



## WEEKLY ECONOMIC OUTLOOK

# Data-driven insights from the U.S. Bank Economics Research Group | April 24, 2026

## THE WEEK'S ECONOMY AT A GLANCE

### Still on the road – watching the gauges

This week's data paints a picture of an economy that remains resilient but increasingly exposed to renewed inflation risks and rising uncertainty. Consumer sentiment remains glum into late April, with households citing higher energy costs as a key strain, even as retail spending has so far held up – supported by income growth, balance-sheet buffers and firm goods demand. At the same time, business activity has moved back into expansion territory, led by manufacturing, though services remain subdued and cost pressures are reemerging amid ongoing geopolitical disruptions. A sharp rebound in inflation expectations underscores the sensitivity of both households and businesses to energy prices, reinforcing the tension between still-solid growth and lingering risks. Against this backdrop, this week's Federal Open Market Committee (FOMC) meeting is likely to focus less on near-term policy action and more on how officials frame that evolving balance as fresh data on inflation and growth come into view.

**What this means for business:** *From a business perspective, resilient activity provides some near-term cushion, but higher input costs and subdued confidence point to a more cautious operating environment ahead.*

### Quote of the week

*The economy is still moving forward, but the ride has grown bumpier with higher energy prices feeding back into inflation concerns.*

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



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## ECONOMIC DATA OF THE WEEK

# 4.7%

Consumers' year-ahead inflation expectations climbed to 4.7% in April, according to the University of Michigan – marking a sharp increase from March and returning expectations to the upper end of the range seen last spring and summer, when inflation concerns were elevated amid tariff uncertainty. The latest jump can be attributed to higher gasoline prices tied to the war in the Middle East, reinforcing the view that energy costs continue to play an outsized role in shaping near-term inflation psychology. Longer-run inflation expectations also moved higher, rising to 3.5% – their highest level since late last year – a development likely to draw attention from the Fed. While policymakers typically look through energy shocks as temporary, the latest rebound in expectations restores an upside risk if elevated prices persist long enough to become embedded in consumer thinking.

## ECONOMIC REPORT OF THE WEEK

### Consumer sentiment (University of Michigan)

The University of Michigan's final April consumer sentiment index edged up modestly to 49.8 (from the preliminary 47.6 reading) – but still marked the lowest level since mid-2022 and one of the weakest readings on record. Survey officials noted that the late-month improvement coincided with a modest easing in gasoline prices following the ceasefire, underscoring that the Iran conflict continues to weigh on households primarily through higher energy and inflation concerns.

Despite historically weak sentiment, the report reinforces the ongoing disconnect between consumers' mood and realized spending. While households remain pessimistic about the outlook, actual consumer behavior has so far proven more resilient, supported by steady income growth and balance-sheet buffers. As such, the sentiment data appear less indicative of an imminent pullback in consumption and more reflective of rising vulnerability – particularly if elevated energy prices persist and weigh more durably on real purchasing power.

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The economy is still moving forward, but the ride has grown bumpier with higher energy prices feeding back into inflation concerns

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Retail sales: More gas than brakes

**March retail sales surprised to the upside**, posting the strongest monthly gain in a year as consumers spent across a wide range of categories despite higher gasoline prices. Headline sales jumped 1.7% month-over-month (MoM), following an upwardly revised 0.7% gain in February. While elevated fuel spending boosted the headline, strength was broad-based across the report. Excluding gasoline stations, sales rose a solid 0.6% MoM pointing to firm underlying momentum in goods demand late in the first quarter.

**Beneath the headline, core spending strengthened further.** Control group sales – which exclude autos, gasoline, building materials and food services, and feed directly into GDP – surged 0.7% MoM, 4.8% year-over-year (YoY), the strongest pace since August. February control group sales were also revised higher to 0.6%, reinforcing a meaningful upward contribution to Q1 GDP growth ahead of the advance estimate later this week from the Bureau of Economic Analysis (BEA). Nearly every major category posted gains, including nonstore retailers (up 10.1% YoY), and food services and drinking places (+2.4% YoY), highlighting continued resilience in consumer demand.

**Retail sales are reported in nominal terms, thus most of March's strength reflects higher prices rather than volume gains.**

Gasoline spending jumped by over 15% in March, and elevated fuel costs are likely to continue mechanically boosting headline retail sales in the near term. At the same time, some early year momentum likely reflects temporary support from larger-than-usual tax refunds, suggesting spending growth could moderate as these tailwinds fade. Taken together, the March report points to a steady handoff into GDP tracking for the first quarter, with real goods spending appearing broadly flat once adjusted for prices. Looking ahead, the Fed is likely to view the report as confirmation that consumer demand – particularly for goods – has not cooled as quickly as expected, even as policymakers remain attentive to whether spending momentum proves sustainable in coming months.

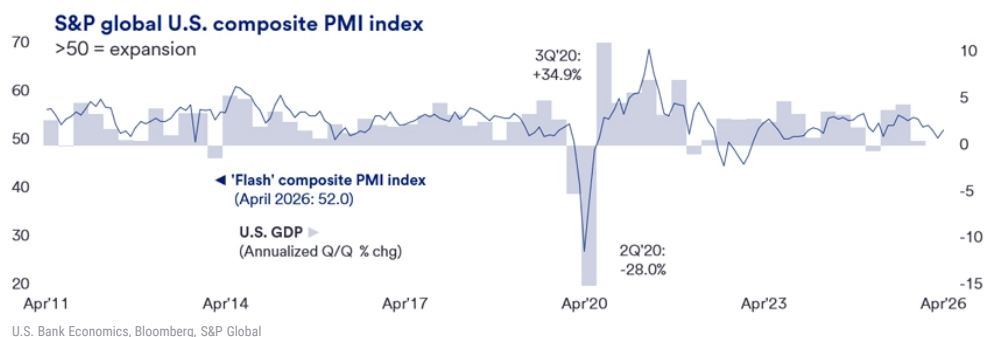


U.S. Bank Economics, Bloomberg, U.S. Census Bureau, Bureau of Labor Statistics (BLS)

## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Business activity: Back in expansion – with caveats

**April's flash S&P Global Purchasing Managers' Index (PMI) pointed to a modest reacceleration in U.S. business activity following a loss of momentum in March**, amid heightened disruption from the war in the Middle East. The composite output index rose back into expansion territory (+1.7 to 52.0), signaling a renewed – though still uneven and generally subdued – pickup in private-sector activity at the start of the second quarter.



## ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

### Business activity: Back in expansion – with caveats *continued*

**Beneath the surface, the PMI details pointed to a clear divergence between goods-producing industries and the services economy.** Manufacturing led the improvement in April, with the PMI index climbing 1.7 points to 54.0 – its highest reading in four years – reflecting firmer output and new order growth. Survey respondents cited stronger domestic demand, though some of the strength likely reflected precautionary stock-building amid geopolitical uncertainty and concerns over supply availability. By contrast, services activity returned to modest expansion (+1.5 to 51.3), but the pace of growth remained among the weakest seen over the past year – as “the war caused hesitancy for spending among both household and business customers.” As a result, near-term growth momentum appears increasingly concentrated in goods demand, leaving the broader expansion more sensitive to any weakening in services activity.

**At the same time, the April report highlighted a renewed pickup in cost pressures.** Input and output price indices rose meaningfully across both manufacturing and services, with businesses frequently citing higher energy and transportation costs as well as supply delays linked to the Middle East conflict.

Supplier delivery times lengthened further, and respondents reported “panic” or “emergency” buying to secure inputs ahead of potential shortages or price increases – echoes of earlier supply chain episodes. Labor demand, by contrast, softened at the margin. The manufacturing headcounts fell for the first time in nine months, while hiring in services showed only modest improvement. For policymakers, the combination of firmer activity, rising price pressures, and cooling labor demand underscores the tension in the current backdrop – where growth remains intact, but inflation risks have re-emerged and confidence in the durability of demand remains fragile looking ahead.

## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we’re watching this week: A two-day data deluge

**This week’s calendar is unusually dense,** featuring fresh reads on housing activity, the April FOMC decision and Chair Jerome Powell’s press conference, and a string of releases on inflation, consumer fundamentals, and the advance estimate of Q1 GDP. With the Fed widely expected to hold policy steady, incoming data are likely to matter less for the decision itself and more for how policymakers frame the balance of risks between still-elevated inflation and a moderating growth backdrop.

Wednesday morning brings a long-awaited update on **Residential Construction**, with February and March housing starts and building permits released together following disruptions to the reporting calendar caused by the government shutdown. We expect March housing starts of around 1.36 million SAAR (seasonally adjusted annual rate) and permits of approximately 1.37 million. After a stronger January print, we look for starts to retrace some of that volatility, while permits hold closer to trend – consistent with builder sentiment that remains cautious but constructive amid tight existing-home supply and still-restrictive financing costs.

## ECONOMIC TRENDS: THE WEEK AHEAD

### Data and reports we're watching this week: A two-day data deluge *continued*

Attention then shifts Wednesday afternoon to the conclusion of the **April 28–29 FOMC Meeting** and **Chair Powell's press conference**. We expect the Committee to hold the target range for the federal funds rate steady, reiterating that inflation remains above target and that uncertainty around the inflation path has increased amid higher energy prices tied to the conflict in the Middle East. With the Summary of Economic Projections released only quarterly, there is no SEP at this meeting, placing greater weight on statement language and Powell's tone. A dissent is possible, though not guaranteed.

Thursday's data flow includes March **Personal Income and Outlays** – including the Fed's preferred Personal Consumption Expenditures (PCE) and core PCE inflation indexes – alongside the advance estimate of **Q1 2026 GDP**. We forecast personal income rising 0.4% MoM and personal spending up 0.9% MoM, with tax season cash flows helping support underlying demand even as higher energy costs pressure household budgets. On prices, we expect headline PCE inflation of 0.7% MoM (3.5% YoY), reflecting the first full-month impact of higher gasoline prices, while core PCE is expected to rise 0.3% MoM (3.2% YoY), remaining above the Fed's target. This environment underscores the importance for businesses to monitor cost pressures and adjust pricing strategies to maintain margins amid persistent inflation. Within the details, we will be watching whether inflation pressures remain concentrated in goods categories, whether service sector moderation continues, and whether robust spending is increasingly being financed by a lower saving rate.

For growth, we forecast Q1 real GDP of 2.6% SAAR, above consensus estimates nearer 2.0%.

Strong consumer spending – supported by firm March retail sales – alongside increased government spending are key contributors to our estimate, though inventories and net exports remain potential swing factors in the advance release.

Taken together, this week's releases should help assess whether growth momentum strengthened at the start of 2026 following a Q4 period distorted by temporary factors, including the government shutdown. They should also shed light on whether underlying inflation pressures remain elevated, even as headline inflation is boosted by higher energy prices. With growth still resilient and core inflation above target, the data are likely to reinforce the Fed's cautious stance rather than support a near-term shift in policy.

## 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 27 through May 1						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
4/28/2026	8 a.m.	S&P/Case-Shiller home prices (MoM)	Feb			0.2
		FHFA home prices (MoM)	Feb			0.1
	9 a.m.	Consumer confidence	Apr	90.3	89.3	91.8
4/29/2026	7:30 a.m.	Retail Inventories (MoM)	Mar			0.2
		Advance Goods Trade Balance	Mar	-86.9	-86.0	-83.5
	Wholesale Inventories (MoM)	Mar P			1	
	Housing starts (000)	Mar	1363	1400	1487	
	Building permits (000)	Mar P	1368	1390	1386	
	Durable goods orders (MoM)	Mar P	0.5	0.5	-1.3	
	Durable goods ex Transportation (MoM)	Mar P	0.4	0.4	0.9	
	Capital goods orders nondefense ex. Aircraft	Mar P	0.7	0.5	0.7	
	1 p.m.	FOMC rate decision (Upper Bound)	29-Apr	3.75	3.75	3.75
	1:30 p.m.	FOMC press conference				
4/30/2026	7:30 a.m.	Personal income (MoM)	Mar	0.4	0.3	-0.1
		Personal spending (MoM)	Mar	0.9	0.9	0.5
	PCE Deflator (MoM)	Mar	0.7	0.7	0.4	
	PCE Deflator (YoY)	Mar	3.5	3.5	2.8	
	Core PCE Deflator (MoM)	Mar	0.3	0.3	0.4	
	Core PCE Deflator (YoY)	Mar	3.2	3.2	3.0	
	Initial Jobless Claims	25-Apr			214	
	Employment cost index (QoQ)	1Q	0.8	0.8	0.7	
	GDP (QoQ % Annualized)	1Q A	2.6	2.1	0.5	
	8:45 a.m.	Chicago PMI	Apr			52.8
9 a.m.	Leading index	Mar			-0.1	
5/1/2026	9 a.m.	ISM manufacturing	Apr	53.1	53.1	52.7

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 4/24/2026.

## **Disclosures**

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