

## **Economic Outlook:**

*Elevated Risks to Employment and Inflation amid International Uncertainty and Conflict  
Complicate Outlook for Policy*

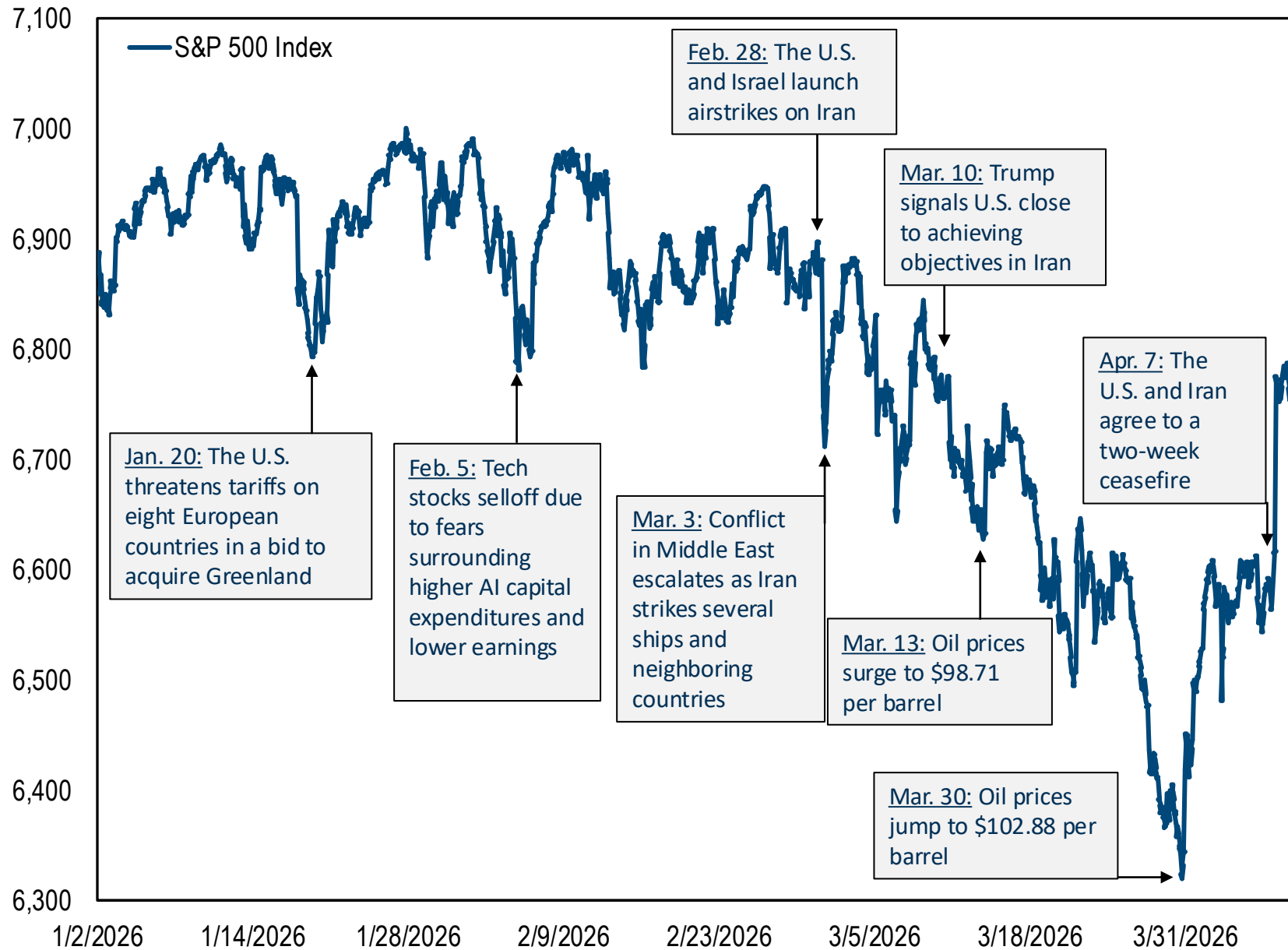
*April 2026*



# STIFEL

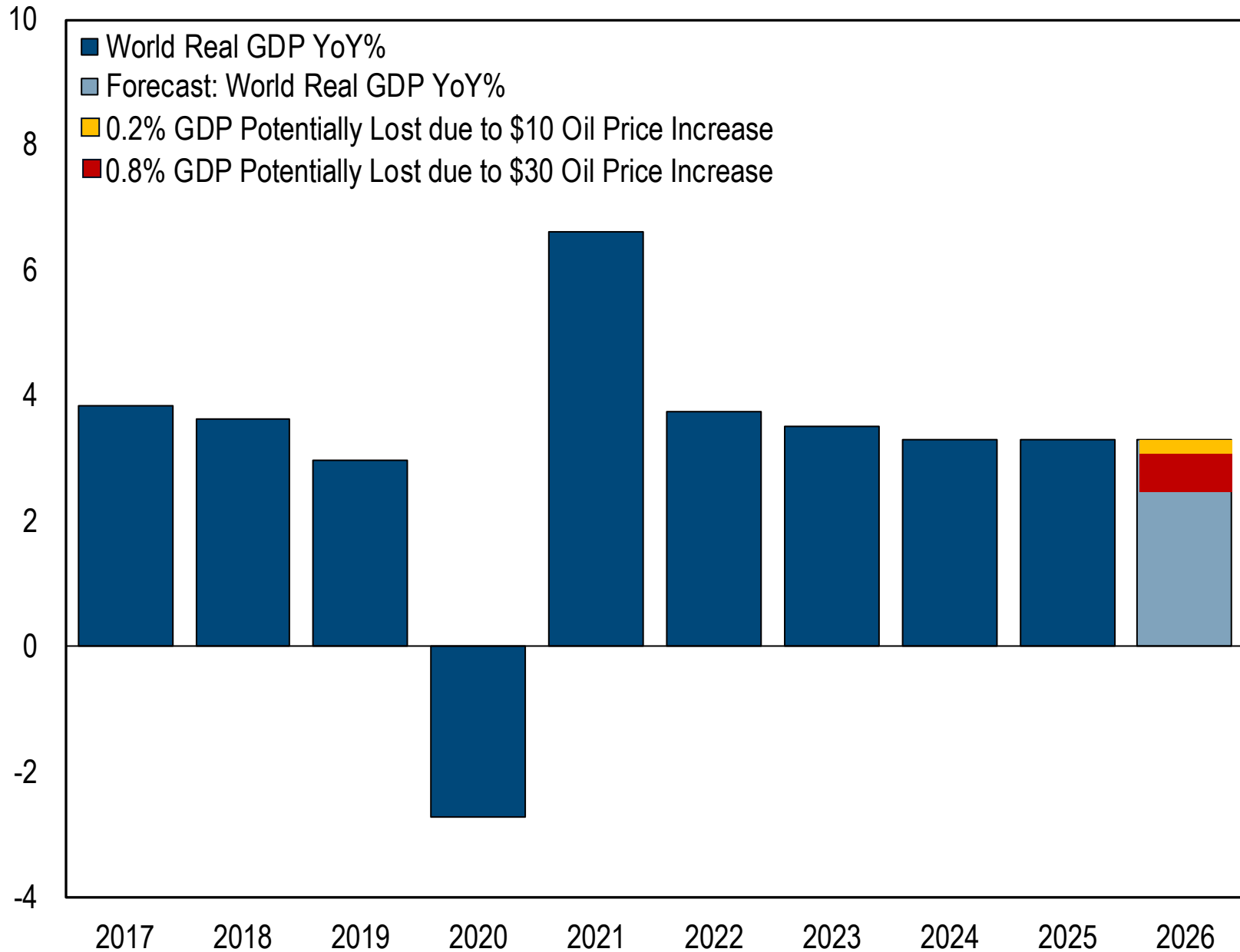
**Lindsey M. Piegza, Ph.D.**  
Chief Economist

# The Uncertainties of War in Middle East Weigh on Investors



Source: Bloomberg

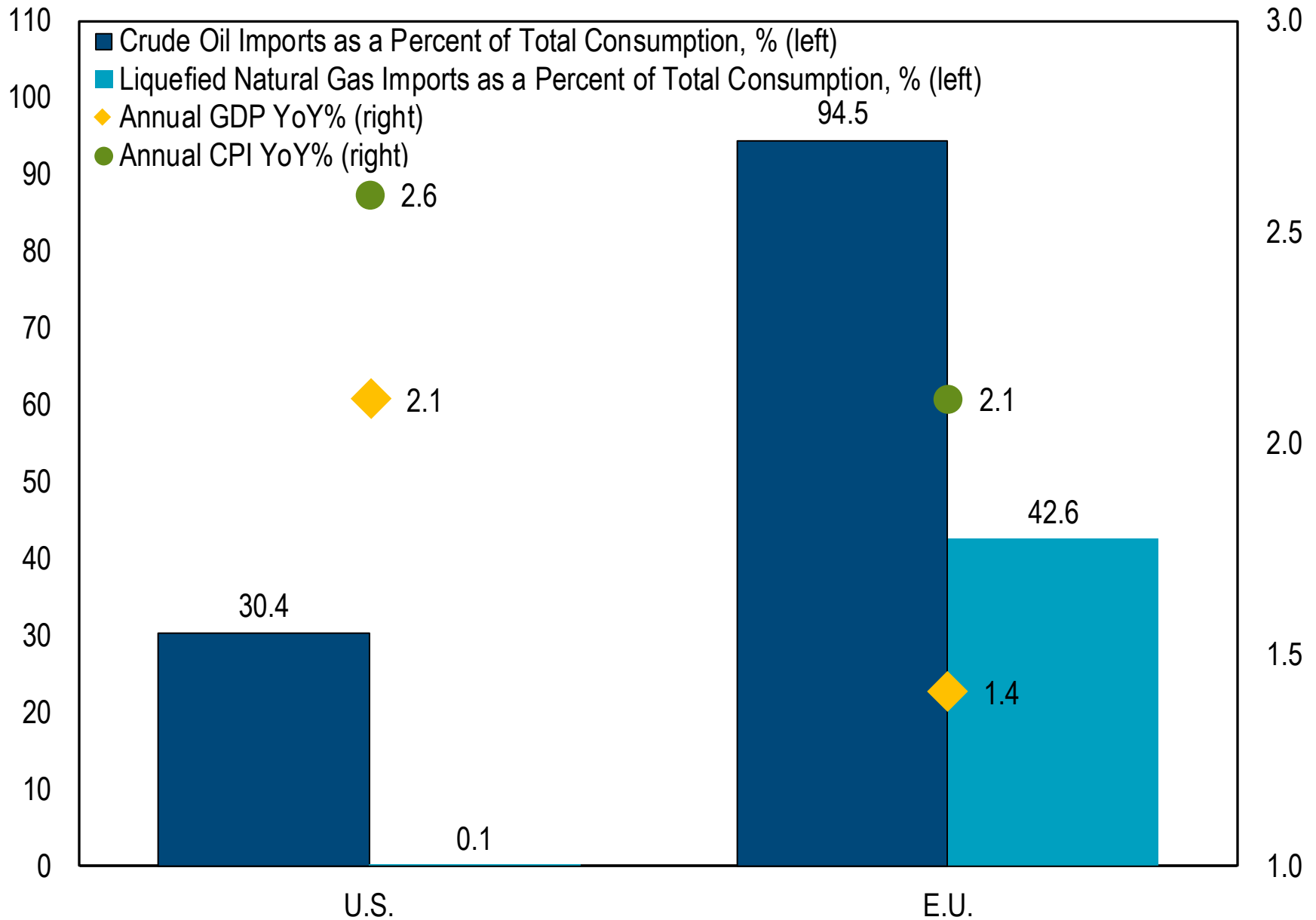
## Potential Loss in Global GDP due to Ongoing Conflict



Source: International Monetary Fund/Bloomberg

YoY = year over year

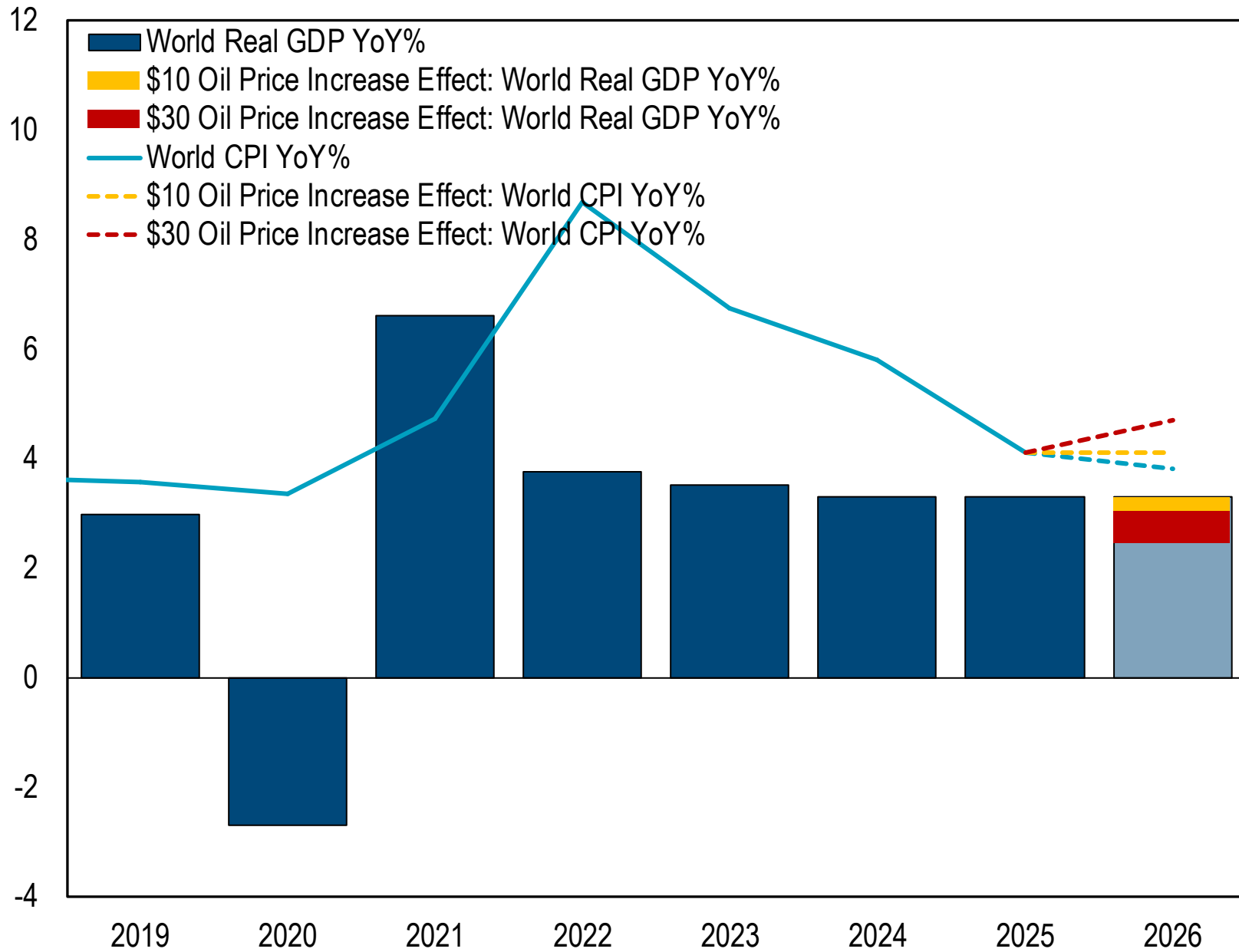
## Europe More Reliant on Energy Imports than U.S.



Source: U.S. Energy Information Agency/Eurostat

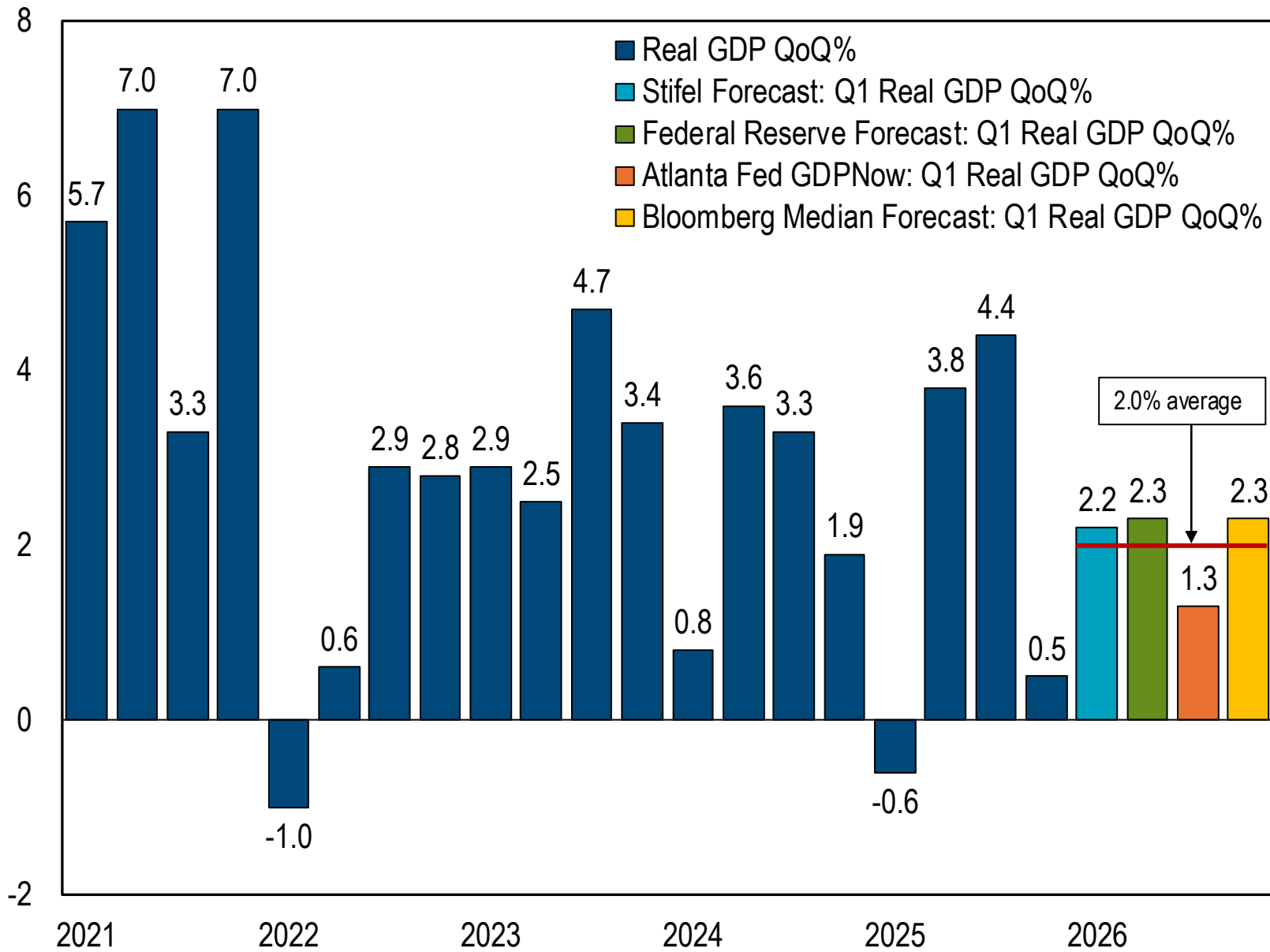
CPI = Consumer Price Index

## Potential Loss in Global GDP and Rise in Inflation



Source: International Monetary Fund/Bloomberg

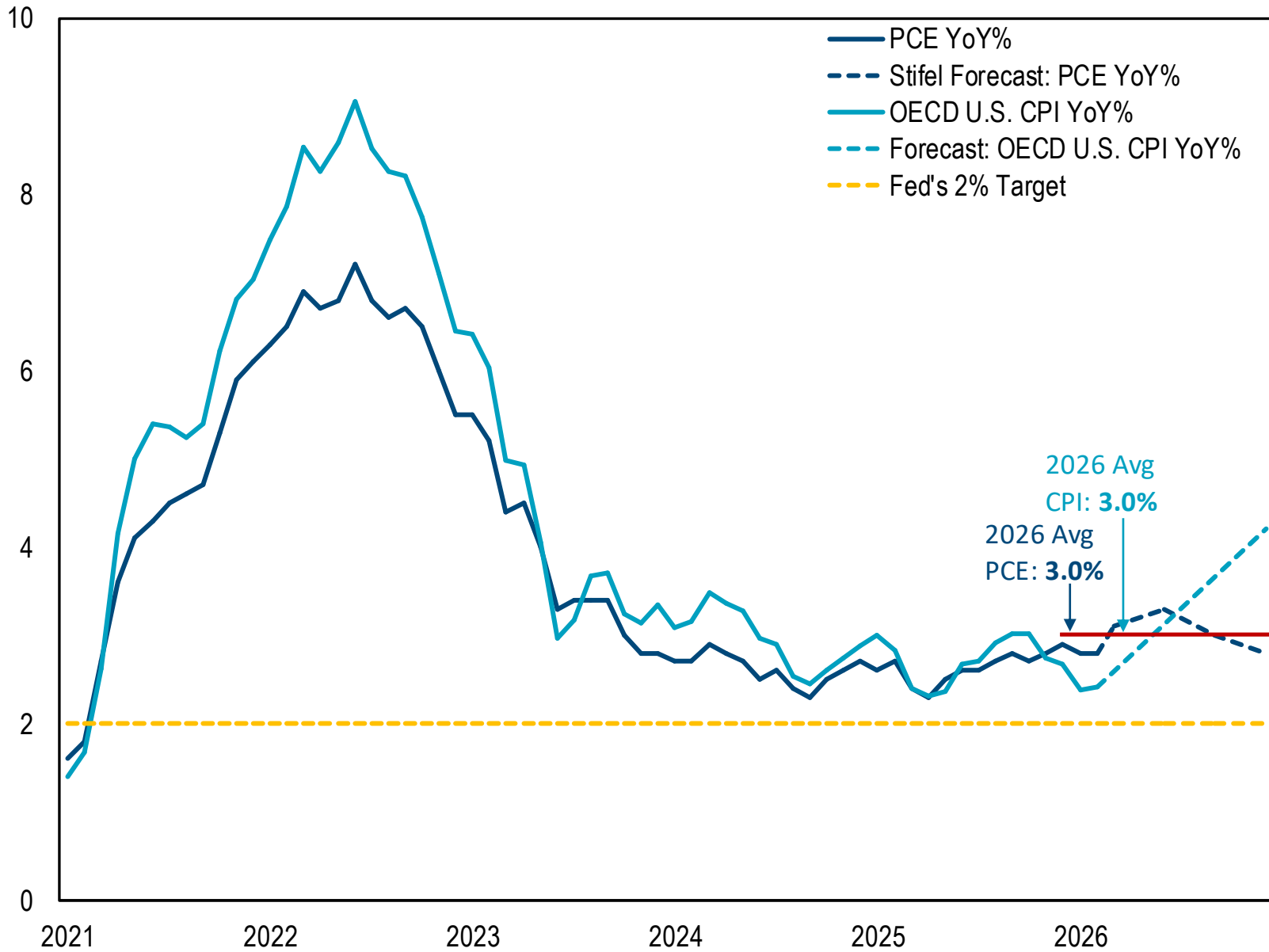
## Still-Positive U.S. Growth Profile Expected



Source: Bureau of Economic Analysis/Bloomberg

\*Note: The Federal Reserve does not publish quarterly forecasts, forecast represents annual data

# U.S. Inflation Expected to Face Renewed Upward Pressure



Source: Bureau of Economic Analysis/OECD/Stifel

PCE = Personal Consumption Expenditures  
 OECD = Organization for Economic Cooperation and Development

# Consumers Still Reeling from Years of Higher Prices

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## CPI Category Increase Since 2020



Public Transportation: **+7.1%**



Clothing: **+9.4%**



Medical Care: **+16.0%**



Furniture: **+19.6%**



Streaming & Cable TV: **+21.4%**



New & Used Cars: **+25.5%**



Eggs: **+28.2%**



Groceries: **+31.3%**



Housing: **+31.6%**



Household Energy: **+43.8%**



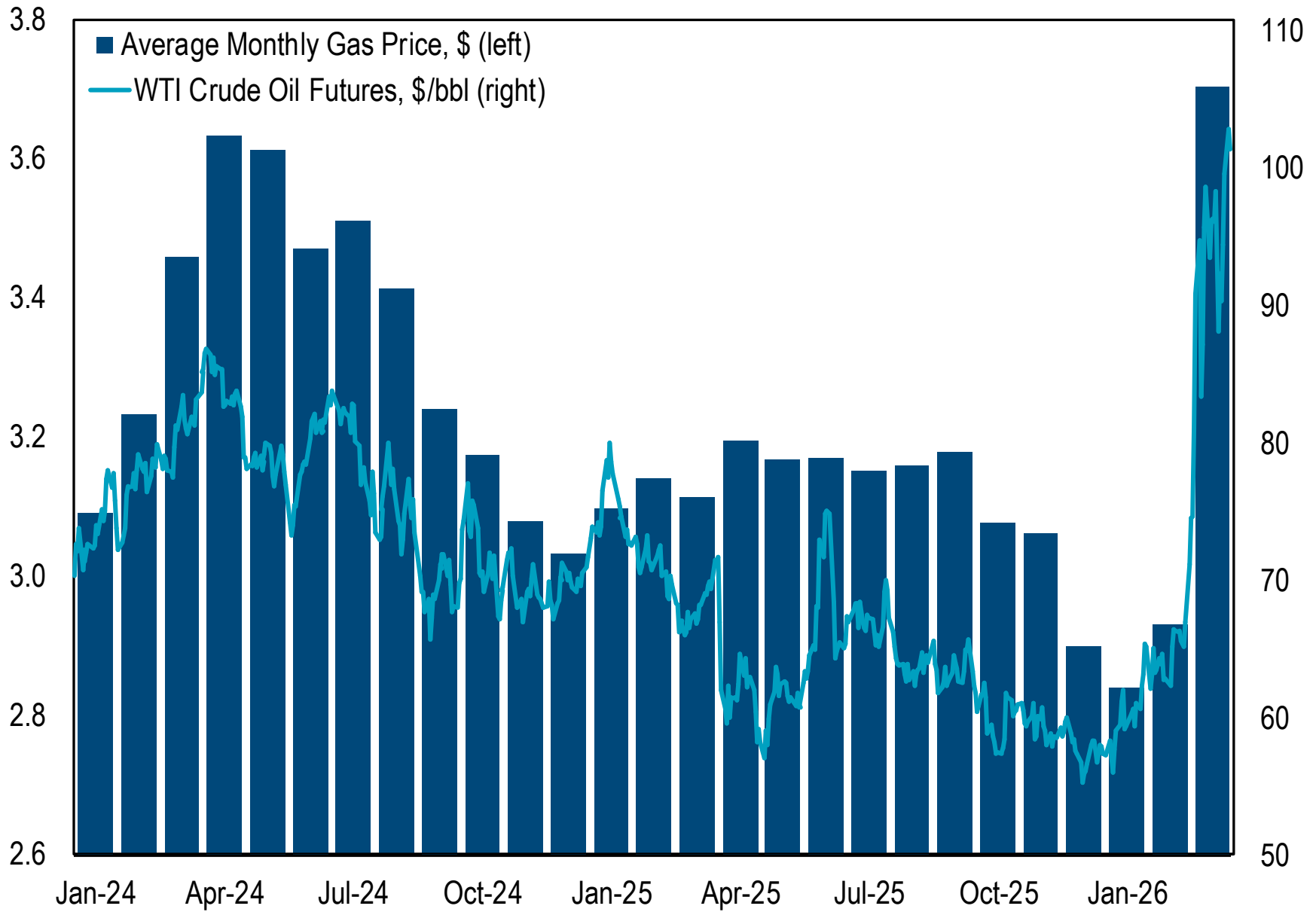
Roasted Coffee: **+52.7%**



Car Insurance: **+55.3%**

Source: Bureau of Labor Statistics/Stifel

## Drop in Prices at the Pump Reverses Course amid Continued Conflict



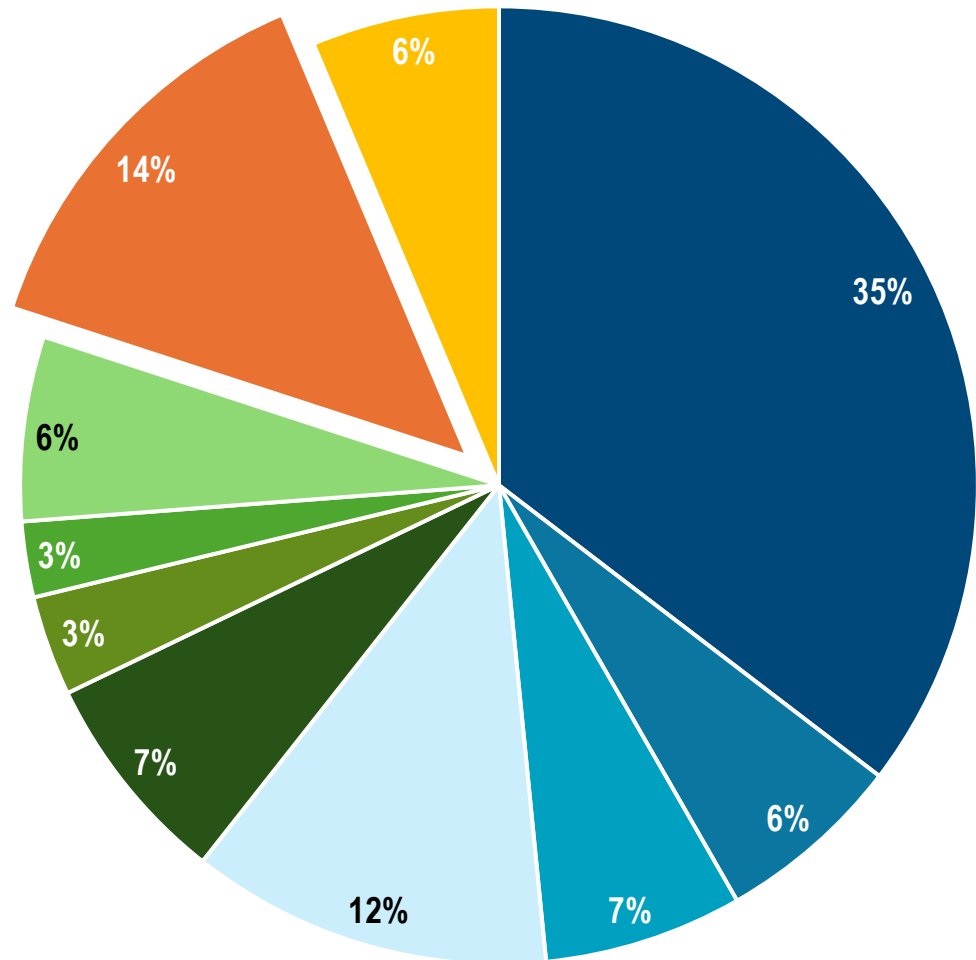
Source: AAA/NYMEX/Bloomberg

bbl = barrel

# Lasting Impact of Conflict in the Middle East Goes Beyond Energy

CPI Category Weights

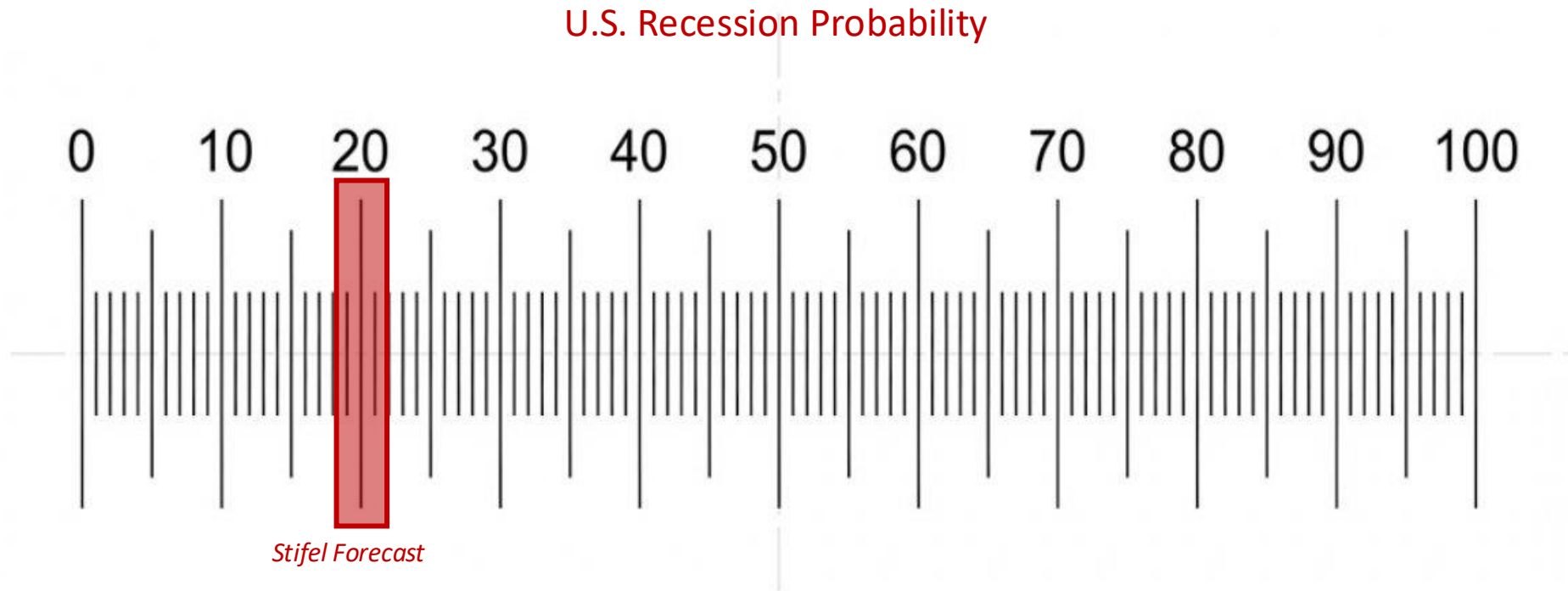
- Shelter
- Transportation Services
- Medical Care Services
- Other Services
- Transportation Commodities Less Motor Fuel
- Household Furnishings & Supplies
- Apparel
- Other Goods
- Food
- Energy



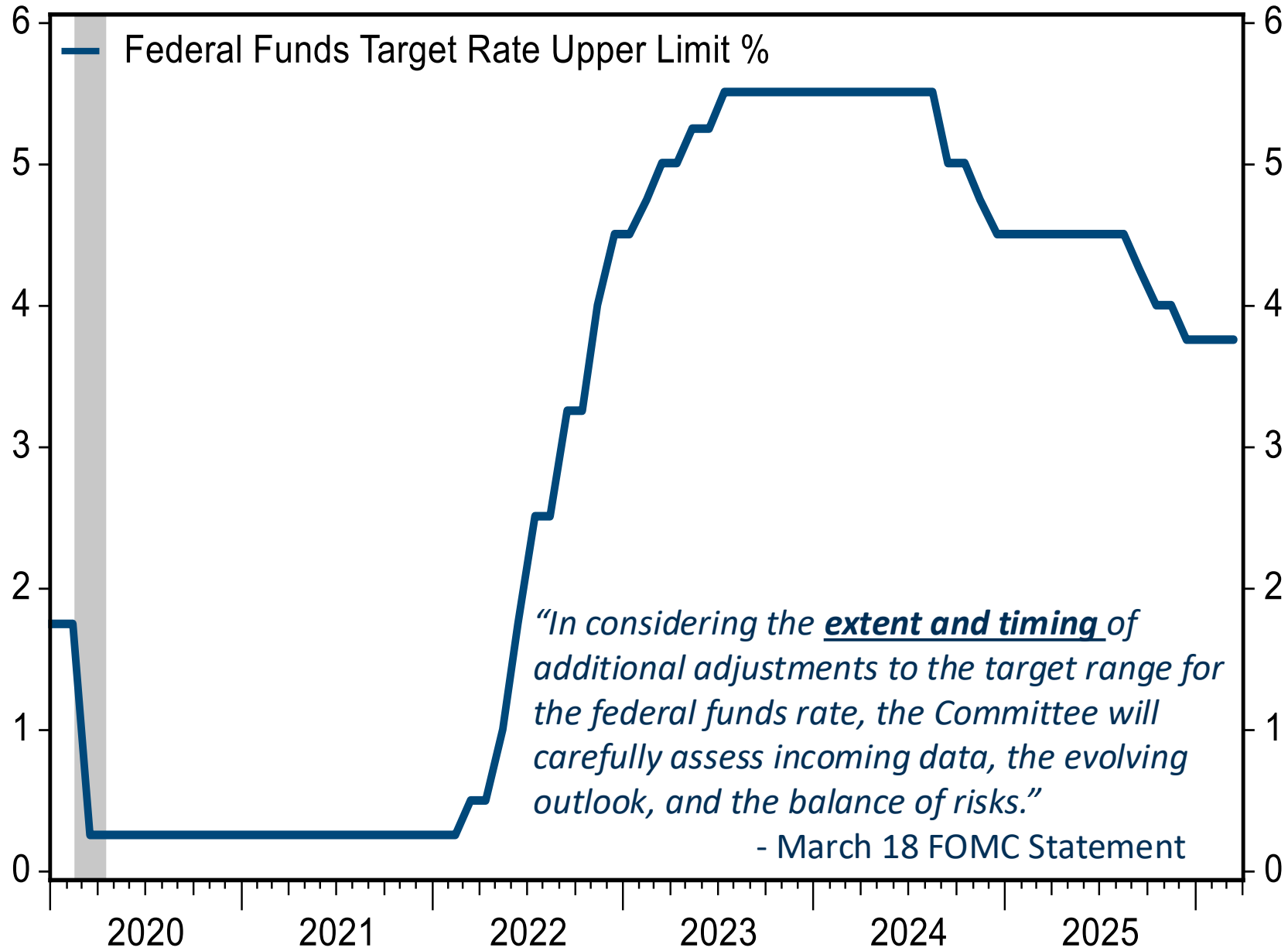
Source: Bureau of Labor Statistics/Bloomberg

## Low Probability of Recession, but Economy Cannot Withstand High Energy Prices

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## Federal Reserve Holds Rates Steady at March Meeting



*"In considering the extent and timing of additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks."*

- March 18 FOMC Statement

Source: Federal Reserve Board/Haver Analytics

FOMC = Federal Open Market Committee

*“Available indicators suggest that economic activity has **been expanding at a moderate pace.**”*

- December 10 FOMC Statement



*“Available indicators suggest that economic activity has **been expanding at a solid pace.**”*

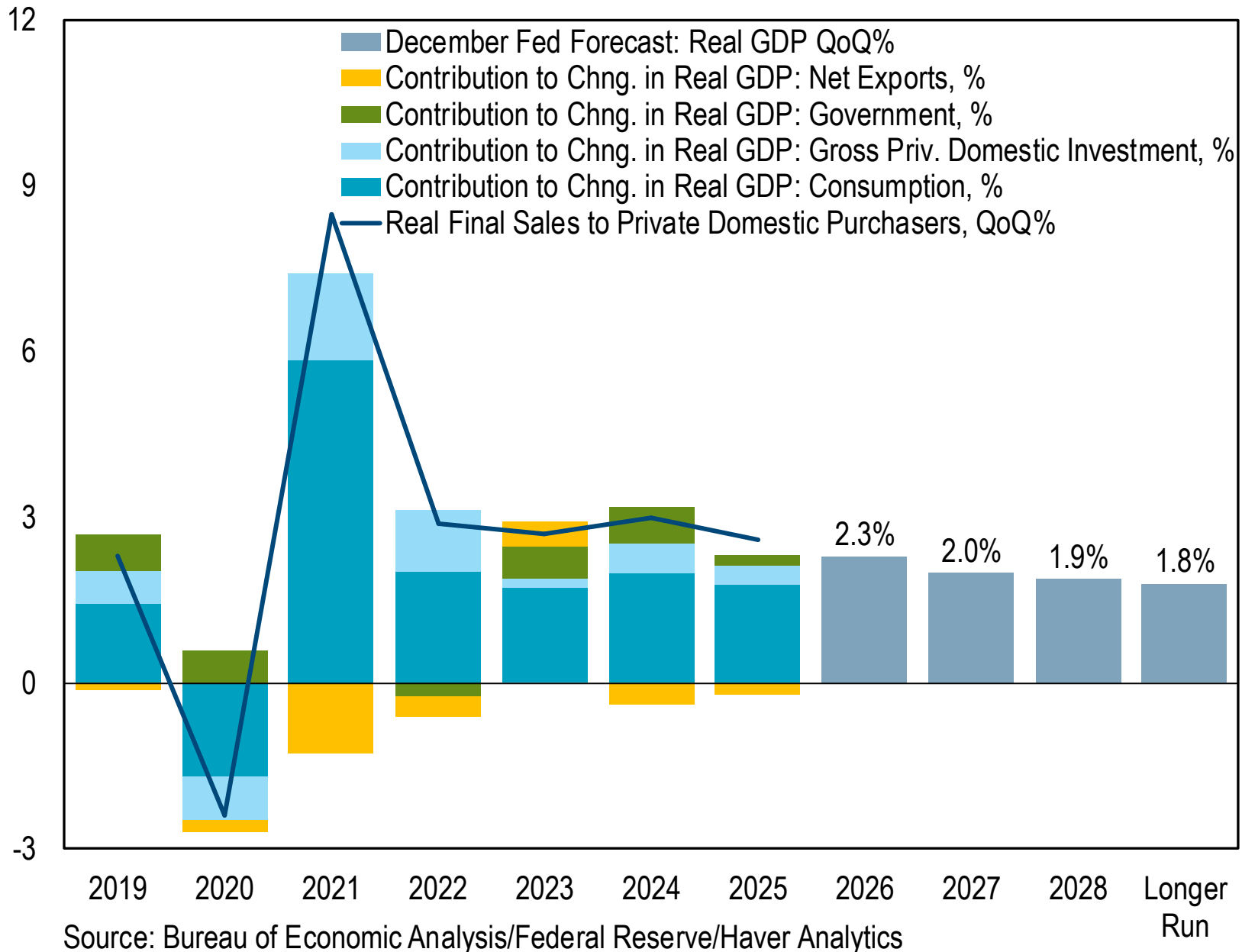
- January 28 FOMC Statement



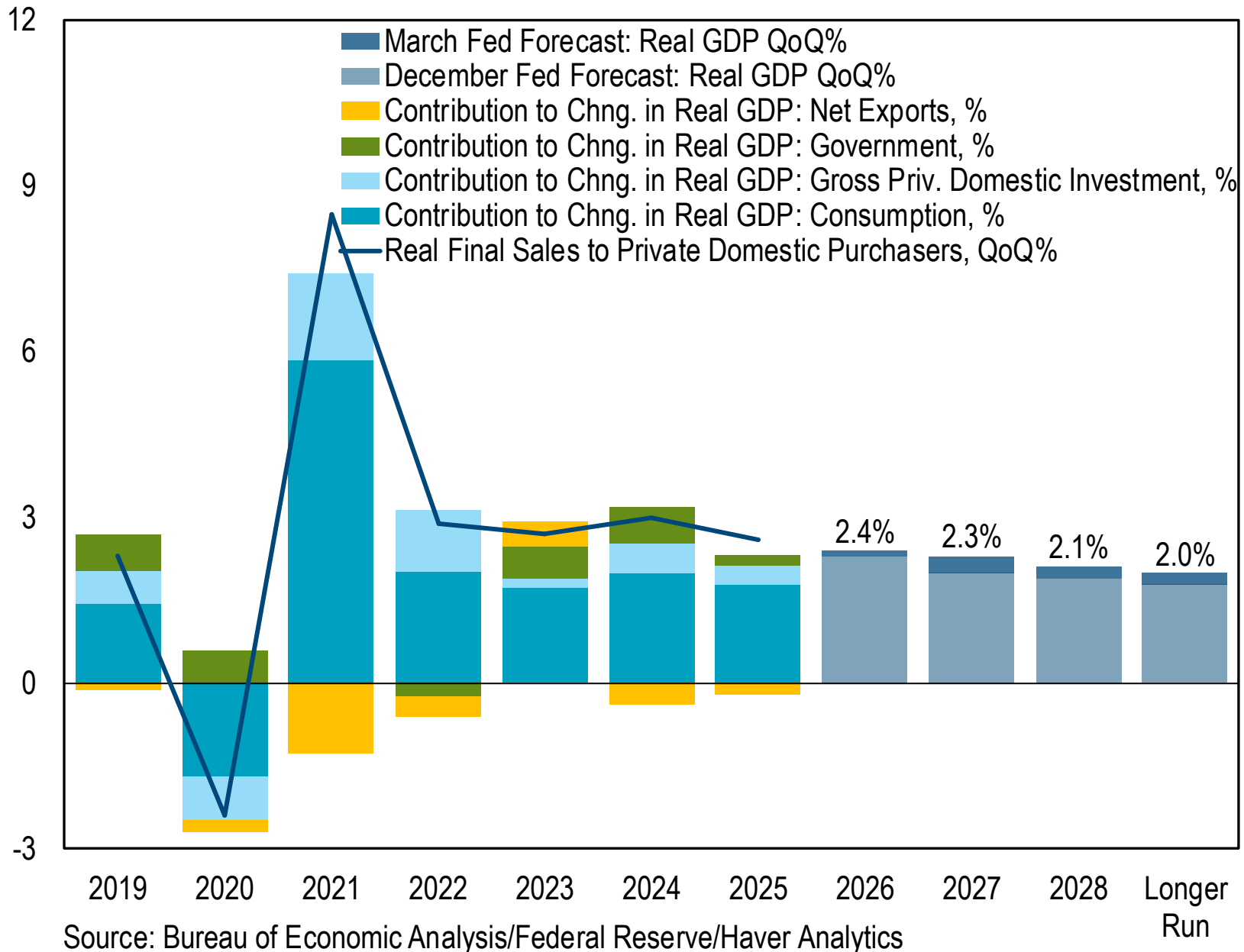
*“Available indicators suggest that economic activity has **been expanding at a solid pace.**”*

- March 18 FOMC Statement

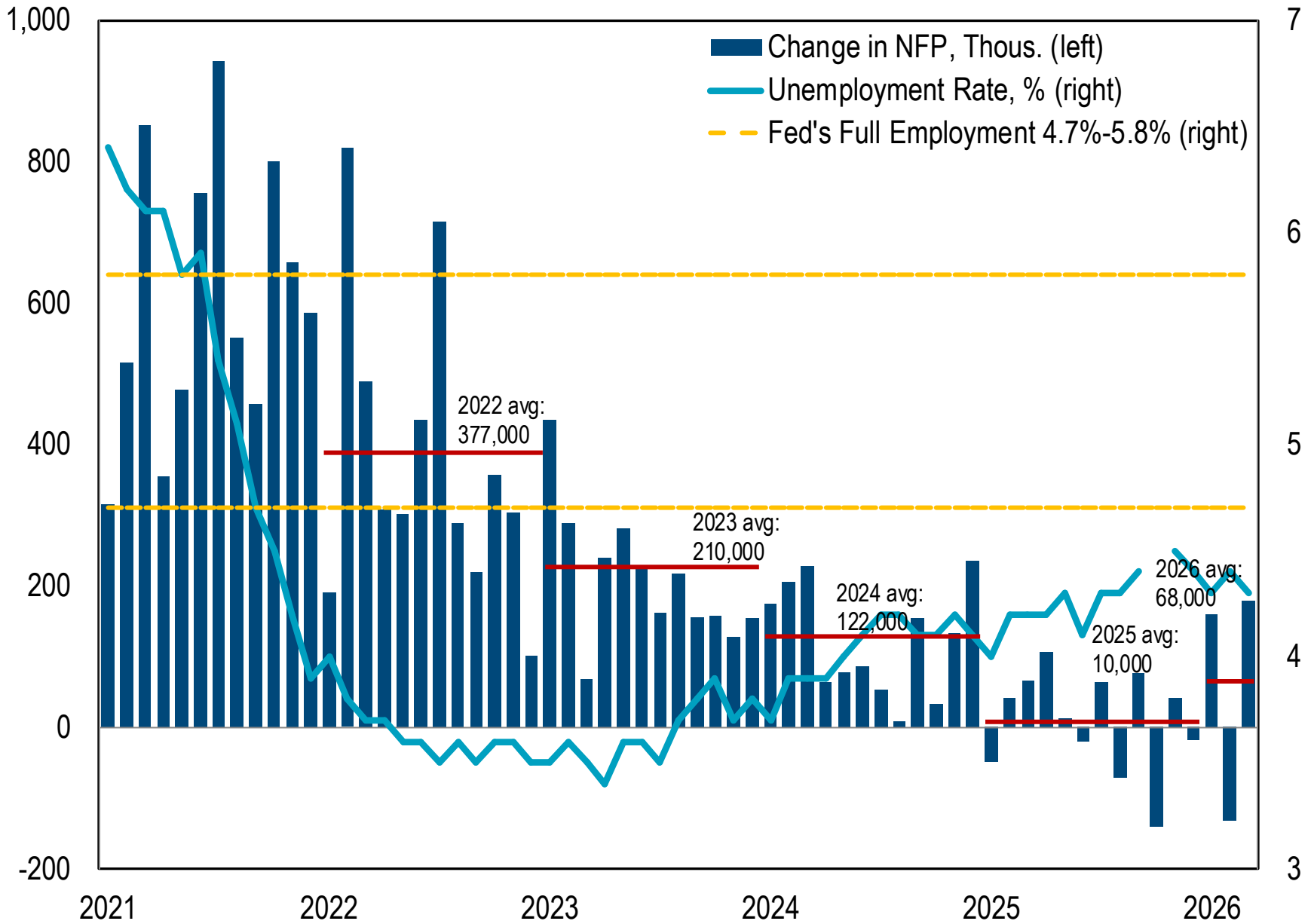
## U.S. Growth Still at a Sturdy Pace



## U.S. Growth Still at a Sturdy Pace with Forecasts Revised Even Higher

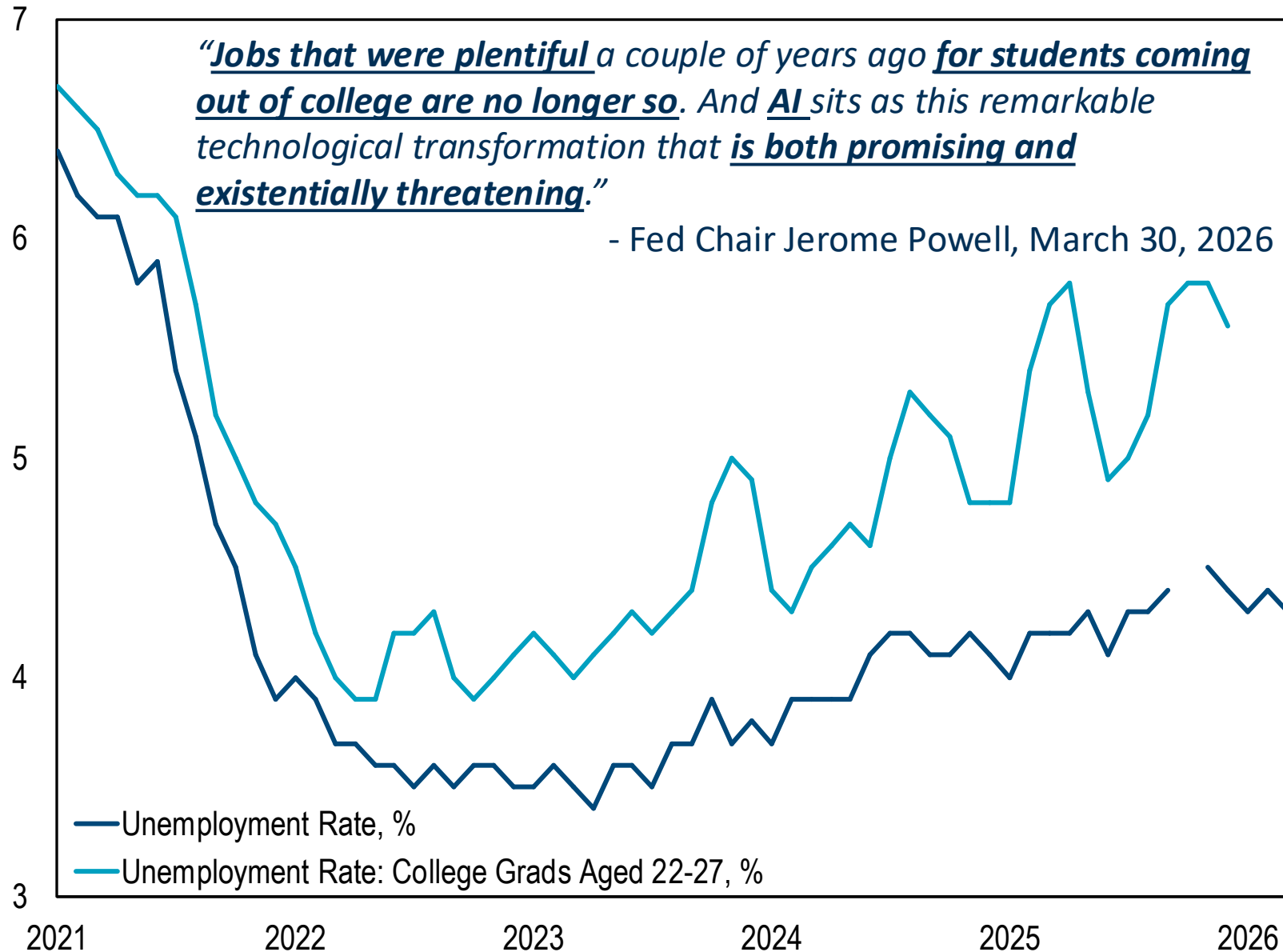


# Fed Acknowledges Job Gains have Slowed but Unemployment Rate Still Low



Source: Bureau of Labor Statistics/Haver Analytics

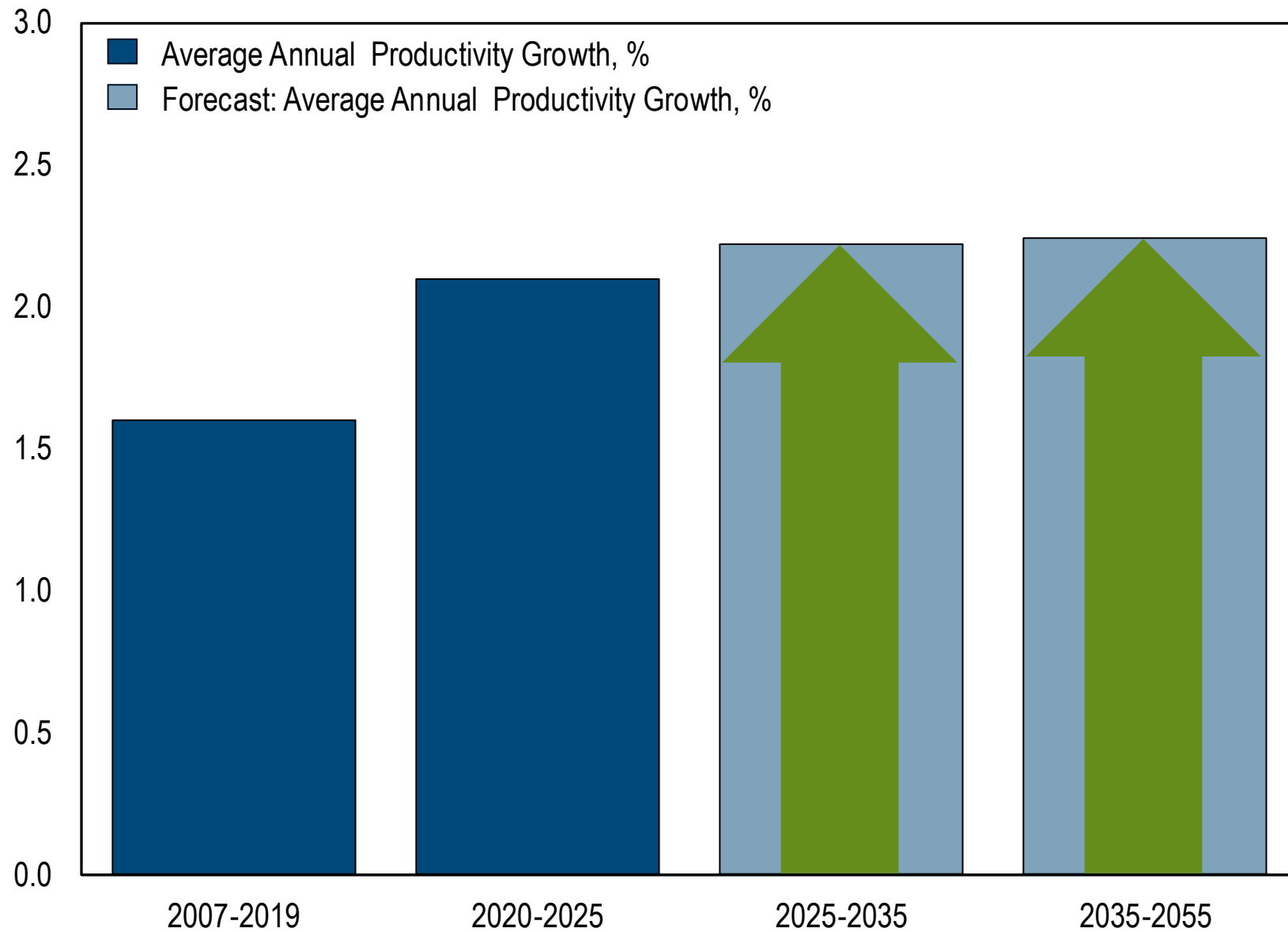
## College Grad Unemployment Rate Still Elevated and Likely to Face Upward Pressure



Source: Bureau of Labor Statistics/FRBNY

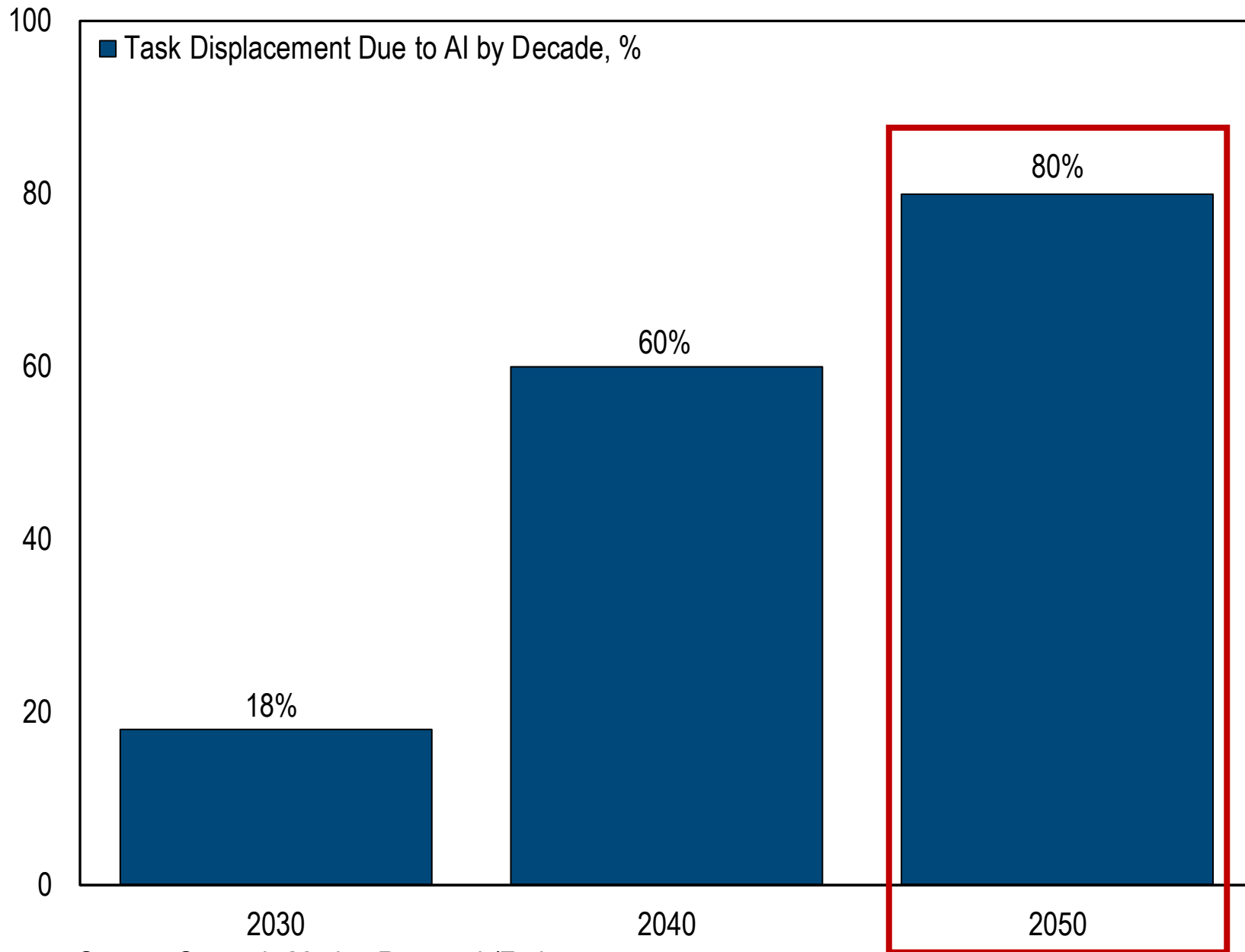
Note: October Unemployment rate is not available due to the government shutdown

## AI has been a Significant Contributor to Productivity



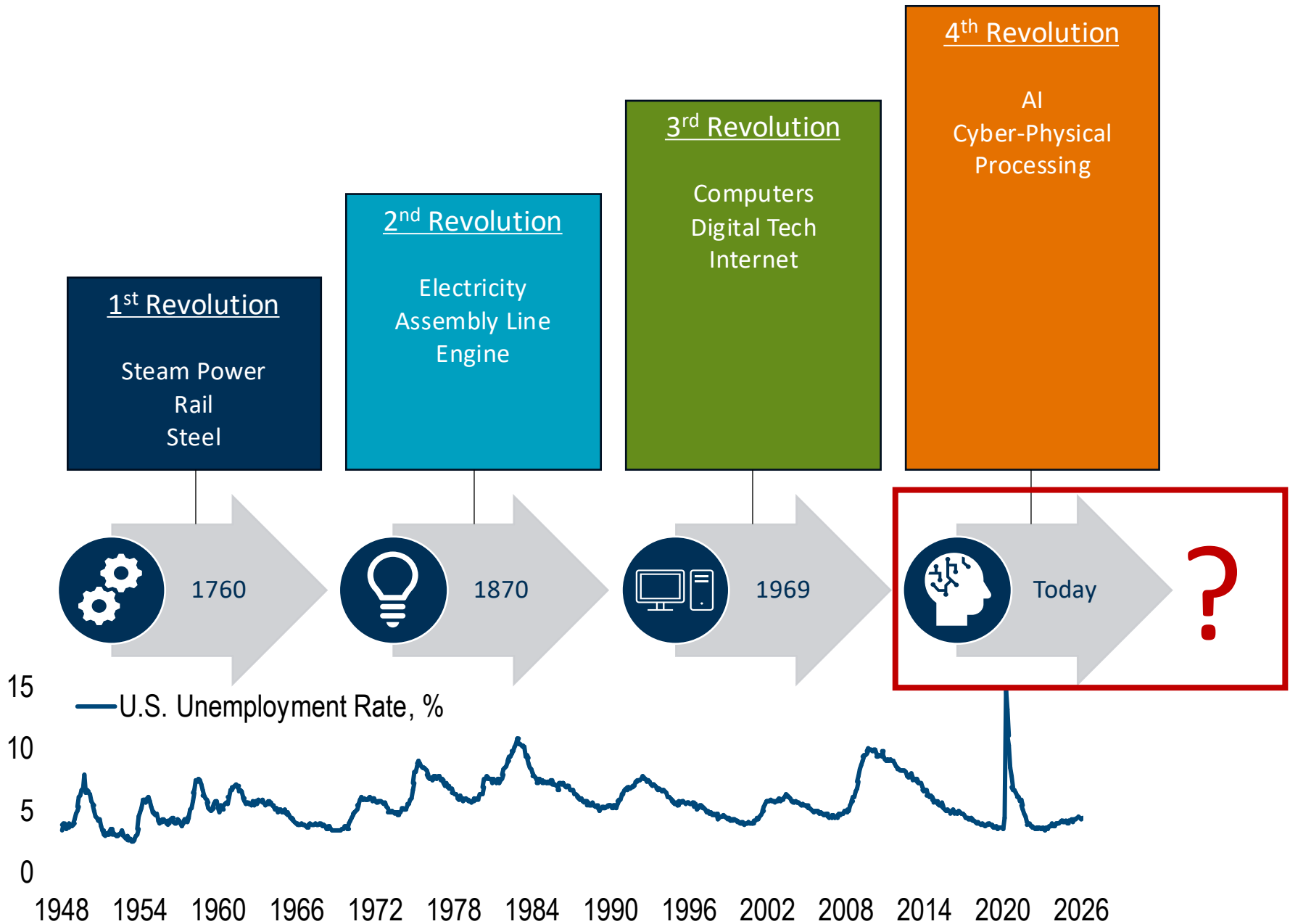
Source: Bureau of Labor Statistics/University of Pennsylvania

## AI has been a Significant Contributor to Productivity, but Will Likely Displace Workers



Source: Strategic Market Research/Forbes

# What Impact will AI have on the Economy in the Future?



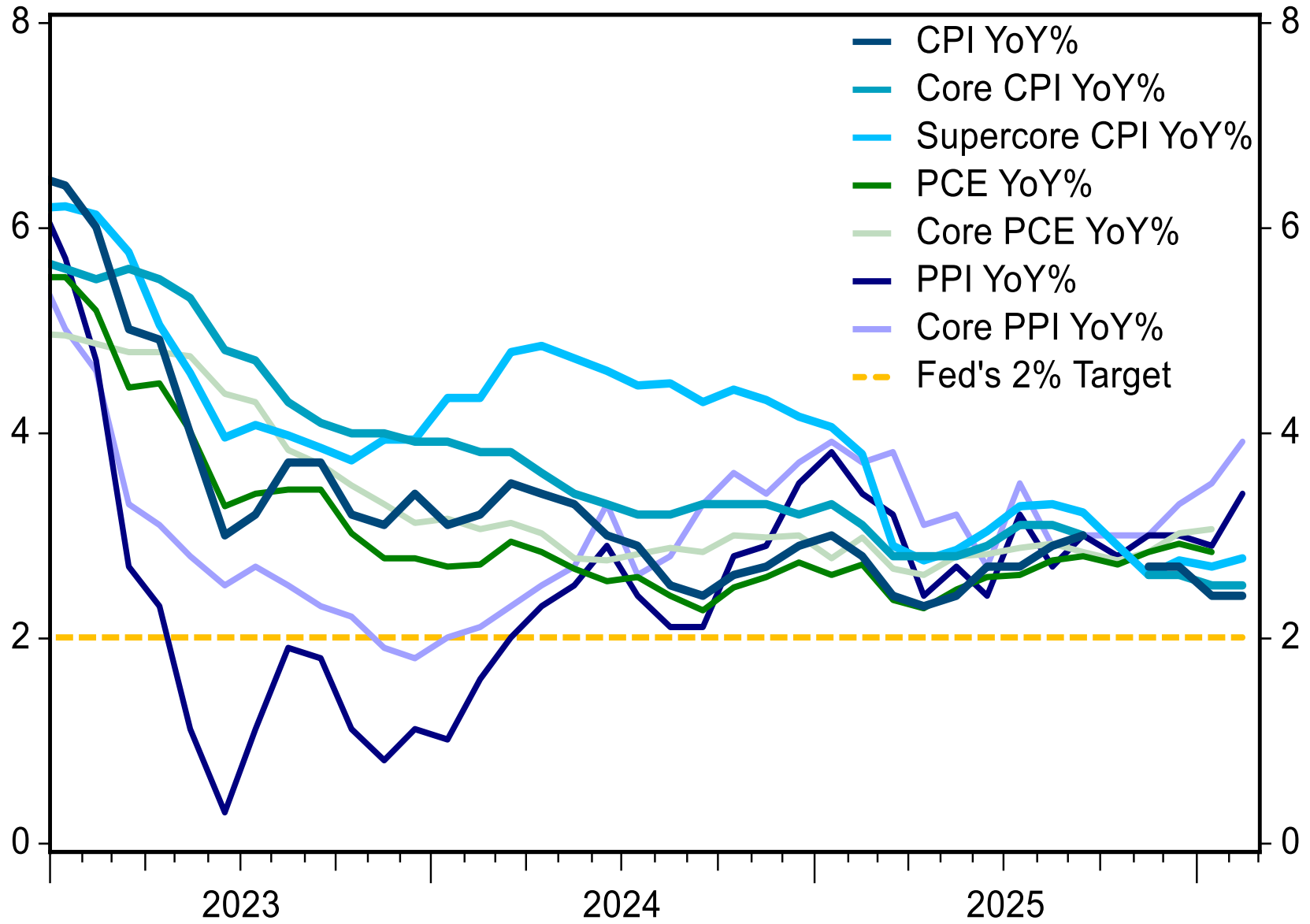
### Optimistic Forecast

AI will complement workers, not replace them, making workers more productive and thus businesses more profitable. This will eventually lead to more potential job creation.

### More Cautionary Perspective

AI will displace workers, growing the divide between those able to work with the new technology and those that cannot. This will eventually increase the burden on the portion of the population still in the labor force and lead to more people reliant on social programs and safety nets.

# Fed Notes that Inflation Remains "Elevated"

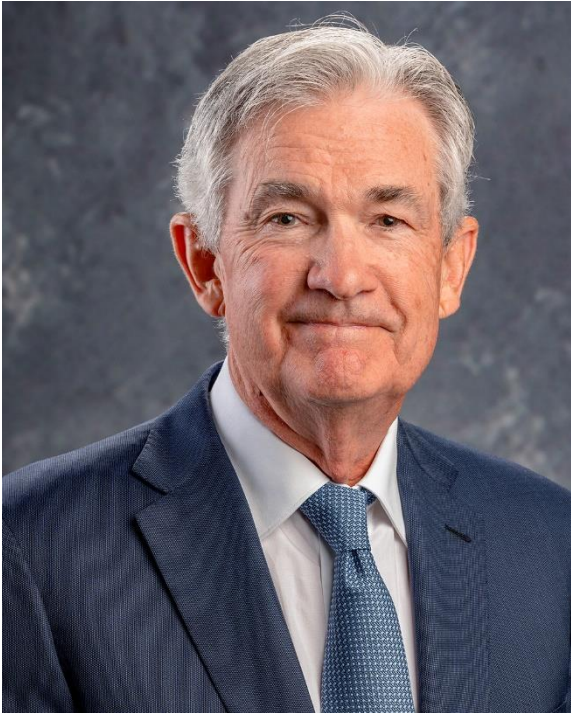


Sources: BLS/BEA/Haver Analytics

## Fed Revises Up Inflation Forecasts

March 18 Summary of Economic Projections												
Variable	Median				Central Tendency				Range			
	2026	2027	2028	Longer Run	2026	2027	2028	Longer Run	2026	2027	2028	Longer Run
Change in real GDP	2.4	2.3	2.1	2.0	2.2-2.5	2.0-2.4	2.0-2.3	1.8-2.0	2.1-2.7	2.0-2.7	1.8-2.7	1.7-2.5
December projection	2.3	2.0	1.9	1.8	2.1-2.5	1.9-2.3	1.8-2.1	1.8-2.0	2.0-2.6	1.8-2.6	1.7-2.6	1.7-2.5
Unemployment rate	4.4	4.3	4.2	4.2	4.3-4.5	4.2-4.4	4.0-4.4	4.0-4.3	4.3-4.6	4.0-4.5	4.0-4.5	3.8-4.5
December projection	4.4	4.2	4.2	4.2	4.3-4.4	4.2-4.3	4.0-4.3	4.0-4.3	4.2-4.6	4.0-4.5	4.0-4.5	3.8-4.5
PCE inflation	2.7	2.2	2.0	2.0	2.6-3.1	2.0-2.3	2.0	2.0	2.3-3.3	1.8-2.4	1.9-2.2	2.0
December projection	2.4	2.1	2.0	2.0	2.3-2.5	2.0-2.2	2.0	2.0	2.2-2.7	2.0-2.3	2.0	2.0
Core PCE inflation	2.7	2.2	2.0		2.5-2.8	2.0-2.4	2.0		2.2-3.0	2.0-2.5	2.0-2.2	
December projection	2.5	2.1	2.0		2.4-2.6	2.0-2.2	2.0		2.2-2.7	2.0-2.5	2.0	
Memo: Projected appropriate policy path												
Federal funds rate	3.4	3.1	3.1	3.1	3.1-3.6	2.9-3.6	2.9-3.6	2.9-3.5	2.6-3.6	2.4-3.9	2.6-3.9	2.6-3.9
December projection	3.4	3.1	3.1	3.0	2.9-3.6	2.9-3.6	2.8-3.6	2.8-3.5	2.1-3.9	2.4-3.9	2.6-3.9	2.6-3.9

Source: Federal Reserve

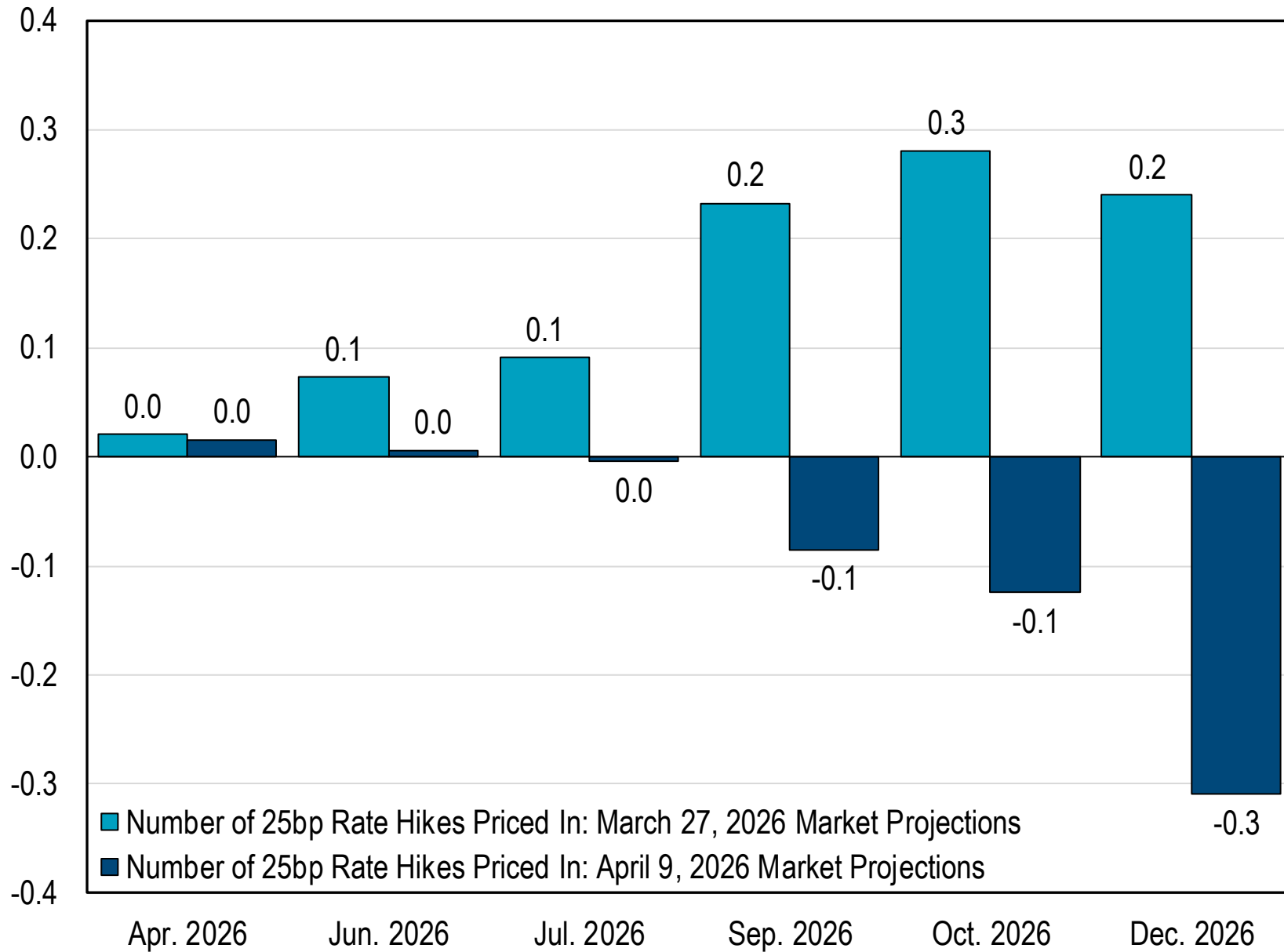


*“This is one of those SEPs where a number of people mentioned **if we were ever going to skip an SEP, this would be a good one, because we just don’t know.**”*

- Fed Chairman Jerome Powell,  
March 18, 2026 Press Conference

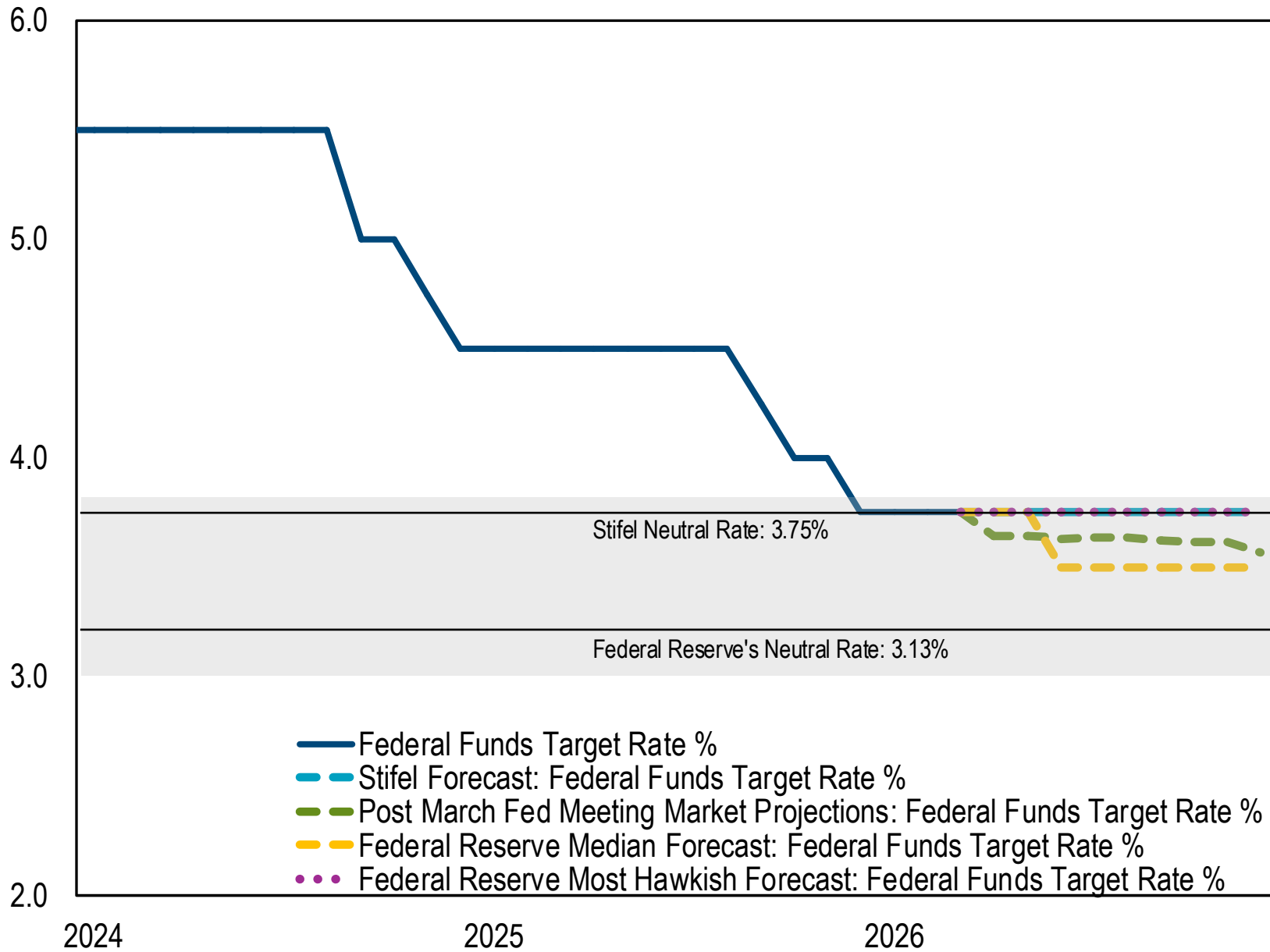


## Market Participants Dial Back Expectations for Rate Hikes, Now Pricing in Cuts Again



Source: Bloomberg

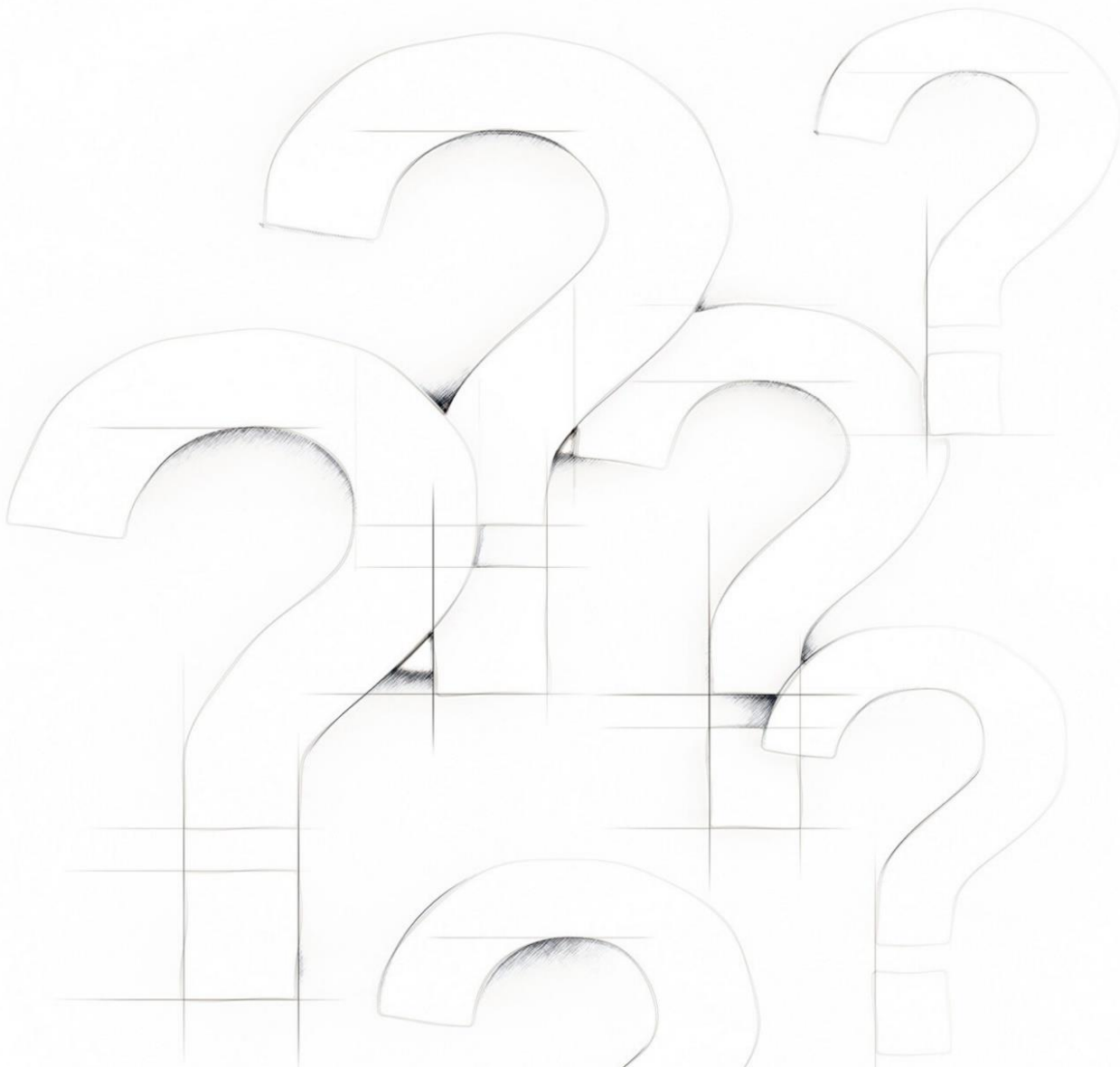
# Fed Expected to Hold Rates Steady for the Remainder of the Year



Source: Federal Reserve/Stifel/Bloomberg

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# Q&A



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