

# Economic Landscape

April 2026

## MANUFACTURING

- The ISM PMI registered 52.7 as the manufacturing sector continued to expand modestly in March, supported by stronger production and steady new orders, marking a third straight month of growth. However, rising inflation – highlighted by a sharp increase in prices – along with declines in employment and inventories point to mounting strain beneath the surface. Geopolitical tensions and policy uncertainty are dampening sentiment as the expansion is pressured by higher input costs and supply chain disruptions.
- U.S. industrial production declined 0.5% in March, falling short of expectations in the aftermath of geopolitical disruptions. Factory output slipped modestly (-0.1%), with weakness concentrated in autos, primary metals, and equipment. Utilities production dropped sharply (-2.3%), and the contraction in mining (-1.2%) likely reflects energy market volatility.

## LABOR MARKETS

- March payrolls rose by 178,000 jobs, consistent with the “low fire, low hire” labor market equilibrium, and the unemployment rate remained ranged-bound at 4.3%. Employment rose in healthcare (+76,000), construction (+26,000), and transportation & warehousing (+21,000), while the federal government continues to shed payrolls (-18,000). Revisions to employment data for January and February resulted in 7,000 fewer jobs than previously reported. Average hourly earnings increased by 9 cents in March and are up 3.5% over the past year. According to the February JOLTS, job openings declined by 358,000 to 6.9 million following an increase (+690,000) in January. Hires fell to 4.8 million, down 498,000 for the month. Total separations decreased (-173,000) to 5.0 million, and within separations, layoffs rose modestly (+61,000) while the number of quits declined by 157,000 to 3.0 million with a quits rate of 1.9%.

## PRICES

- The March 2026 Consumer Price Index (CPI) rose 0.9%, a sharp jump from the 0.3% gain in February, bringing the 12-month increase to 3.3%. The primary driver was energy, which rose 10.9% in March as gasoline prices surged by 21.2%. The Food Index was unchanged as the 0.2% increase in the price of dining out (food away from home) was offset by the 0.2% decrease in grocery prices. Excluding energy and food, core CPI rose 0.2% in March and 2.6% over the last year. Shelter continued its steady climb, up 0.3% in March.
- The Producer Price Index (PPI) increased 0.5% in March, primarily attributed to the 1.6% rise in goods prices, particularly energy (+8.5%). U.S. import prices advanced 0.8% for the month, following gains of 0.9% in February and 0.6% in January. Fuel import prices increased 2.9%, while prices for nonfuel imports rose 0.6% in March. Prices for U.S. exports climbed 1.6%, reflecting increases for agricultural (+0.9%) and nonagricultural (+1.7%) exports.

## SALES

- Retail sales rose a solid 1.7% in March with respectable gains in sales for autos and parts dealers (+0.5%); home furnishings (+2.2%); home improvement stores (+0.7%); grocery stores (+0.9%); electronics and appliance stores (+0.9%); and online retailers (+1.0%). Gasoline sales surged (+15.5%) mirroring the rise in prices.

## WEATHERING THE STORM

*The U.S. economy is navigating the headwinds of energy-induced inflationary pressures and geopolitical uncertainty surrounding the Iran conflict. Consumer spending is holding up for now, but absorbing higher food and gas prices for an extended period would point to slower discretionary spending. Despite lukewarm labor markets, expect the Fed to keep rates anchored as they focus on the impact of external shocks to price stability.*

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