



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | April 10, 2026

THE WEEK'S ECONOMY AT A GLANCE

Pressure at the pump, patience at the Fed

This week's update highlights how a renewed energy shock is testing an economy that was already losing some momentum beneath the surface. A sharp run-up in gasoline prices tied to the Iran conflict has quickly fed through to inflation data, consumer confidence and policymakers' risk assessments, complicating the path forward even as underlying inflation and activity trends remain uneven rather than broken. March's Consumer Price Index (CPI) reintroduced headline inflation risk without overturning the core disinflation story, while February income and spending data revealed a consumer still spending but with less income support and a diminishing buffer. Against that backdrop, Federal Open Market Committee (FOMC) minutes underscore a Federal Reserve firmly in 'wait-and-see' mode, increasingly focused on balancing two-sided risks tied to energy, inflation persistence and labor market fragility. With confidence plunging to a record low and inflation expectations moving higher, the key question now is whether the current energy shock proves temporary – or begins to exert more durable pressure on spending, expectations and policy as spring unfolds.

What this means for business: For businesses, the mix of rising energy costs, fragile confidence, and policy uncertainty reinforces the need for discipline around pricing, hiring and capital spending decisions.

Quote of the week

Energy shocks don't break the economy outright, but they compress its margin for error – and that's exactly what we're seeing as higher gasoline prices collide with softer confidence and lingering inflation.

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



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ECONOMIC DATA OF THE WEEK

47.6

Consumer sentiment plunged to a record low of 47.6 in early April, according to the preliminary University of Michigan survey, as households reacted sharply to surging gasoline prices tied to the Iran conflict. The drop was broad-based across income, age and political groups, with both current conditions and expectations deteriorating in tandem. Notably, nearly all respondents were surveyed before the announcement of a temporary ceasefire, suggesting the reading largely reflects peak anxiety around energy costs rather than any subsequent easing in tensions. Either way, the result highlights how quickly energy shocks can feed into household psychology, even when broader economic conditions have not yet deteriorated materially.

ECONOMIC REPORT OF THE WEEK

Consumer sentiment (University of Michigan)

Beyond the collapse in confidence, the April consumer sentiment survey also showed a sharp uptick in short-term inflation expectations, reinforcing the feedback loop between energy prices and household outlooks. One-year-ahead inflation expectations jumped to 4.8% (from 3.8% in March), while longer run expectations edged up more modestly to 3.4% (from 3.2%), suggesting households continue to view the energy shock as painful but potentially temporary. Importantly, sentiment and expectations have diverged from actual spending behavior in recent cycles, and weak confidence alone has not reliably signaled an imminent pullback in consumption. Still, the combination of falling confidence and rising near-term inflation expectations bears close watching, particularly if elevated gasoline prices persist long enough to influence wage demands, pricing behavior or broader inflation psychology.

U.S. Bank Economics Research Group

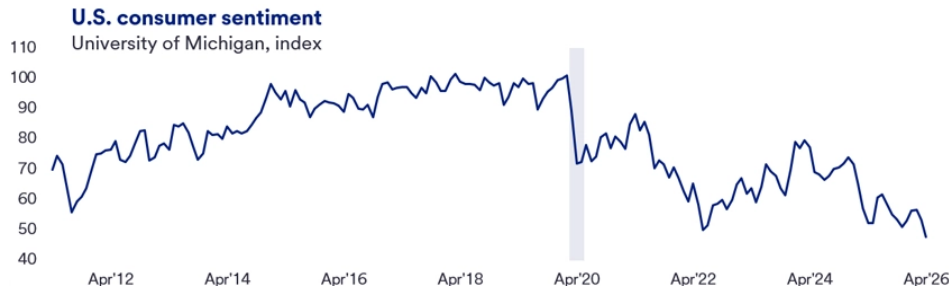
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U.S. Bank Economics, Bloomberg, University of Michigan

ECONOMIC TRENDS: INFLATION OUTLOOK

Inflation: Headline reignites, core holds the line

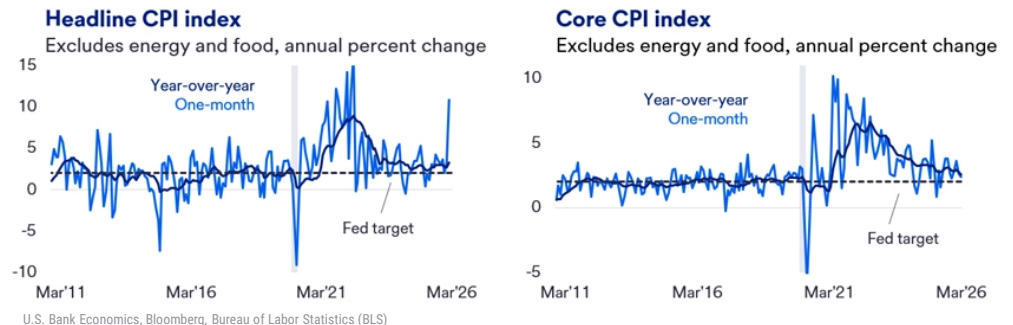
March's CPI report marked a sharp reacceleration in headline inflation, driven overwhelmingly by higher energy prices as the oil and gasoline shock tied to the Iran conflict filtered through to consumers. Headline CPI rose 0.9% month-over-month (MoM), 3.3% year-over-year (YoY), matching expectations but posting one of the strongest monthly increases since the energy-driven volatility of 2022. By contrast, core CPI remained relatively contained, rising 0.2% MoM (2.6% YoY), underscoring that the latest inflation pulse is being led by headline-sensitive categories rather than a broad-based resurgence in underlying price pressures.

Beneath the surface, the report revealed a familiar and constructive split. Shelter inflation continued to cool, with both rents and owners' equivalent rent easing further and doing much of the disinflationary work. Core services excluding housing also moderated after early-year firmness, with transportation-related categories mixed. Airfares firmed alongside higher fuel costs, but the move was contained, while other discretionary service categories softened.

Overall, the services backdrop suggests that higher energy prices have yet to translate into broad-based pressure on core services inflation.

On the goods side, inflation remained mixed rather than reignited. Pockets of firmness – most notably in apparel and select technology-related categories – were offset by continued weakness in vehicle-related prices. Used vehicle prices declined again, providing an important counterweight to tariff- and input-cost pressures that had lifted some goods prices earlier in the year. While goods inflation has not fully normalized, the March data offer little evidence of a renewed or accelerating impulse beyond a narrow set of categories.

Bottom line: March's CPI report reintroduced headline inflation risk without materially overturning the underlying disinflation narrative. Core inflation remains incomplete but contained, reinforcing the Fed's distinction between energy-driven headline noise and more policy-relevant core signals. Attention now shifts to whether higher fuel costs remain a narrow, second order shock or begin to spill more persistently into core services and inflation expectations in the months ahead. For now, the report argues for patience with heightened vigilance, rather than a fundamental reassessment of the policy outlook.



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

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Income and spending: Inflation firm, purchasing power frays

February's Personal Income and Outlays report pointed to a consumer that was still spending, but doing so with less underlying income support and less margin for error. Nominal personal income declined 0.1% MoM, a notable downside surprise, driven by softer dividend income and lower transfer receipts that more than offset modest wage and salary gains. After accounting for taxes and firmer inflation, real disposable personal income fell 0.5% MoM, nearly reversing January's gain and underscoring that purchasing power was already being squeezed even before the recent surge in energy prices.

Spending, however, proved a bit more resilient in February. Nominal personal consumption expenditures rose 0.5% MoM, while real spending increased a more modest 0.1% – marking a second consecutive month of subdued real consumption growth. Beneath the surface, gains were uneven, with strength skewed toward select goods categories and services momentum cooling. The decline in the saving rate to 4.0%, down from January's elevated level, suggests households are relying increasingly on reduced saving to sustain spending – an approach that may be difficult to maintain as inflation pressures persist.

On inflation, the report reinforced why the Fed remains cautious. Core Personal Consumption Expenditures (PCE) rose a firm 0.4% MoM in February, leaving the year-over-year pace near 3.0%, still well above the Fed's 2% target. Core goods prices stood out again, reflecting lingering tariff effects and strength in categories tied to technology and capital-intensive demand, while core services inflation moderated. Importantly, February's data reflect conditions before the sharp rise in oil prices,

meaning the inflation backdrop facing policymakers is likely to become less forgiving in coming months.

Bottom line: The February income and spending data depict an economy that was stable, but increasingly stretched, heading into March. Inflation remained too firm for comfort, real income momentum weakened, and real spending growth slowed to a crawl – all before higher gasoline prices began to bite. For the Fed, this combination only reinforces a wait-and-see posture. Softer demand should help limit broader inflation pass-through over time, but the loss of real income cushioning raises the risk that elevated energy and goods prices begin to weigh more meaningfully on consumption as spring and summer unfold.

ECONOMIC TRENDS: MONETARY POLICY

FOMC minutes: Elevated uncertainty, two-sided risks

The March 17–18 FOMC meeting minutes reinforce a Federal Reserve firmly in wait-and-see mode, with policymakers focused more on managing uncertainty than pre-committing to a near-term policy path. Officials broadly agreed that holding the policy rate at 3.50–3.75% left the Committee “well positioned” to assess incoming data, with the funds rate viewed as within a range of plausible estimates of neutral. While the base case still points toward eventual easing, confidence in the disinflation process has softened, leaving the Fed comfortable staying on hold as two-sided risks intensify.

Uncertainty tied to the Middle East conflict and the associated surge in energy prices featured prominently throughout the discussion. The vast majority of participants judged that upside risks to inflation and downside risks to employment had both increased, noting that higher oil prices could delay a return to target inflation while weighing on household purchasing power, business sentiment and global growth.

ECONOMIC TRENDS: MONETARY POLICY

FOMC minutes: Elevated uncertainty, two-sided risks *continued*

Importantly, the Committee did not view this as a one directional shock. Most participants saw scenarios in which a protracted conflict could warrant additional rate cuts if labor market conditions deteriorate, while many acknowledged that more persistent inflation pressures “could call for rate increases.” The balance of risks has become more symmetrical – but also more complex.

On inflation, participants expressed concern that progress had stalled. Several noted that advances toward the 2% objective had been “absent in recent months,” particularly in core goods and non-housing services inflation, with tariffs and higher energy prices cited as key contributors. While these pressures are still expected to fade, uncertainty around the duration has increased. A prolonged conflict was seen as raising the risk of greater pass-through to core inflation and, in a tail scenario, upward drift in inflation expectations –sharpening the need for clearer evidence that tariff- and energy-related pressures are easing before the Committee can confidently look through higher headline inflation.

The labor market discussion struck a more cautious tone than earlier meetings. Conditions were still widely described as broadly balanced, but participants emphasized the vulnerability of a ‘low-hire, low-fire’ environment. The vast majority judged that risks to employment remain skewed to the downside, particularly if weaker hiring coincides with negative shocks to confidence or demand, raising the risk that businesses could eventually respond through sharper adjustments, including layoffs. Several cited business contacts pointing to hiring delays, including those tied to uncertainty around AI adoption, raising concerns that even modest slowdowns in labor demand could translate into a sharper rise in unemployment.



Finally, the minutes revealed an ongoing debate around communications and policy optionality. A non-trivial minority argued for a more explicit, two-sided description of future policy decisions, reflecting the possibility that rate increases “could be appropriate if inflation were to remain at above-target levels.” While this view does not represent a majority, it underscores the Fed’s desire to preserve flexibility in an unusually uncertain environment.

Overall, the message was one of patience rather than pivot. The Fed appears prepared to hold steady while waiting for either renewed disinflation momentum or clearer evidence of labor market softening. In our view, rate cuts remain the most likely next move, but timing is increasingly contingent on how quickly energy and goods price pressures fade – and whether labor market resilience holds.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we’re watching this week: Housing, producer prices, and regional Fed insight

This week’s data calendar is relatively light, with releases offering incremental insight into housing activity, upstream inflation pressures, and policymaker thinking rather than a decisive shift in the broader macro narrative.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Housing, producer prices, and regional Fed insight *continued*

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Monday's **March Existing Home Sales** report will be the key housing release. Because sales are recorded at closing, March activity largely reflects contracts signed in January and February, when mortgage rates were modestly lower than later in the quarter. That timing suggests sales could hold relatively steady despite the recent rise in rates. We expect activity to be roughly flat to slightly higher on the month, with gradually improving inventory continuing to provide a modest tailwind.

Tuesday's **March Producer Price Index (PPI)** will shed light on upstream inflation dynamics as higher energy costs work their way through supply chains. Headline PPI is likely to be boosted by energy components, while core measures should offer a cleaner read on underlying price pressures. Our focus will be on goods and intermediate demand categories for evidence of broader pass-through, particularly in energy- and metals-related inputs. While PPI can be volatile month-to-month, sustained firming would raise questions around margin pressure and potential spillover to consumer prices.

On Wednesday, the Federal Reserve's **Beige Book** will provide timely, qualitative insight into economic conditions across the twelve Districts. Fed officials – including Chair Powell – place particular weight on this report because it captures near real-time perspectives on activity, labor markets and pricing behavior,

which are especially valuable when geopolitical and policy developments risk making hard data feel backward looking. We will be watching closely for signs of increasing caution around hiring or investment decisions.

This will also be the final week of **Fed speak** before policymakers enter their blackout period ahead of the **April 28–29 FOMC meeting**, elevating the importance of public remarks. Notable appearances include Governors Barr and Bowman on Wednesday, New York Fed President Williams on Thursday, and Governor Waller on Friday. Markets will be attentive to how officials characterize recent inflation developments, energy-driven cost pressures and evolving labor market risks as the Committee prepares for its next meeting.

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 13 through April 17						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
4/13/2026	9 a.m.	Existing home sales (mln)	Mar	4.1	4.1	4.1
4/14/2026	5 a.m.	NFIB Small business optimism index	Mar			98.8
	7:30 a.m.	PPI (MoM)	Mar	1.2	1.2	0.7
		PPI (YoY)	Mar			3.4
		PPI (ex-food & energy) (MoM)	Mar	0.5	0.5	0.5
4/15/2026	7:30 a.m.	PPI (ex-food & energy) (YoY)	Mar			3.9
		Empire State manufacturing	Apr			-0.2
		Import prices (MoM)	Mar			1.3
	9 a.m.	NAHB housing index	Apr			38.0
	1 p.m.	Fed Beige Book				
	3 p.m.	TIC flows (\$ bil.)	Feb			-25.0
4/16/2026	7:30 a.m.	Initial Jobless Claims	11-Apr			219.0
		Philly Fed manufacturing	Apr			18.1
	8:15 a.m.	Industrial production (MoM)	Mar	0.2	0.1	0.2

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 4/10/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

- April 13, 5:20 p.m.:** Miran (Board of Governors/Voter)
- April 14, 11:15 a.m.:** Goolsbee (Chicago Fed/Non-Voter)
- April 14, 11:45 a.m.:** Barr (Board of Governors/Voter)
- April 14, Noon:** Paulson (Philadelphia Fed/Voter)
- April 15, 7:30 a.m.:** Barr (Board of Governors/Voter)
- April 15, 12:45 p.m.:** Bowman (Board of Governors/Voter)
- April 16, 7:35 a.m.:** Williams (New York Fed/Voter)
- April 16, 9:35 a.m.:** Miran (Board of Governors/Voter)
- April 17, 1 p.m.:** Waller (Board of Governors/Voter)

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