

PLAINSCAPITAL BANK
ECONOMIC
HIGHLIGHTS



Economic Commentary
April 2026

By Jerrod Dawson, CFA

Executive Summary

- Recent data suggest the U.S. economy remains stable as April begins.
- Recession risks appear limited, but confidence in stronger growth varies widely.
- Labor markets remain resilient, but hiring, hours worked, and participation are weak.
- The economy still has buffers, but external shocks could strain them.
- Inflation is rising in the near term, but the broader trend remains mixed.
- Energy price swings are driving the largest recent upside risk to inflation.
- Slower rent growth continues to offset the energy shock partially.
- Wage growth remains moderate, limiting broad inflationary pressure from labor markets.
- Shelter costs remain important because housing carries significant weight in inflation measures.
- U.S. policy reflects support, uncertainty, and escalating geopolitical tension.
- Markets now expect lower rates later in 2026, not higher ones.
- Liquidity improved as the Federal Reserve's balance sheet expanded in the first quarter.
- Balance sheet support may ease following the April tax season.
- Tax changes are supporting consumer spending and business investment.
- Lower effective tariffs helped offset some economic pressure before recent adjustments.
- Fiscal support is rising, but deficits and interest costs are also rising.
- Corporate profitability remains strong, but gains are concentrated in a few sectors.
- S&P 500 earnings are expected to increase by 13.2% this quarter; revenue growth is projected at 9.7%, the fastest since 2022.
- Analysts have slightly raised earnings expectations despite the typically weaker pattern.
- Energy and Technology saw the largest upward revisions to estimates.
- Health Care remains the weakest sector for revisions and earnings growth.
- Margins are stable overall, though pressure is concentrated in several sectors.

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US Economic Cycle Drivers:

Growth	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Citi Economic Surprise - United States	19.5	7.8	↑	↑
Bloomberg Economics US GDP Nowcast	2.2	3.1	↓	↑
Consensus USA Growth Forecast Survey	-28.7	-12.0	↓	↑

Inflation	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Citi Inflation Surprise Index - United States	-2.2	-21.3	↑	↓
Bloomberg Economics US CPI Nowcast	3.4	2.4	↑	↑
Consensus USA Inflation Forecast Survey	80.4	54.9	↑	↑

Employment	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Unemployment Rate	4.3	4.4	↓	↑
Conference Board Employment Trend	105.7	104.2	↑	↓

Consumer Spending	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Johnson Redbook Retail Sales y/y	6.8	6.8	↓	↑
Adjusted Retail & Food Service Sales	3.7	3.2	→	↓
Conference Board Consumer Confidence	91.8	94.2	↓	↓

Corporate Profitability	NTM (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
S&P 500 Est. Sales Growth Rate	7.1	-4.0	↓	↑
S&P 500 Est. EPS Growth Rate	15.2	2.3	↑	↑
NFIB Small Business Optimism	99.3	99.0	↑	↓

Government Policy	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
Budget/ GDP	-5.4	-6.3	↑	↑
USD Real Effective Exchange Rate	105.9	114.2	↓	↓

Central Bank Policy Rate	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
U.S. Federal Funds Rate Upper Bound	3.8	3.8	→	↓
U.S. Market Implied Policy Rate 1Y Fwd	3.5	3.2	↓	↑

Liquidity	3mo Δ (%)	12mo Δ (%)	Trend q/q	Trend y/y
U.S. Domestic Liquidity	1.3	2.2	↑	↑
Global Liquidity Index	3.4	16.2	↑	↑

Data source: Bloomberg

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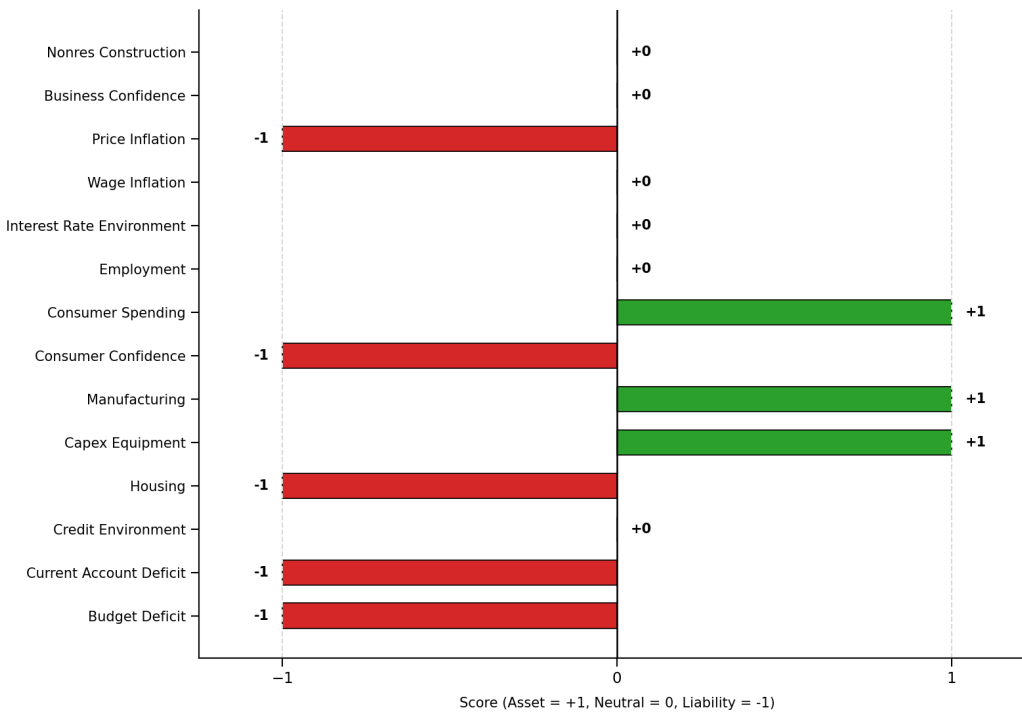
US & Global Economic Highlights

Recent U.S. data indicate that the economy has not weakened significantly at the start of April. Initial jobless claims fell to 202,000, layoff announcements remained limited in March, private payroll figures stayed positive, and vehicle sales rebounded after a slow start to the year. Meanwhile, the overall growth outlook remains mixed. Some indicators suggest the economy is recovering from a slowdown, supported by higher disposable income and historically strong household and corporate balance sheets, while others point to weak real consumer spending, softer labor income, and limited private payroll growth.

Weight of the Evidence: US Economic Indicators

March 31, 2026 • Net Expected Impact on the US Economy (Nominal GDP)

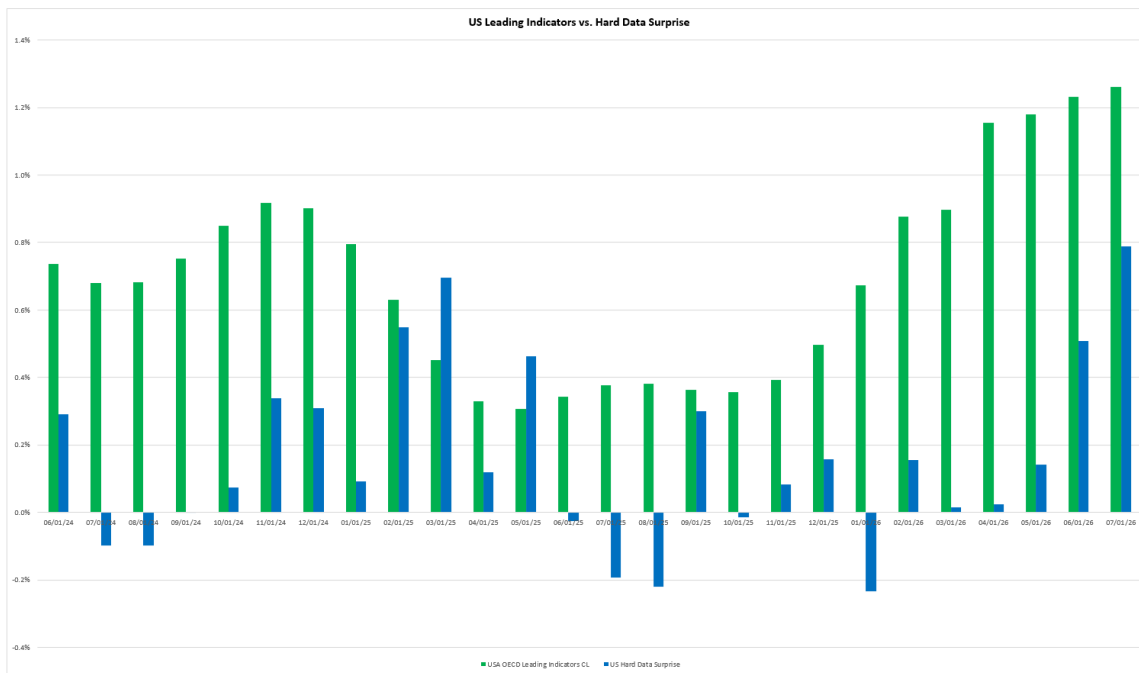
Assets: 3 | Neutral: 6 | Liabilities: 5 | Net Score: -2



The near-term outlook, therefore, appears stable but uneven. More sanguine economic outlooks suggest a low likelihood of a recession, citing low claims, improving activity in certain cyclical sectors, and business-cycle measures remaining above recession thresholds. However, analyses differ on how much future growth is expected. One view predicts a strong, multi-year recovery in 2026 and 2027, arguing that productivity gains and fiscal, monetary, and regulatory easing could boost growth by about 50% above the roughly 2% consensus—if that productivity theory proves correct. Others are more cautious, noting that current data remains steady rather than accelerating broadly.

Critical points for the economy

- Recent data suggest the U.S. economy remains stable as April begins.
- Recession risks appear limited, but confidence in stronger growth varies widely.
- Labor markets remain resilient, but hiring, hours worked, and participation are weak.
- Energy and shipping disruptions remain the primary risks to growth and inflation.
- The economy still has buffers, but external shocks could strain them.
- Inflation is rising in the near term, but the broader trend remains mixed.
- Energy price swings are driving the largest recent upside risk to inflation.
- Used-car prices are firming, adding to short-term price pressures.
- Slower rent growth continues to partially offset the energy shock.
- Wage growth remains moderate, limiting broad inflationary pressure from labor markets.
- Shelter costs remain important because housing carries significant weight in inflation measures.



The labor market shows a mix of resilience and restraint. Layoffs remain low, and unemployment claims are minimal. However, hiring is slow; private-sector payroll growth has been stagnant for a long time; job openings are falling faster than the labor supply is growing; and wage pressures seem subdued. Some analysts argue that near-zero payroll growth can still indicate a balanced labor market, especially since labor force growth has decelerated significantly. Meanwhile, other analyses highlight ongoing softness in employment and hours worked. The March U.S. jobs report was volatile but generally strong, with nonfarm payrolls rising by 178,000 and only minor revisions to previous months. Job gains were led by healthcare after a strike-related disruption, with additional increases in manufacturing, construction, and leisure.

The unemployment rate fell to 4.3%, but the labor force participation rate also dropped to 61.9%, suggesting some workers left the labor force. Other signs were less encouraging: the average workweek shrank slightly, U-6 underemployment rose, alternative measures of unemployment continued to climb, and full-time employment held steady. Initial claims were still not alarming, and the employment-to-population ratio remained fairly stable, providing some reassurance.

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U.S. Labor Market				
Labor Market	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
US Employees on Nonfarm Payrolls Total SA y/y	0.2	0.1	↑	↓
Conference Board Employment Trends Index	-0.1	1.4	↑	↓
Employment Trends Index Sub Components	Latest Value (%)	Value 3mo Ago (%)	Trend q/q	Trend y/y
US Average Weekly Hours All Employees Total Private	-0.3	0.0	↓	↑
OECD USA Earnings Private Sector Hourly Index SA	0.4	0.8	↓	↓
Conference Board Jobs Hard to Get SA	2.4	12.6	↓	↓
US Initial Jobless Claims 4 Week Moving Average SA	-3.7	-5.2	↑	↓
NFIB Small Business Job Openings Hard to Fill	-3.0	-3.0	→	↓
US Temporary Employees SA	0.2	0.9	↓	↑
Ratio of U.S. Involuntary Part Time to Total Part Time	4.3	-23.2	↑	↓
US Job Openings Rate SA	4.4	5.0	↓	↑
US Layoffs & Discharge Rate SA	1.0	1.0	↑	↓
US Unemployment Permanent Job Losers SA	-7.7	-4.5	↓	↓
US Unemployment Duration Median SA	3.6	0.9	↑	↓
Summary Labor Market Activity Breadth	q/q	y/y	Trend q/q	Trend y/y
Breadth of Improving ETI index sub-components	36.4%	72.7%	↓	↑

The main takeaway is that the labor market still appears resilient, but there are visible cracks beneath the surface. Cyclical payroll growth improved after earlier softness, though the data remains volatile, and some earlier support from government, education, and healthcare may be fading. The conclusion is that the U.S. economy still has some buffer against the current Middle East shock, but the full effects are likely still to come, and the Federal Reserve is expected to stay on hold for now.

The main swing factor is the energy and shipping shock. This will pose a significant threat to growth, inflation, liquidity, and financial conditions, even though economists differ on whether second-round effects will persist. Overall, the U.S. economy is still expanding but increasingly depends on whether income strength and productivity can offset weaker hiring, soft spending trends, and event-driven supply disruptions.

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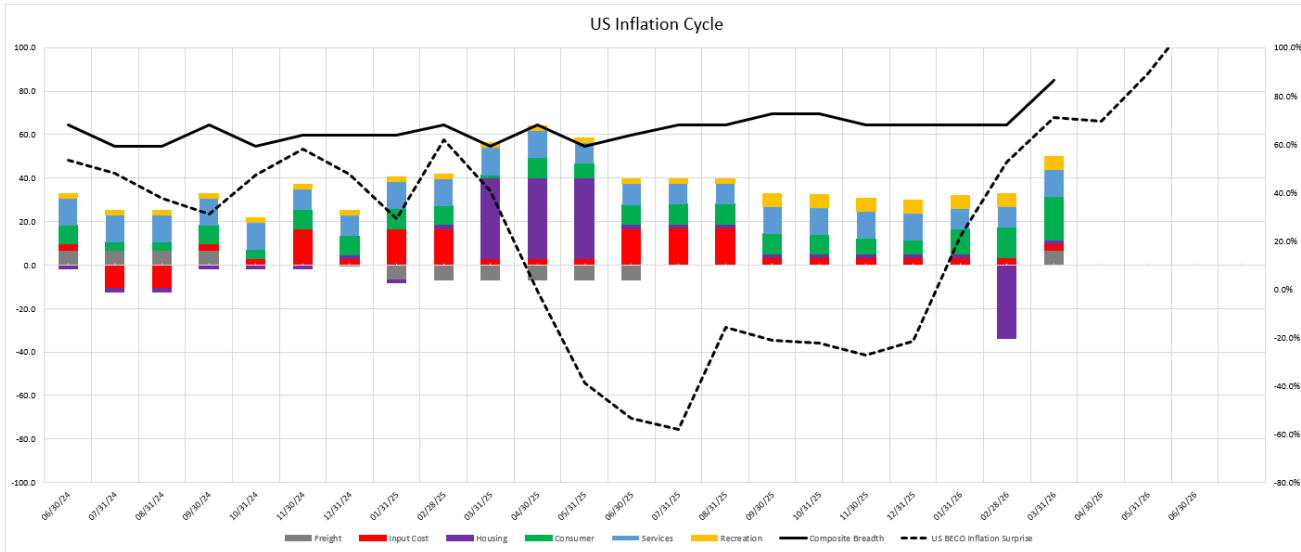
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US Inflation Review and Outlook

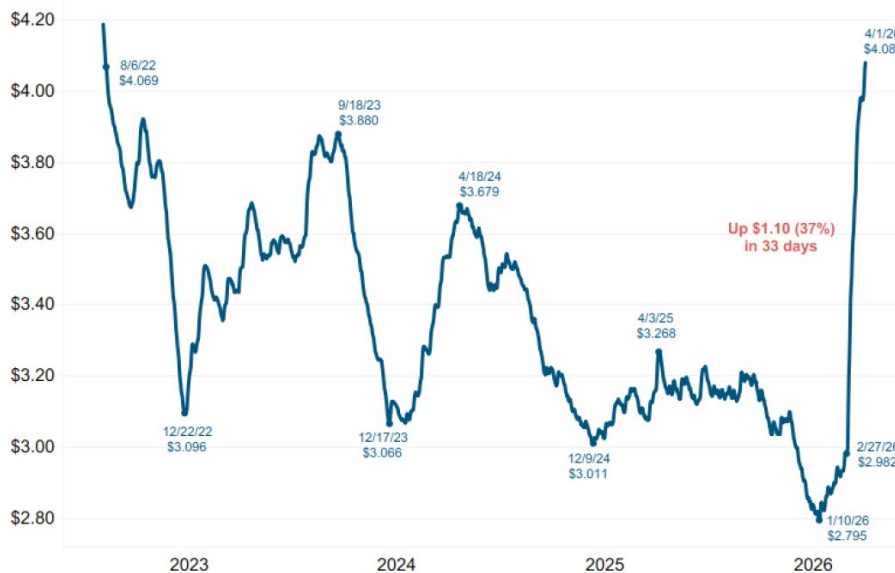
U.S. inflation appears to be rising in the short term, but the overall outlook remains mixed rather than steadily worsening. Recent energy price swings have been described as extreme, with March CPI likely to increase, while used-car prices have also begun to rise. Meanwhile, several key disinflationary pressures remain, especially slower rent growth and muted wage inflation.



The primary near-term upside risk stems from disruptions to energy supplies and shipping caused by the Middle East conflict. Some analysts contend that gasoline alone could significantly influence headline inflation, pushing overall inflation toward the upper end of the 3% range in the short term. Meanwhile, other analyses describe the current increase as substantial but still manageable. The key point is that the shock's duration is crucial. If energy and shipping pressures persist, they could simultaneously harm inflation, liquidity, and financial conditions.

Daily National Average Gasoline Prices Regular Unleaded

As Surveyed by the AAA Motor Club



Data Source: Bloomberg, American Automobile Association (AAA)

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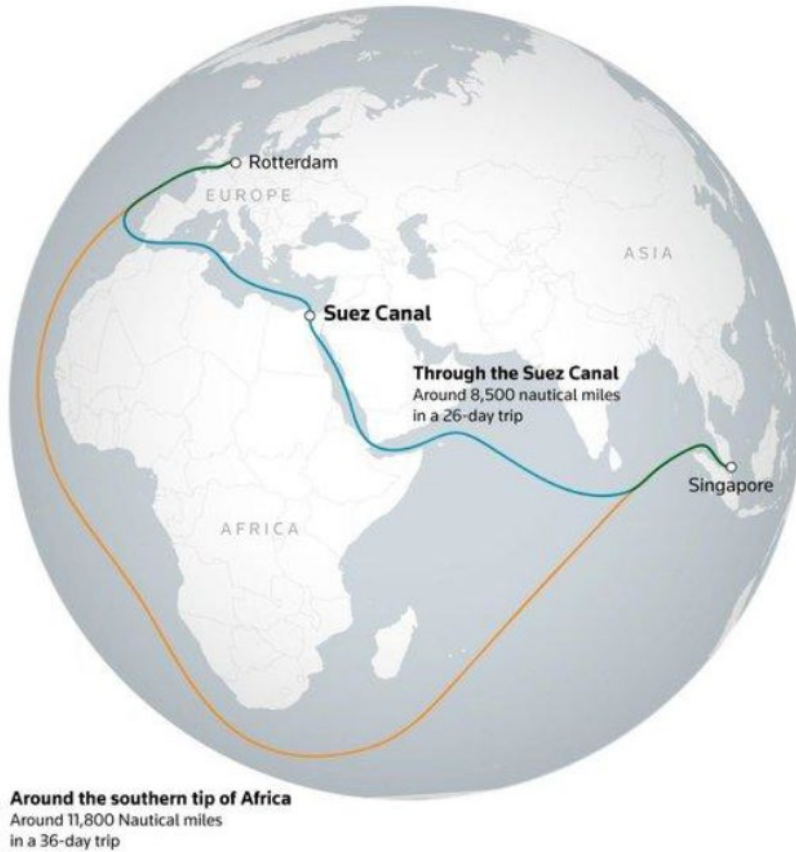
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Vessels re-routing

Attacks by Yemen's Houthi militants on ships in the Red Sea are disrupting maritime trade through the Suez Canal, with some vessels re-routing to a much longer East-West route via the southern tip of Africa.



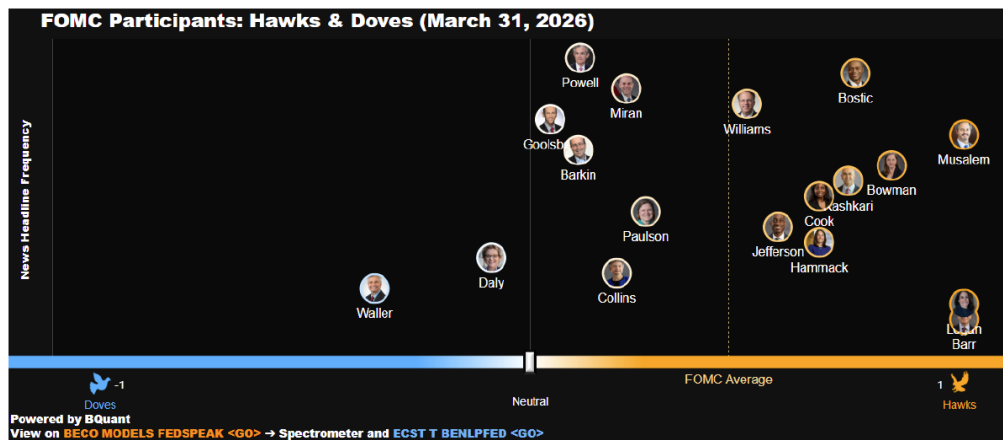
Sources: LSEG; Planet Labs; Maps4News; Shoen Kisen Kaisha

Labor market conditions do not yet show broad inflationary pressures. Wage growth remains moderate, labor market turnover is slowing, and there is little evidence that rising quit rates are accelerating wage inflation. Housing also plays an important role. Shelter costs continue to affect overall inflation measures significantly, and the slowdown in private rent data is seen as a counterbalance to rising energy prices.

Overall, the reports indicate that inflation is likely to remain above target in the near term, with headline numbers vulnerable to a sharp spike driven by energy prices. However, the overall inflation trend remains uncertain. The data consistently show a tension between persistent inflation and offsetting disinflation from housing, labor, and potential productivity improvements. Currently, the evidence points to increasing upward pressure, but long-term inflation expectations remain anchored, and complete de-anchoring has not yet occurred.

Monetary Policy & Fed Outlook Highlights

U.S. policy conditions reflect a mix of support, uncertainty, and geopolitical tension. Monetary policy has become more closely tied to financial stability and developments in the Iran conflict. Reports suggest that expectations for higher policy rates have waned, while market pricing has shifted toward cuts later in 2026, especially if ceasefire prospects improve. Uncertainty about leadership at the Federal Reserve remains significant. The current chair's term expires on May 15; Kevin Warsh's nomination is still pending; and Fed watchers highlight a potential institutional conflict if a successor is not confirmed in time.



Liquidity conditions improved in the first quarter. The Federal Reserve balance sheet grew for the first time since 2023, providing support after quantitative tightening ended in 2025. Purchases of agency mortgage-backed securities that offset roll-off suggest the pace of balance sheet expansion may slow after the April tax season. Overall, there is a significant shift in combined fiscal, monetary, trade, regulatory, and housing policy support in 2026 compared with 2025, indicating that public policy is helping to cushion the economic impact of higher oil prices, disruptions, and increased policy uncertainty.

Fiscal policy is also becoming more expansionary in several areas, even as long-term pressures continue to mount. Tax changes are supporting consumer spending and business investment, with March marking the largest monthly consumer aid distribution since the pandemic and tax refunds up 19% year over year. Incentives for capital spending and research activities appear to be gaining momentum, while the effective tariff rate has fallen from 11% to around 8% before the latest tariff adjustments. Meanwhile, reports indicate that slower growth, higher spending, and rising defense outlays are likely to increase the budget deficit, while net interest costs have risen sharply relative to tax revenue.

Across all three areas, the recurring pattern is that policy serves as a shock absorber, but at an increasing cost. Liquidity support, tax relief, and targeted spending are helping to offset external shocks, yet geopolitical risks, fiscal strain, and uncertainty over central bank leadership are becoming more interconnected.

Critical points for policy

- U.S. policy reflects support, uncertainty, and rising geopolitical tension.
- Markets now expect lower rates later in 2026, not higher rates.
- Federal Reserve leadership uncertainty remains a significant policy risk.
- Liquidity improved as the Federal Reserve balance sheet expanded in the first quarter.
- Balance sheet support may ease after the April tax season.
- Policy support in 2026 is stronger than in 2025.
- Tax changes are supporting consumer spending and business investment.
- Lower effective tariffs helped offset some economic pressure before recent adjustments.
- Fiscal support is rising, but deficits and interest costs are increasing.
- Policy is cushioning shocks, but the long-term cost is rising.

Tallying Up The Economic Costs and Benefits of US Economic Policy

Economic Lever	2025	2026	Notes
Fed B/S	-212	340	QT in 2025 ended; Fed balance sheet is now expanding
Tariffs	-189	-50	New tariff plan is a \$65bn tariff cut for 2026
Fiscal Policy	-147	220	Tax cuts for consumers, businesses hit in 2026
Housing	0	200	Agency MBS purchases offset MBS roll-off on Fed B/S
Estimate	-548	710	Shock & Awe Economic Policy In 2026

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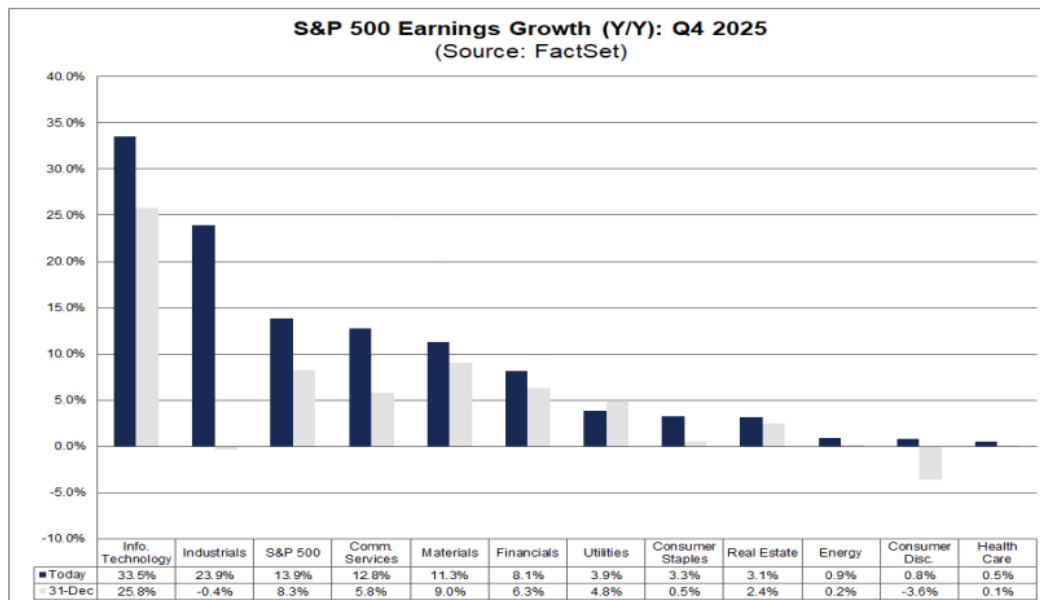
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Corporate Profitability Highlights

U.S. corporate profitability continues to rise, though the strength is concentrated in a few sectors. S&P 500 earnings are expected to grow by 13.2%, marking the sixth straight quarter of double-digit growth, while revenues are projected to increase by 9.7%, the fastest pace since the third quarter of 2022. Analysts have slightly raised overall earnings expectations since the start of the quarter, which is notable because earnings estimates usually decline as the quarter progresses.



Information Technology, Materials, and Financials are leading profit growth.

Information Technology stands out as the top contributor, with earnings expected to rise by 45.1% and revenues by 27.4%, supported by the semiconductor sector.

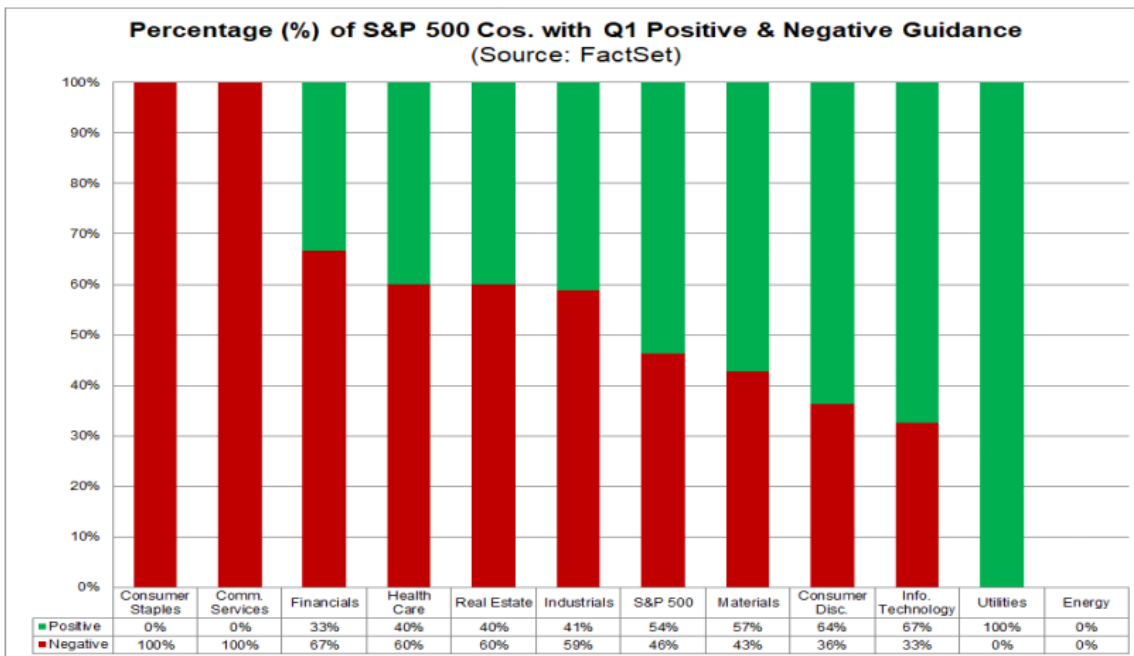
Materials is projected to achieve earnings growth of 23.9%, mainly driven by metals and mining, while Financials is expected to deliver earnings growth of 15.1%, with all five industries contributing. Revenue growth is also led by Information Technology, Communication Services, and Financials, which are expected to show the strongest top-line gains.

Analyst revisions show a similar pattern. Energy and Information Technology have seen the largest upward revisions to expected earnings since the start of the quarter. Meanwhile, Health Care, Consumer Discretionary, and Consumer Staples have seen the largest downward revisions. Rising oil prices have boosted Energy, while Health Care remains the underperformer in both revisions and year-over-year earnings growth.

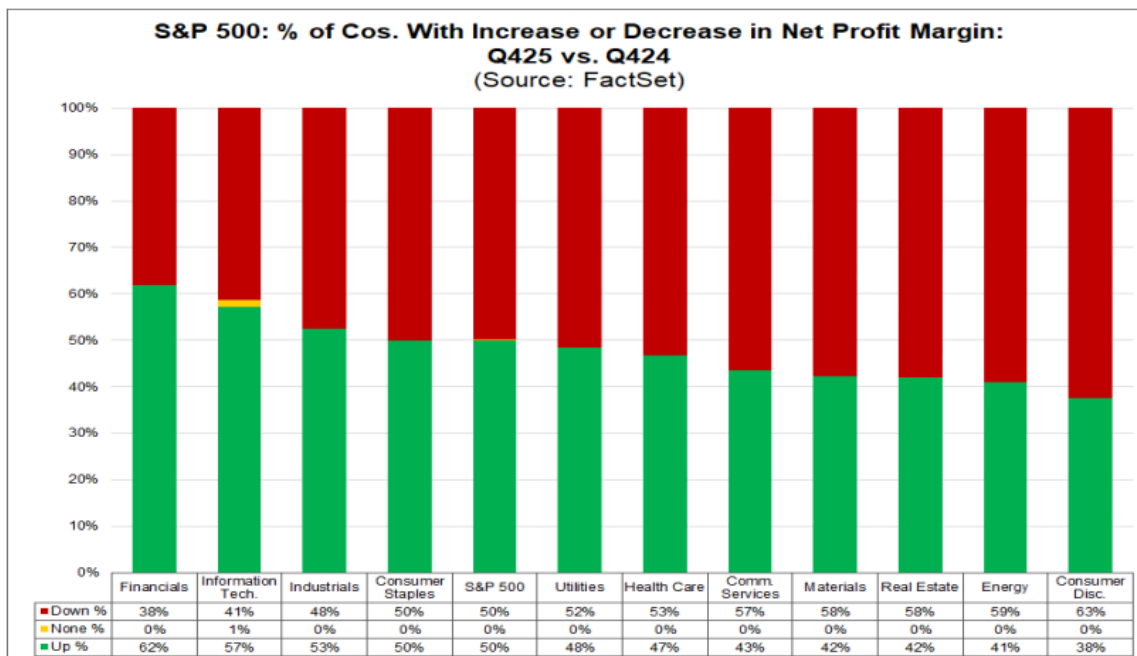
Company guidance has become more optimistic for the quarter. More companies have issued positive EPS guidance than negative guidance for the first quarter, and positive revenue guidance has reached a record high. That improvement is led by the Information Technology sector, where positive guidance has been particularly strong. Even so, annual guidance remains mixed, with 52% of companies issuing negative EPS guidance for the current fiscal year.

Critical points for profitability

- Corporate profitability remains strong, but gains are concentrated in a few sectors.
- S&P 500 earnings are expected to rise 13.2% this quarter.
- Revenue growth is projected at 9.7%, the fastest since 2022.
- Analysts have slightly raised earnings expectations despite a usually weaker revision pattern.
- Information Technology leads earnings and revenue growth, supported by semiconductors.
- Materials and Financials are also making strong contributions to profit growth.
- Energy and Technology saw the largest upward estimate revisions.
- Health Care remains the weakest sector in revisions and earnings growth.
- Quarterly guidance improved, but full-year guidance remains more mixed.
- Margins are stable overall, with pressure concentrated in several sectors.



Margins remain stable at the index level but are uneven across sectors. The S&P 500's net profit margin is forecast at 13.2%, unchanged from the last quarter and above both the past year and five-year averages. Information Technology shows the clearest margin growth, while margin pressure is most evident in Communication Services, Health Care, and Materials.



Sources: BLS, Bianco Research, Federal Reserve, Strategas Research, 42Macro, FactSet, and Bloomberg

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