



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | April 17, 2026

THE WEEK'S ECONOMY AT A GLANCE

Energy shock, contained – for now

This week's data reinforced a familiar but increasingly nuanced picture of the U.S. economy: labor market conditions are stable, growth remains intact, and inflation pressures – while elevated – have yet to show broad energy pass-through beyond headline categories. Initial jobless claims remain historically low, underscoring a labor market still defined by restrained hiring rather than rising layoffs, while the April *Beige Book* pointed to continued expansion tempered by rising uncertainty and growing caution among businesses. On inflation, recent Producer Price Index (PPI) and Consumer Price Index (CPI) reports suggest that the surge in energy prices linked to the Iran conflict remains largely concentrated upstream, offering little evidence so far of generalized pass-through to core prices. Housing activity, meanwhile, remains constrained by affordability and rate-lock effects rather than collapsing demand, with sales volumes weak but price dynamics and inventory broadly balanced.

Against this backdrop of resilience, stronger-than-expected U.S. data through March – amidst tentative signs of improving geopolitical conditions – have led us to lower our 12-month qualitative recession risk to 30%, from 35% previously, even as the economy appears increasingly fragile beneath the surface.

What this means for business: *For businesses, conditions remain workable – but increasingly unforgiving of missteps as cost pressures rise and buffers thin.*

Quote of the week

So far, the energy shock has shown up clearly in headline prices, but not in the core inflation measures that matter most for policy.

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



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ECONOMIC DATA OF THE WEEK

207,000

Initial jobless claims fell back to 207,000 in the week ending April 11, remaining near the lower end of the narrow range that has held for much of the past several months and reinforcing the view that layoffs remain historically subdued. While hiring has clearly softened, the persistence of low claims underscores that firms continue to adjust primarily by restraining hiring rather than shedding workers – a dynamic that has kept the unemployment rate relatively stable even as payroll growth has moderated.

Importantly, the pace of job growth needed to maintain labor market balance now appears materially lower than in prior years, reflecting slower labor force growth driven by demographic trends and weaker immigration flows. Still, this low-churn environment carries an element of fragility. With hiring already subdued, a modest pickup in layoffs – whether from sustained cost pressures such as energy prices or other shocks – would likely translate more quickly into higher unemployment than in a higher-turnover labor market.

ECONOMIC REPORT OF THE WEEK

Beige Book: Steady growth, rising caution

The April *Beige Book* suggests the U.S. economy continues to expand at a slight to modest pace, though momentum is increasingly shaped by heightened uncertainty. Economic activity remained positive across most Districts, with anecdotal reports from Federal Reserve contacts pointing to modest gains in manufacturing and pockets of resilience in consumer spending – particularly among higher income households. At the same time, elevated energy prices and geopolitical developments tied to the Middle East conflict are weighing on sentiment and decision-making, prompting many businesses to delay investment and hiring plans. Housing activity softened further as higher mortgage rates and uncertainty dampened buyer demand in the sector, while commercial real estate showed tentative improvement, led by industrial projects such as data centers.

Labor market conditions continue to reflect caution rather than outright contraction. Headcounts were largely unchanged, but hiring intentions softened as firms cited uncertainty as a reason to postpone staffing decisions.

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This caution is also evident in increased reliance on temporary and contract workers, with hiring focused primarily on replacement needs rather than expansion. Wage growth remained modest to moderate overall, though persistent pressures in healthcare and skilled trades point to ongoing sector-specific tightness. Price pressures were described as moderate on balance, but energy-related input costs are rising more rapidly and increasingly outpacing businesses' ability to raise selling prices, leading to margin compression.

ECONOMIC REPORT OF THE WEEK

Beige Book: Steady growth, rising caution *continued*

Taken together, the April *Beige Book* reinforces a picture of steady but fragile expansion – where growth remains intact, cost pressures are becoming more problematic, and uncertainty itself has emerged as a meaningful constraint on business activity.

ECONOMIC TRENDS: INFLATION OUTLOOK

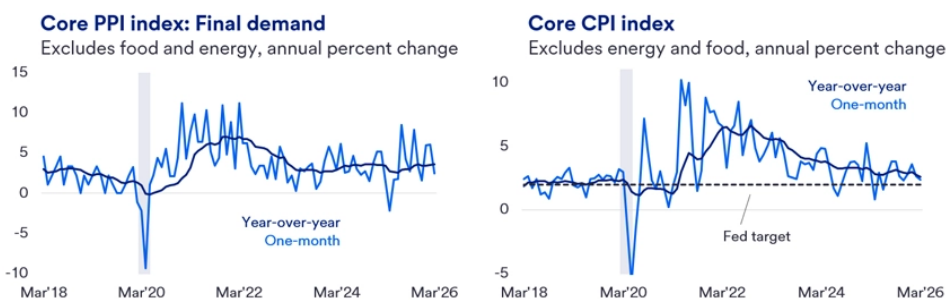
Energy inflation pass-through: Silence of the core

The conflict in the Middle East has pushed oil prices up by 63% from its \$62 pre-war average this year – to averaging \$101 from April 1 through April 16. The announcement of the ceasefire and the opening of the Strait of Hormuz dropped prices to around \$84 (Friday, midday). While highly uncertain, news of a ceasefire, if it holds, further supports growth. That said, at that level, oil prices are still up by \$20. Risks from fiscal, trade and immigration policy still remain elevated. While the U.S. economy continues to stand resilient against high energy prices, we still expect that higher energy prices – on top of the tariff-led lift in price levels – to remain a drag on economic activity this year.

Data are now showing the economic impact from the war. Energy prices surged in March in both the CPI and PPI reports. For the U.S. economy, a rule of thumb is that for every \$10 increase in a barrel of West Texas Intermediate (WTI) oil, about 20-basis points (bps) of economic growth is cut from U.S. GDP growth, if it lasts for a year (the drag was 25 bps before the U.S. became a large energy producer). It also adds 25 cents to a gallon of gas, though those that drive already know this. This rule of thumb also works when oil prices fall. If the recent drop in oil prices holds, expect some relief in energy costs, which in turn will lead to a pickup in spending in other places than the gas station.

Fortunately, core prices remain subdued. That's good news for prices paid, but it also means that the Fed doesn't have to turn hawkish. Core PPI over February was just 0.1%; Core CPI up 0.2% (consensus up 0.4% and 0.3% respectively). That said, pass-through pressure is expected to show in the coming months. If the ceasefire holds, it will be modest. The pass-through pressure to core prices is about 20 bps for every 10% increase in a barrel of oil. A price over \$100 for an extended period of time would increase core prices and force the Fed to stay on hold longer than they thought before the conflict.

Oil feeds into core through production of many products. Oil-derived energy products are in fertilizers, aluminum, plastics and your clothing (synthetic fibers such as polyester, nylon and spandex are made from crude oil-derived polymers). While the pass-through is small, even a \$20 increase in prices adds up. Fortunately, we believe that the U.S. economy resilience will allow this expansion to bypass recession if oil prices remain well below \$130, given the US economy is more insulated than in the past. That said, household wallets may differ.



ECONOMIC TRENDS: PRODUCER AND CONSUMER PRICES

March PPI: Energy shock still concentrated upstream

March's PPI report undershot expectations, with headline final demand prices rising 0.5% month-over-month (MoM), 4.0% year-over-year (YoY). The increase was driven almost entirely by goods prices, reflecting a sharp run-up in energy costs tied to developments in the Middle East. In contrast, pricing pressures in final demand services were flat, providing an important counterbalance to the energy-driven strength in the headline number. Excluding food and energy, core producer prices rose a more modest 0.1% MoM (3.8% YoY), reinforcing the message from March's CPI report that inflation pressures – while elevated – remain uneven rather than broad-based.



Beneath the surface, the PPI details continue to point to contained underlying momentum. Core goods prices rose modestly after a stronger start to the year, while service-sector pressures were mixed, with gains in transportation and financial services offset by softer trade margins. Importantly for the inflation pipeline, several categories that feed directly into consumer inflation – such as airfares, portfolio management fees and healthcare services – were firm but not excessive. Taken together, the report suggests that higher energy costs have yet to meaningfully spill over into broader producer pricing, though that remains a key risk if elevated oil prices persist.

Important disclosures provided on last page

Looking ahead, the PPI details point to a firm – but not runaway – March reading for Personal Consumption Expenditures (PCE) inflation, the Fed's preferred measure.

Based on the available inputs, we estimate core PCE rose closer to 0.3% MoM, pushing the year-over-year pace modestly above 3%. Headline PCE likely posted a larger monthly increase due to energy, but the broader picture remains one of sticky inflation driven by select categories rather than a generalized reacceleration. For the Fed, this keeps policy firmly in wait-and-see mode: the pipeline data do little to justify near-term easing, but they also stop short of signaling a renewed inflation breakout – unless energy-related pressures broaden in the months ahead.

ECONOMIC TRENDS: HOUSING SECTOR

Existing homes sales: Constrained by rates, not demand

Existing home sales ended the first quarter on a weak note, falling by 3.6% MoM to an annualized pace of 3.98 million units in March – the lowest level since last June. Across the first three months of the year, sales were down 1.1% from a year earlier, reversing the brief return to positive year-over-year growth seen in the second half of 2025 – the first such improvement since mid-2021. And further softness may lie ahead. March closings largely reflect contracts signed in January and February, prior to the escalation of the Iran conflict and the associated rise in mortgage rates. Against this backdrop of a weak start to the year and higher borrowing costs, the National Association of Realtors (NAR) lowered its full-year 2026 existing home sales growth forecast to 4%, down sharply from its earlier expectation of a double-digit rebound.

Weaker sales volumes aside, the report pointed to relatively balanced market conditions. Home values were broadly stable, with the median sales price at \$408,800 in March, up 1.4% from a year earlier and consistent with other measures showing low single-digit nominal price growth.

ECONOMIC TRENDS: HOUSING SECTOR

Existing homes sales: Constrained by rates, not demand *continued*

Inventory also remains near historical norms, with months' supply holding at 4.1, little changed over the past year. Together, these dynamics suggest that housing demand has not collapsed. Instead, activity remains constrained by affordability and rate-lock effects, rather than excess supply or widespread buyer retrenchment.

High-frequency indicators offer tentative signs of stabilization. The Mortgage Bankers Association's weekly mortgage applications index, for instance, rose marginally in the week ending April 10, snapping four consecutive weekly declines that were largely driven by falling refinance activity amid rising rates. Purchase applications were also weak over that period, underscoring the sensitivity of buyer demand to higher financing costs. With average mortgage rates having recently stabilized around 6.40% after peaking near 6.60% in March, contract activity could begin to improve modestly. If rates remain near current levels, existing home sales may see a slight rebound in the late spring or early summer data.



ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Retail sales shed light as the Fed goes dark

This week's calendar is relatively sparse, with March retail sales standing out as the key release offering insight into consumer spending. With the Federal Reserve entering its communications blackout period ahead of the April 28–29 FOMC meeting – and with policy, in our view, set to remain on hold – this week's data should help contextualize recent trends rather than materially alter the near-term policy outlook.

Tuesday's March **retail sales report** will provide an important read on spending momentum following a strong February. We expect the headline figure to post a solid 1.3% month-over-month gain, driven in part by higher fuel prices at gasoline stations tied to geopolitical tensions in the Middle East, as well as continued strength in auto sales. Retail sales are reported in nominal terms, meaning much of the headline increase will likely reflect higher prices – particularly at the pump – rather than a commensurate pickup in real consumption. Excluding autos and gasoline, we expect sales to rise a healthy 0.4% MoM, matching February's pace and exceeding current consensus expectations of 0.2%. While elevated fuel costs may have crowded out some discretionary spending, the Federal Reserve's April *Beige Book* indicated that high-income consumers continued to spend, helping to support underlying demand.

We will also continue to monitor labor market conditions through Thursday's **Initial Jobless Claims** report for the week ending April 18. Claims have remained low and stable in recent weeks, consistent with a labor market characterized by limited layoffs. Initial claims fell to 207,000 last week, though holiday timing around Easter may have contributed to some volatility. We expect claims to remain near 210,000, broadly in line with recent trends.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Retail sales shed light as the Fed goes dark *continued*

The April *Beige Book* similarly reported stable labor demand across most districts, with minimal indications of widespread job cuts.

Rounding out the week, Friday brings the final April reading of the **University of Michigan Consumer Sentiment** survey. In the preliminary release, sentiment fell sharply to 47.6 from 53.3 at the end of March, reflecting declines in both current conditions and expectations. The deterioration was largely driven by a surge in year-ahead inflation expectations, which rose to 4.8% from 3.8%, alongside heightened geopolitical uncertainty. Importantly, most responses were collected prior to the April 7 ceasefire announcement. As a result, the final reading could show a modest improvement, though any rebound is likely to be limited absent a decline in gasoline prices.

Taken together, this week's releases should provide incremental insight into the resilience of consumer spending and the continued stability of labor market conditions, even as elevated inflation expectations and geopolitical uncertainty weigh on consumer confidence.

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 20 through April 24						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
4/21/2026	7:30 a.m.	Retail sales (MoM)	Mar	1.3	1.3	0.6
		Retail sales ex-auto (MoM)	Mar	1.3	1.3	0.5
		Retail sales control group (MoM)	Mar	0.3	0.2	0.5
	9 a.m.	Business inventories (MoM)	Feb	0.3	0.3	-0.1
		Pending home sales (MoM)	Mar	0.8	0.8	1.8
4/23/2026	7:30 a.m.	Initial Jobless Claims	18-Apr	210	210	207
	8:45 a.m.	S&P Global US Services PMI	Apr P	49.9	50.0	49.8
		S&P Global US Composite PMI	Apr P			50.3
4/24/2026	9 a.m.	S&P Global US Manufacturing PMI	Apr P	52.8	52.8	52.3
		U. Mich. Consumer sentiment	Apr F	48.0	48.3	47.6

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 4/17/2026.

Disclosures

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