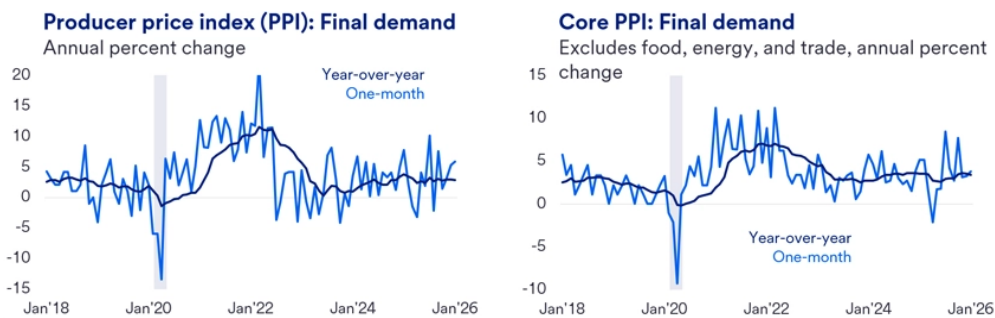
## ECONOMIC TRENDS: PRODUCER AND CONSUMER PRICES

### Wholesale inflation: Upstream pressures still flowing through *continued*

likely including tariffs – through the pricing chain. Goods prices, by contrast, moved lower on the month amid declines in food and energy, though underlying goods inflation remained firm.

**Beneath the surface, the PPI categories that feed directly into the calculation of the Fed’s preferred core PCE inflation gauge painted a less alarming – but still firm – picture.** Core PPI

excluding food, energy, and trade services rose a more moderate 0.3% over the month (3.4% YoY), consistent with a narrower set of recent price pressures. However, several categories that feed directly into core PCE – including airfares, healthcare services and portfolio management fees – posted notable increases. Taken together with earlier Consumer Price Index (CPI) data, January PPI points to another elevated core PCE print, with our early estimate signaling a 0.4% MoM increase when the data are released in mid-March, leaving the year-over-year rate at 3.1%.



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

**For the Fed, the January PPI simply reinforces the narrative of slow and uneven progress on inflation.** While goods disinflation remains intact at the headline level and services inflation is showing signs of narrowing breadth, price pressures in key service categories remain too firm to justify near-term easing. With inflation still running above target and recent data failing to deliver clear downside surprises, policymakers are likely to maintain their patient stance at the next meeting on March 17–18, extending the pause on rate cuts while looking for more convincing evidence that inflation is on a sustainable path lower.

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## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we’re watching this week: Jobs in focus, with a read on spending

**This week’s data calendar is anchored by labor market and consumer spending updates,** with several releases that should help clarify whether January’s signs of stabilization carried into February. While the data are unlikely to materially alter the near-term policy outlook, they will be closely watched as the Federal Reserve heads into its March 17–18 meeting.

Wednesday’s February **ADP Employment Report** will provide an early read on private sector hiring. We expect a modest improvement from January, with job gains of roughly 40,000 following last month’s softer print. ADP is often viewed as a preview of Friday’s official Employment Situation report, though the relationship between the two can be volatile, particularly around labor market inflection points. As a result, the report should be interpreted as directional rather than predictive, but it will help frame expectations ahead of Friday.

On Thursday, preliminary Q4 2025 **Productivity and Costs** data will offer additional insight into underlying inflation pressures. We expect nonfarm productivity to rise 1.6% quarter-over-quarter (QoQ), while unit labor costs increase 2.2% QoQ. A return to positive unit labor cost growth – reversing two consecutive quarters of declines – combined with a sharp deceleration in productivity from the 4%+ pace seen in mid-2025 suggests that recent favorable supply-side dynamics may be fading. If sustained, this combination would represent a renewed upside risk to services inflation rather than continued progress toward price stability.

Friday will be the most consequential day of the week, including the release of January **Retail Sales**. We expect headline retail sales to be flat (0.0% MoM), matching December’s reading. While consensus expectations are slightly weaker, our forecast is supported by more encouraging signals from our U.S. Bank Economics consumer transactions indicator, which suggest underlying consumer demand remained resilient in January.

## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we're watching this week: Jobs in focus, with a read on spending *continued*

Of the week's releases, Friday's February **Employment Report** will carry the most weight. As described above, we expect near-breakeven job gains of 45,000, following January's upside surprise. Other indicators – including survey measures and recent initial jobless claims – point to modest improvement rather than renewed weakening, and we expect the unemployment rate to hold steady at 4.3%.

This will be the final employment report ahead of the Fed's March 17–18 policy meeting. While we expect the Committee to remain on hold, a meaningfully weaker-than-expected report could revive the possibility of dissent in favor of a 25-basis point cut, likely from Governors Christopher Waller and Stephen Miran. Conversely, if February reinforces January's narrative of modest labor market strengthening, Waller is likely to favor holding rates steady, consistent with remarks made in a speech last week.

Overall, this week's data should help determine whether recent signs of labor market stabilization and steady consumer demand are becoming more durable, or whether downside risks to growth are reemerging beneath the surface.

## 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 2 through March 6							
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous	
3/2/2026	8:45 a.m.	S&P Global US Manufacturing PMI	Feb F			51.2	
	9 a.m.	ISM manufacturing	Feb	51.8	51.8	52.6	
3/4/2026	7:15 a.m.	ADP employment change (000)	Feb	43.5	41.5	22.0	
	8:45 a.m.	S&P Global US Services PMI	Feb F			52.3	
		S&P Global US Composite PMI	Feb F			52.3	
	9 a.m.	ISM Services Index	Feb	53.8	53.8	53.8	
3/5/2026	7:30 a.m.	Fed Beige Book					
		Import prices (MoM)	Jan			0.1	
		Nonfarm productivity (QoQ)	4Q P	1.6	1.6	4.9	
		Unit labor costs (QoQ)	4Q P	2.2	2.2	-1.9	
		Initial Jobless Claims	28-Feb	215		212	
3/6/2026	7:30 a.m.	Retail sales (MoM)	Jan	0.0	-0.3	0.0	
		Retail sales ex-auto (MoM)	Jan	0.1	0.0	0.0	
		Retail sales control group (MoM)	Jan	0.1		-0.1	
		Employment report (000)	Feb	45	60	130	
		Unemployment rate (%)	Feb	4.3	4.3	4.3	
		9 a.m.	Business inventories (MoM)	Dec			0.1
		2 p.m.	Consumer Credit	Jan	11.8	11.8	24.0

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 2/27/2026.

## Federal Open Market Committee (FOMC) Speaker Calendar

**March 3, 8:55 a.m.:** Williams (New York Fed/Voter)

**March 3, 10:55 a.m.:** Kashkari (Minneapolis Fed/Voter)

**March 6, 12:30 p.m.:** Hammack (Cleveland Fed/Voter)

**Disclosures**

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