



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | March 6, 2026

THE WEEK'S ECONOMY AT A GLANCE

Storms abroad, crosswinds at home

This week's economic backdrop is defined by a sharp rise in geopolitical risk colliding with a U.S. economy that is gradually losing momentum but not yet rolling over. Escalating tensions involving Iran have driven a rapid surge in oil prices, raising near-term inflation risks and complicating the global growth outlook, even as the U.S. remains relatively insulated. At the same time, February's employment report delivered a meaningful downside surprise, suggesting hiring has slowed to near stall speed, while January retail sales point to weather-related softness rather than a pullback in underlying demand. With inflation still easing only unevenly and the Federal Reserve now in its blackout period, incoming data over the coming weeks will be critical in determining whether the economy is merely normalizing – or beginning to weaken more materially.

What this means for business: *For businesses, the mix of higher energy costs, slower hiring momentum and uneven disinflation suggests tighter margins in the near term, increasing the importance of cost discipline, pricing flexibility and cautious capital planning.*

Quote of the week

The U.S. economy is cooling, not cracking – but rising geopolitical risks are complicating an already delicate inflation and policy backdrop.

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



Investment products and services are:

NOT A DEPOSIT • NOT FDIC INSURED • MAY LOSE VALUE • NOT BANK GUARANTEED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY



ECONOMIC DATA OF THE WEEK

+\$22

Brent crude prices have jumped roughly \$22 per barrel over the past week, climbing to near \$93 – a move of more than 30% – as markets rapidly repriced geopolitical risk tied to the Iran conflict and ongoing disruptions to shipping through the Strait of Hormuz. The size and speed of the increase signal concern not just about near-term supply losses, but about how long those disruptions could persist. While the U.S. economy is better insulated than most from higher energy prices, a shock of this magnitude raises near-term headline inflation risks and complicates the global growth outlook, particularly for major energy-importing economies. Whether the move proves transitory or more persistent will depend critically on the duration of constraints to regional energy flows.

ECONOMIC REPORT OF THE WEEK

February CPI (preview)

February's Consumer Price Index (CPI) report (due Wednesday) is likely to show a modest improvement in underlying inflation, with core prices rising around 0.2–0.25% month-over-month (MoM), a touch softer than January's firmer (0.3% MoM) print and consistent with core CPI holding near 2.5% on a year-over-year (YoY) basis. Much of the expected moderation should come from services, as residual start-of-year strength in travel-related categories, personal services and medical care fades. Shelter inflation should also continue to grind lower, supported by soft market rents and home prices, while food inflation – particularly groceries – helps offset firmer energy costs. Taken together, the February data should reinforce the view that disinflation is continuing, albeit unevenly.

That said, the report arrives amid rising upside risks beyond February, particularly on the goods side. Core goods prices look to remain somewhat sticky in the near term, reflecting lingering tariff pass-through and higher transportation costs.

U.S. Bank Economics Research Group

Beth Ann Bovino, Chief Economist

Ana Luisa Araujo, Senior Economist

Matt Schoeppner, Senior Economist

Adam Check, Economist

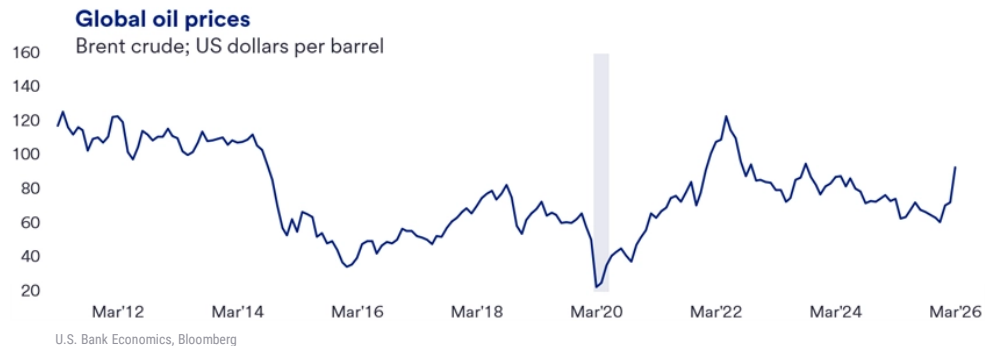
Andrea Sorensen, Economist

More importantly, the sharp increase in oil prices in the first week of March raises the risk that headline inflation re-accelerates in coming reports, complicating the policy narrative even if February itself looks benign. As a result, we will be reluctant to extrapolate a softer February CPI print into a meaningfully more dovish Fed outlook, and continue to expect policymakers to remain in wait-and-see mode as they assess whether recent energy-driven pressures prove temporary or persistent.

ECONOMIC TRENDS: INTERNATIONAL TRADE

Iran Conflict: Oil on troubled waters

The conflict involving Iran has injected renewed uncertainty into global energy markets, pushing the geopolitical risk premium on crude oil higher. Brent prices have risen to near \$93 per barrel (as of this writing) – roughly a \$22 increase, or over 30%, in the first week of March. Should disruptions intensify or the Strait of Hormuz remain functionally closed to most commercial shipping for an extended period, analysts estimate prices could climb another \$20–30 per barrel, potentially pushing Brent toward \$120. Such an outcome would represent a significant shock to major energy-importing economies and emerging markets with limited policy buffers, materially raising recession risks abroad.



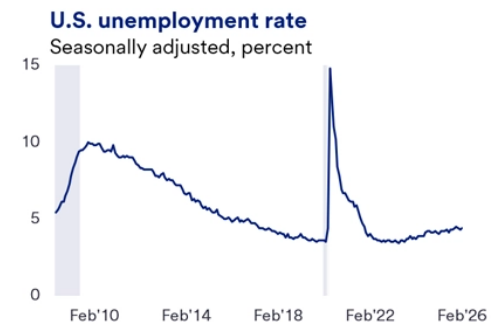
The U.S. economy, however, is comparatively better positioned to absorb higher oil prices than in past episodes. As the world's largest producer of fossil fuels, the U.S. is less vulnerable to supply disruptions, and energy now accounts for a smaller share of household spending than it once did. Gains in energy efficiency and vehicle fuel economy provide additional insulation. That said, the burden would not be evenly distributed. Lower-income households devote a disproportionately large share of their income to energy costs and are already under pressure from sticky inflation and elevated borrowing expenses.

Looking ahead, if oil prices remain roughly 30% above pre-conflict levels but begin to ease later this year, we expect headline inflation to rise temporarily to around 3.5% by mid-year, with limited spillover to core inflation or overall U.S. growth. In that scenario, the inflation impulse should prove transitory, allowing broader price pressures to remain contained. A more meaningful macroeconomic impact would likely require either a substantially larger increase in energy prices or a prolonged period of elevated levels. Only under those conditions would the Federal Reserve likely feel compelled to respond more aggressively – keeping policy restrictive for longer or potentially raising interest rates – thereby increasing the risk of a material slowdown in economic activity.

ECONOMIC TRENDS: LABOR LANDSCAPE

February Employment Report: Hiring hits a speed bump

February's employment report represents a material downside surprise that disrupts the recent 'stable-but-slow' labor market narrative. Nonfarm payrolls fell -92,000, while the unemployment rate held near a cycle high at 4.4%. The setback is notable not only because it was an outright decline, but because it arrived alongside downward revisions to December and January (-69,000 combined), pulling the three-month average pace of job growth down to roughly +6,000 – effectively stall speed. Together, these data reinforce that labor demand had less momentum coming into 2026 than the headline January print implied.



ECONOMIC TRENDS: LABOR LANDSCAPE

February Employment Report: Hiring hits a speed bump *continued*

Our takeaway from the report reflects a combination of identifiable one-offs and broader softening. On the mechanical side, the Bureau of Labor Statistics (BLS) explicitly cited healthcare job losses tied to strike activity, which weighed meaningfully on the monthly headline. Severe winter weather likely also restrained hiring in weather-sensitive sectors such as construction and parts of leisure/hospitality. That said, the weakness was not confined to these categories. Private payrolls declined, with job losses spread across a range of cyclical and service-oriented industries – consistent with a labor market that is losing momentum rather than merely experiencing a sector-specific air pocket.

The household survey adds to the caution, though it is complicated by annual population control updates. The BLS notes that January and February household data incorporate updated population estimates, which can create level discontinuities and limit the usefulness of month-to-month changes. Still, the direction of travel is consistent with incremental slack building, with the unemployment rate lifting back into the mid-4s and participation at 62%. Meanwhile, wage dynamics remain too firm to declare victory on inflation – average hourly earnings were again solid (0.4% MoM, 3.8% YoY), and the workweek was steady, suggesting labor income growth is slowing less dramatically than hiring.

From a policy and outlook perspective, we view the February jobs data as too weak to dismiss, even if March should look better as strike effects unwind. With trend payroll growth now flirting with stall speed and the unemployment rate drifting higher, the bar for renewed confidence in labor market stabilization has risen.

For the Fed, the combination of cooler hiring but still-firm wage growth reinforces a wait-and-see posture near term. Policymakers can acknowledge emerging slack without treating the labor market as decisively broken. Bottom line: the next one or two reports (March/April) become a critical test of whether February was mainly noise (strike/weather) or the beginning of a more durable downshift below breakeven.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Retail Sales: A chilly month at the cash register

January's retail sales report showed a modest pullback in headline activity, with total sales declining 0.2% month-over-month. The weakness was concentrated in a handful of categories – most notably autos, gasoline, and health and personal care stores – with restaurant spending also edging lower. Gasoline sales fell amid lower prices and reduced travel, while auto sales softened after a strong finish to 2025. Unusually cold and snowy weather across much of the country likely amplified these declines by curbing mobility and weighing on in-person discretionary spending.

Beneath the headline, however, the report was more encouraging. Control group retail sales – which exclude autos, gasoline, building materials, and restaurants and feed directly into GDP – rose a solid 0.3% MoM, pointing to continued momentum in core goods demand at the start of Q1. Nonstore (primarily online) sales also remained resilient, suggesting that consumers continued to spend but shifted the timing and channel of purchases rather than pulling back outright.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Retail Sales: A chilly month at the cash register *continued*

Taken together, January's report does not introduce meaningful downside risk to near-term consumption. Part of the headline weakness reflects nominal effects from lower gasoline prices, rather than reduced volumes, and gasoline spending is likely to rebound in coming months as energy prices rise. More broadly, firm control group growth and resilient nonstore activity suggest the consumer remains on stable footing, with January's softness best characterized as weather- and composition-driven rather than a sign of retrenchment.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Inflation in focus as Fed enters blackout

This week's data calendar remains busy, with several releases that will be closely watched for insight into inflation dynamics, housing activity, and labor market conditions ahead of the Federal Reserve's March 17–18 policy meeting. With the Fed now in its communications blackout period, incoming data will play an outsized role in shaping expectations around the near-term policy outlook.

Tuesday's February **Existing Home Sales** report will provide an update on housing market conditions following a sharp pullback in January. While affordability constraints continue to weigh on activity, severe winter storms late last month may have delayed some contract closings. As a result, February sales could show a modest rebound, though any improvement would likely reflect timing effects rather than a meaningful shift in underlying demand.

Wednesday's February **CPI** report will be the most consequential release of the week. We expect both headline and core CPI to rise 0.2% MoM, leaving year-over-year inflation at 2.4% for headline CPI and 2.5% for core. While this would represent continued progress relative to late-2025 readings, inflation would remain above the Fed's 2% target, reinforcing the case for policy patience.

Friday brings a dense slate of releases, including the January **PCE Deflator, Personal Income and Spending**, and **Job Openings and Labor Turnover Survey (JOLTS)**. We expect headline PCE inflation to rise 0.3% MoM and core PCE to increase 0.4% MoM, leaving year-over-year rates at 2.9% and 3.1%, respectively – levels unlikely to reassure policymakers. January PCE data often reflect turn-of-the-year price resets and higher healthcare costs, which can temporarily lift inflation early in the year. On the income side, personal income should receive a boost from the 2.8% Social Security COLA that took effect in January, supporting headline income growth even as elevated inflation continues to weigh on real purchasing power. Meanwhile, the JOLTS report will be watched closely for confirmation – or contradiction – of recent signs of labor market softening. We expect job openings to be broadly unchanged from December, consistent with gradual cooling through lower hiring and reduced churn rather than a sharp rise in layoffs.

Taken together, this week's releases should provide important context rather than definitive answers as the Fed weighs whether evolving labor market conditions warrant a policy response, or whether still-elevated inflation argues for remaining on hold.

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 9 through March 13						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
3/10/2026	5 a.m.	NFIB Small business optimism index	Feb	99.6	99.6	99.3
	9 a.m.	Existing home sales (mln)	Feb	3.9	3.9	3.9
3/11/2026	7:30 a.m.	CPI (MoM)	Feb	0.2	0.2	0.2
		CPI (YoY)	Feb	2.4	2.5	2.4
		CPI (ex-food & energy) (MoM)	Feb	0.2	0.3	0.3
		CPI (ex-food & energy) (YoY)	Feb	2.5	2.4	2.5
	1 p.m.	US budget deficit (\$ bil.)	Feb			-94.6
3/12/2026	7:30 a.m.	Trade Balance	Jan	-68.3	-67.9	-70.3
		Initial Jobless Claims	7-Mar	215		213
		Housing starts (000)	Jan	1350	1340	1404
		Building permits (000)	Jan P	1400	1392	1455
		3/13/2026	7:30 a.m.	Personal income (MoM)	Jan	0.5
		Personal spending (MoM)	Jan	0.3	0.3	0.4
		PCE Deflator (MoM)	Jan	0.3	0.3	0.4
		PCE Deflator (YoY)	Jan	2.9	2.9	2.9
		Core PCE Deflator (MoM)	Jan	0.4	0.4	0.4
		Core PCE Deflator (YoY)	Jan	3.1	3.1	3.0
		Durable goods orders (MoM)	Jan P	0.4	0.4	-1.4
		Durable goods ex Transportation (MoM)	Jan P	0.4	0.4	1.0
		Capital goods orders nondefense ex. Aircraft	Jan P			0.8
		GDP 2nd update (QoQ %)	4Q S	1.4	1.4	1.4
	9 a.m.	U. Mich. Consumer sentiment	Mar P	56.6	56.3	56.6
		JOLTS Job Openings (000)	Jan	6538		6542

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 3/6/2026.

Disclosures

The views expressed in this commentary represent the opinion of the author and do not necessarily reflect the official policy or position of U.S. Bank. The views are intended for informational use only and are not exhaustive or conclusive. The views are subject to change at any time based on economic or other conditions and are current as of the date indicated on the materials. It is not intended to be a forecast of future events or guarantee of future results. It is not intended to provide specific advice. It is issued without regard to any particular objective or the financial situation of any particular individual. It is not to be construed as an offering of securities or recommendation to invest. It is not for use as a primary basis of investment decisions. It is not to be construed to meet the needs of any particular investor. It is not a representation or solicitation or offer for the purchase or sale of any particular product or service. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. U.S. Bank is not affiliated or associated with any organizations mentioned. U.S. Bank and its representatives do not provide tax or legal advice. Each individual's tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

©2026 U.S. Bank