



Economic Insights

FROM THE MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

Slow and Steady...

DED Stakeholders,

April's economic data paints a picture of an economy that continues to trudge forward in the face of ongoing and new challenges.

We will start with a couple of key, positive metrics on the national level that demonstrate the economy's resilience. First, U.S. GDP grew at a 2% growth rate in the first quarter of the year. This would typically be considered a modest GDP growth number, but considering it represents a rebound from 2025 Q4's (government shutdown induced) 0.5% growth rate, it is a welcome improvement.

When we look at the details of Q1's rate, we see more evidence of an ongoing trend. Much of the quarter's growth was due to business investment, particularly in equipment and software (think AI). The U.S. consumer (which typically accounts for about two-thirds of U.S. GDP growth) pulled back a bit for the quarter (more on the consumer in a bit). So, the overall 2% growth rate is more normal, but how we achieved that rate is not.

The second resilient metric would be employment. U.S. businesses added 178,000 jobs (the largest increase in over a year). This is a strong recovery from February's decline of 133,000 jobs that was heavily influenced by a nursing strike in California.

Getting back to the U.S. consumer - retail sales continue to increase, including a healthy 1.7% increase in March. However, much of this increase in sales was due to consumers paying more for gasoline (retail sales data is not inflation adjusted). If we factor gasoline out of the equation, U.S. retail sales were up a more modest 0.6%.

Turning to the Show-Me-State, we didn't see that employment rebound in March. Missouri saw a slight employment decline of 3,200 jobs, which followed a decline of 9,000 in February. The administrative-support services sector led the decline (-3,300 jobs). As always, this data is subject to revision, so I would not be very concerned with these recent declines yet. Over the year, we can see some employment extremes with significant job losses in administrative-support and government, but stronger gains in construction and leisure-hospitality.

Over the last year or so, economists have struggled to describe the current state of the economy. Facing tariffs, inflation and slowing employment growth, it was easy to describe the economy as fragile with one more piece of bad news driving it into recession. It is also increasingly easy to describe the economy as resilient. It is moving slowly, but it is taking the challenges in stride and continuing to move forward. Business investment in AI has helped offset some of the impacts of these challenges. For the

foreseeable future, the economy might look like the tortoise in Aesop’s fable, following the adage that “slow and steady wins the race.”

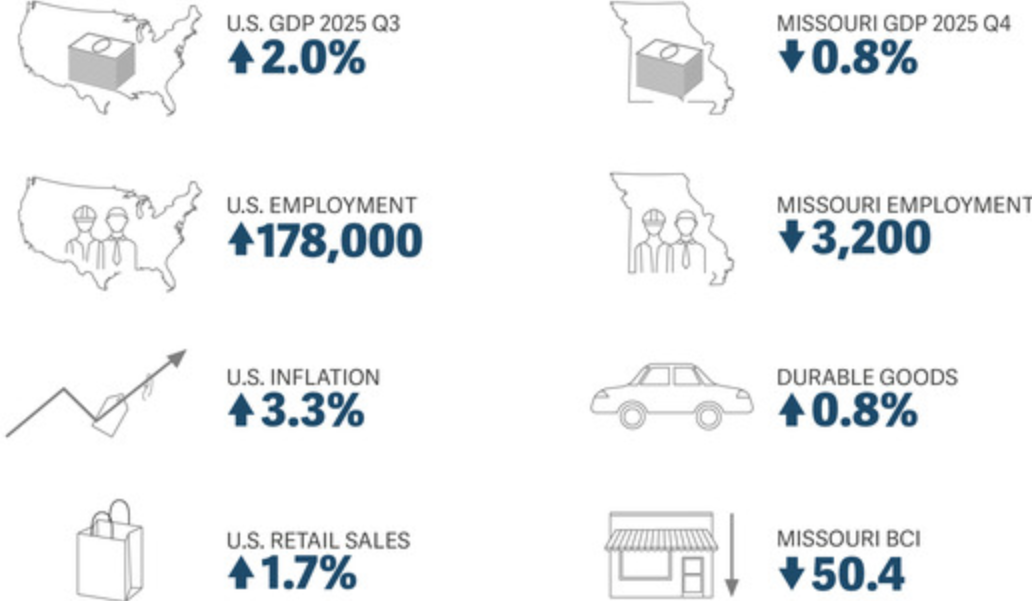
Sincerely,



Jeff Pinkerton

Director of Economic Research

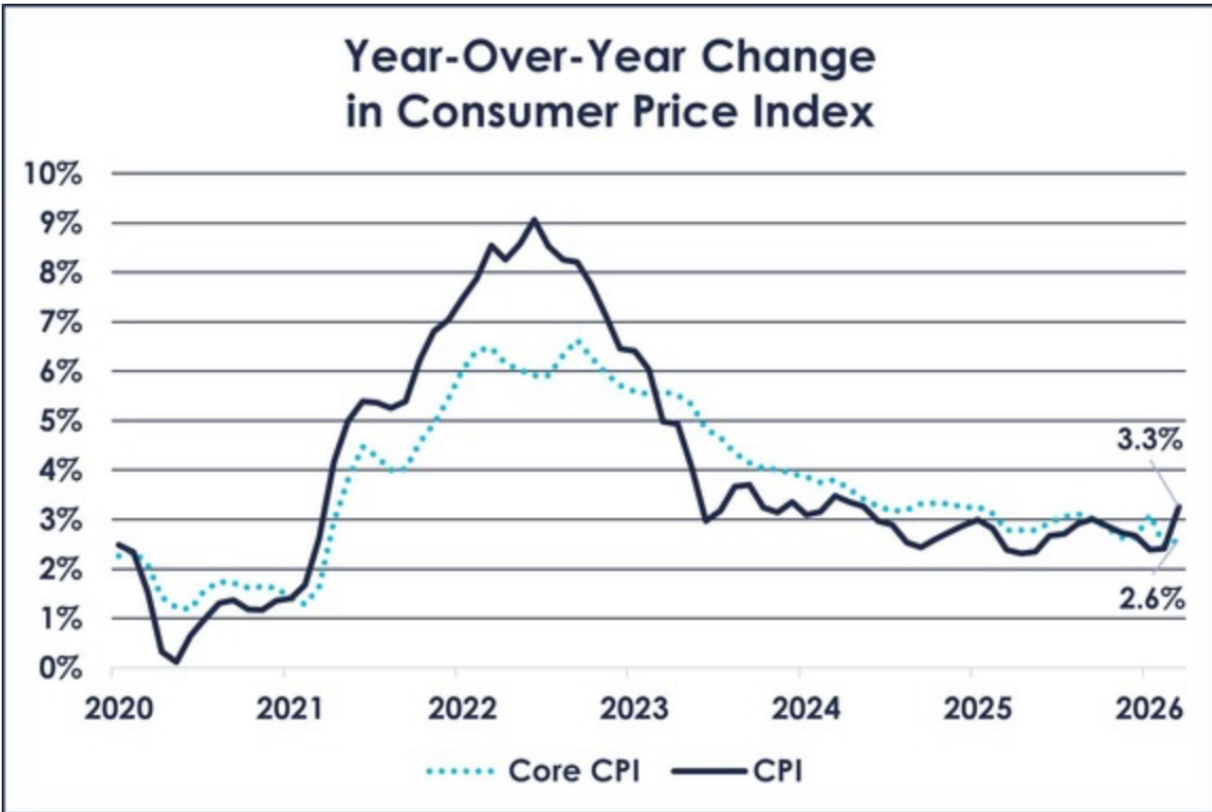
Data Snapshot



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Census Bureau, Creighton University

Data Insights

Inflation



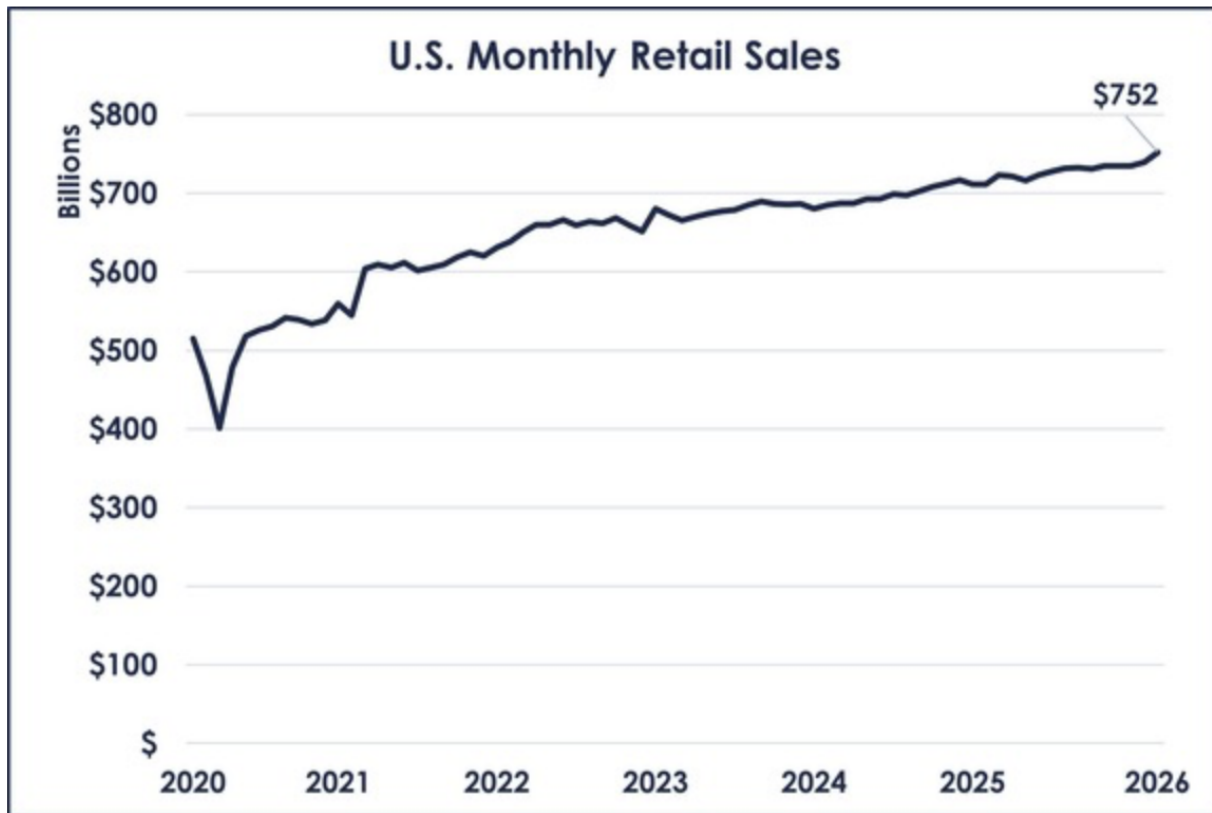
Headline CPI was up 3.3% from a year ago and 0.9% on the month. This was the highest annual inflation reading since May 2024 and the largest monthly increase since 2022. Core inflation, which excludes food and energy, rose 2.6% over the year and 0.2% from the previous month.

The clear driver of the headline spike was the energy index. The overall energy index rose 10.9% in March and was up 12.5% from a year ago. Gas prices jumped 21.2% on the month and 19.4% from a year ago. This was the largest monthly increase in gas since the series was first published in 1967 and accounted for nearly three quarters of the monthly increase in overall CPI. Fuel oil rose even more sharply, up 30.7% over the month and 44.2% over the year.

We can also see some of the spillover from higher energy costs in other categories, including transportation, which was up 4.1% from a year ago. Used car and truck prices fell 3.2%, and food at home was down slightly in March.

Source: Bureau of Labor Statistics

Retail Sales



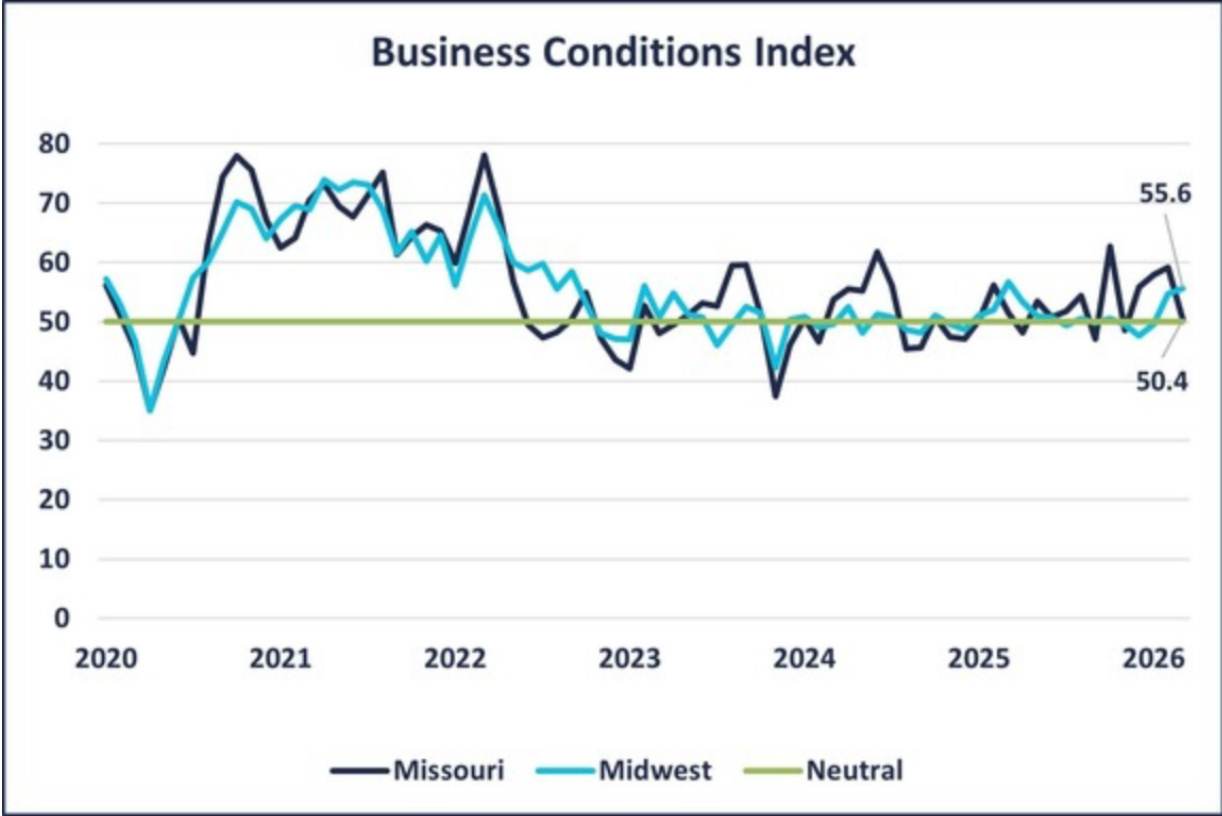
As we have stated many times before, the U.S. consumer has been the key driver in the economy even in the face of some economic challenges over the past few years. This trend continued in March, according to the Census Bureau, as retail sales jumped 1.7% from the previous month - a strong increase.

However, when we look under the hood at this data, we see that much of the increase was due to a 15.5% increase in retail sales at gas stations. This data is not inflation adjusted, so the increase in sales was due to higher gas prices, not more consumption. If we factor out gasoline, retail sales still rose, but at a more modest 0.6%.

The bottom line here is that the spike doesn't represent an encouraging jump in retail sales - it mostly represents higher gas prices. But, even factoring out gasoline prices, consumers are still acting with some degree of confidence.

Source: Census Bureau

Business Conditions Index



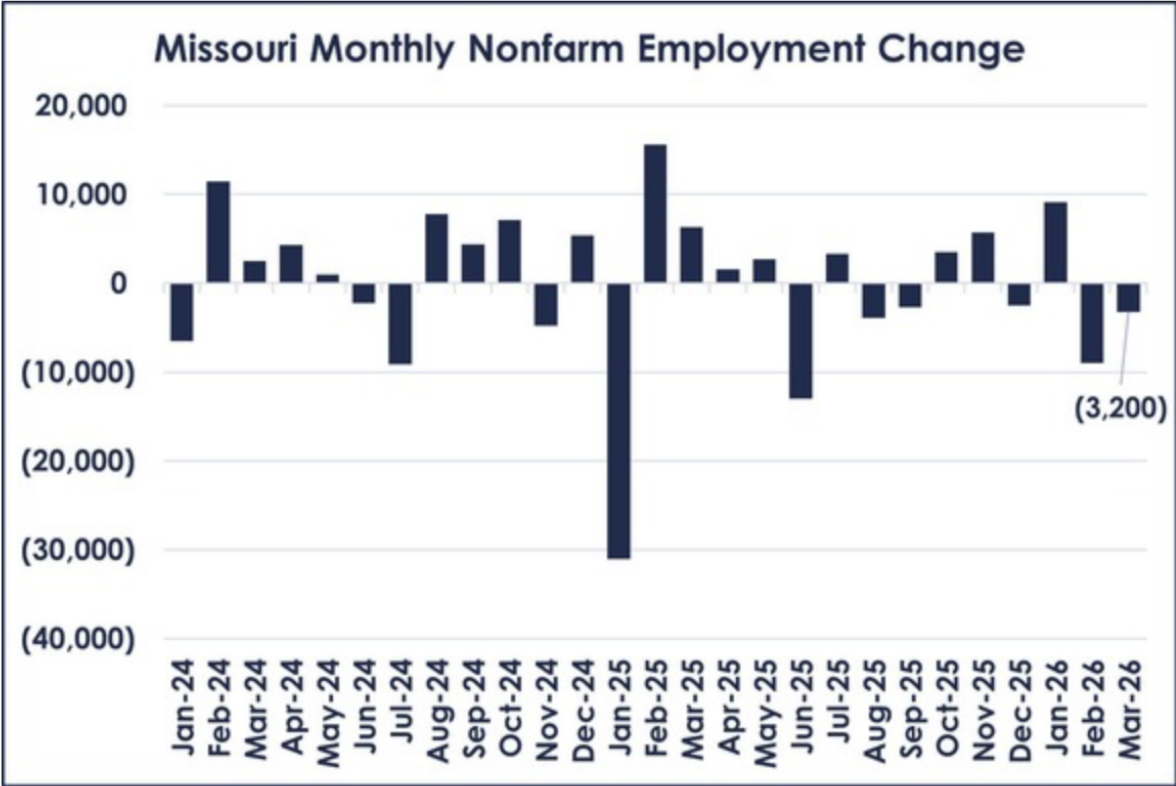
Missouri's Business Conditions Index (BCI) dropped to 50.4 in March, down 8 points from February. That made Missouri the third-lowest state for business confidence in the nine-state region, ending a three-month run as the most confident state in the region.

However, Missouri is still above the growth-neutral mark of 50.0 and has only dipped below that level three times since the start of 2025. A big part of the decline came from a 22.1 point drop in inventory confidence, while employment (-9.2) and production (-4.7) also fell. The overall Mid-America index rose to 55.6 - the strongest reading for the region in a year.

Missouri isn't leading the region this month, but businesses are still confident and have been for over a year now. The inventory drop is worth watching, especially if it reflects pressure tied to energy or gas costs impacting supply.

Source: Creighton University

Missouri Employment

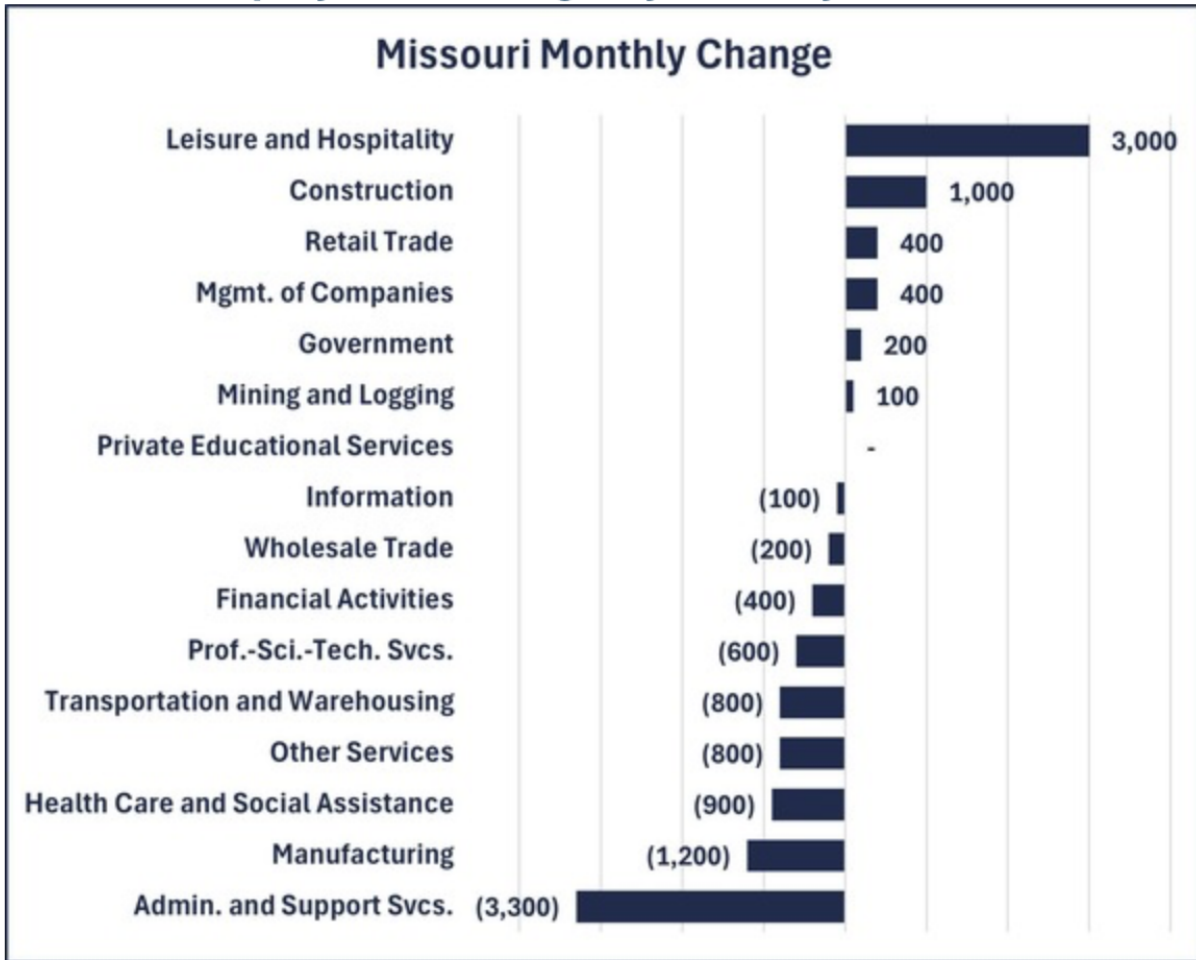


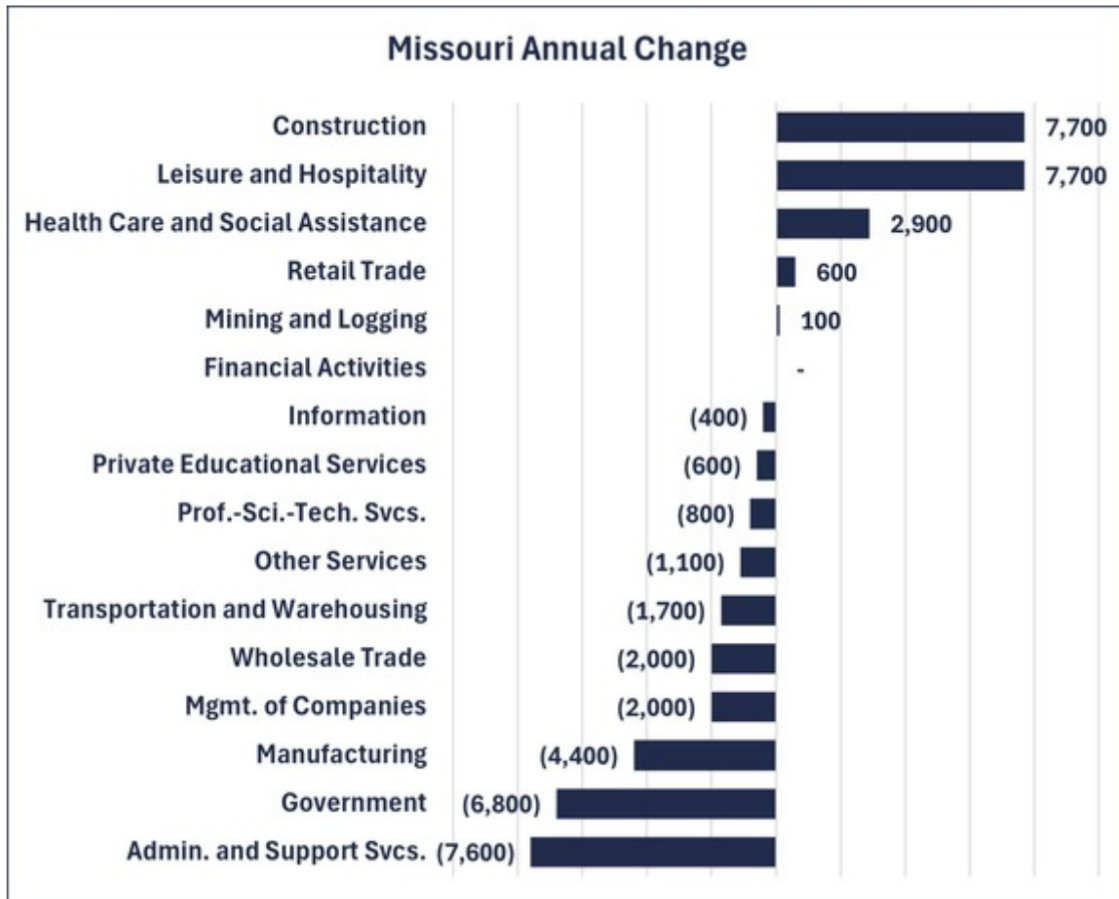
Employment

Missouri non-farm employment fell by 3,200 jobs in March. This follows a decline of 9,000 jobs in February. This also marks a split from the national trend, which saw strong employment growth in March after a decline in February. For the year ending in March, Missouri employment is down by 8,400.

Sources: Missouri Economic Research and Information Center, Bureau of Labor Statistics

Missouri Employment Change By Industry



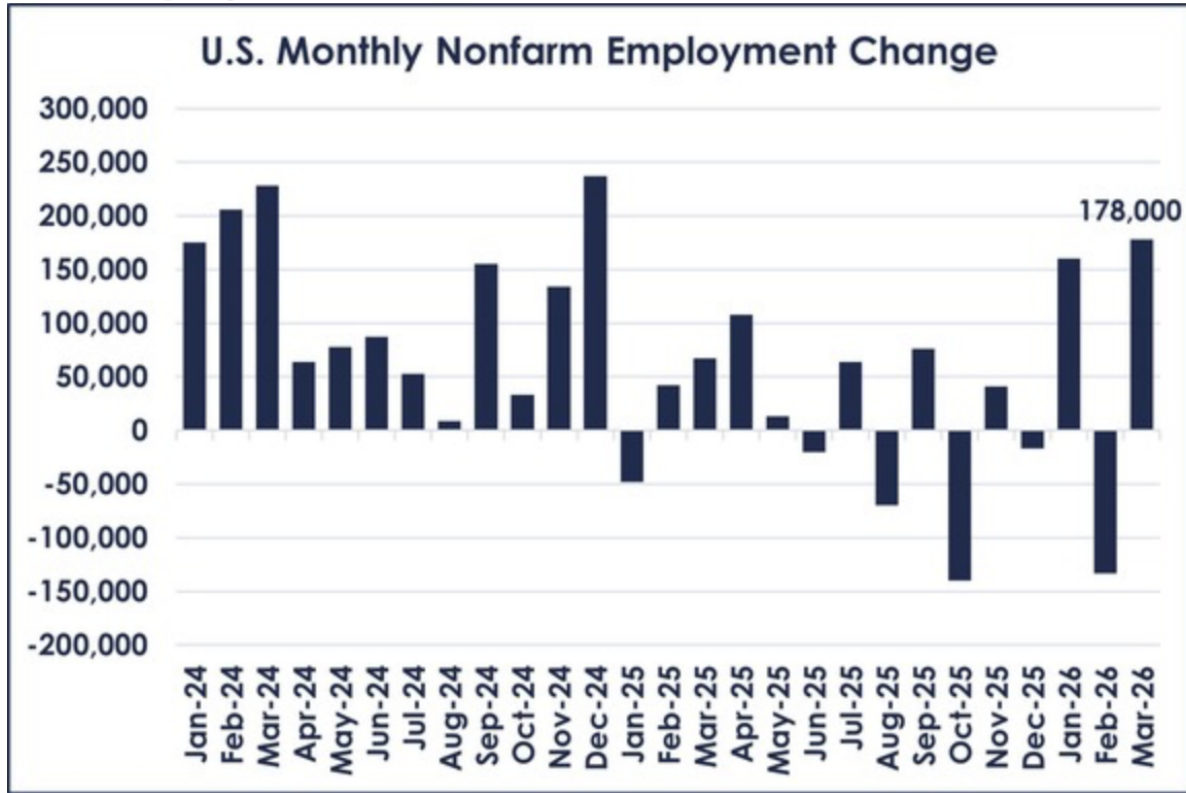


Looking at the industry details, we see good gains in leisure and hospitality (up, 3,000 jobs in March) were more than offset by a decline of 3,300 jobs in administration-support services. A drop in this sector is often due to declines in employment and staffing services, which are typically the first areas where businesses cut back when the economy slows.

For the year ending in March, gains were seen in leisure-hospitality (7,700), construction (7,700) and health care (2,900). Significant losses were seen in administration-support services (-7,600), government (-6,800), and manufacturing (-4,400).

Sources: Missouri Economic Research and Information Center, Bureau of Labor Statistics

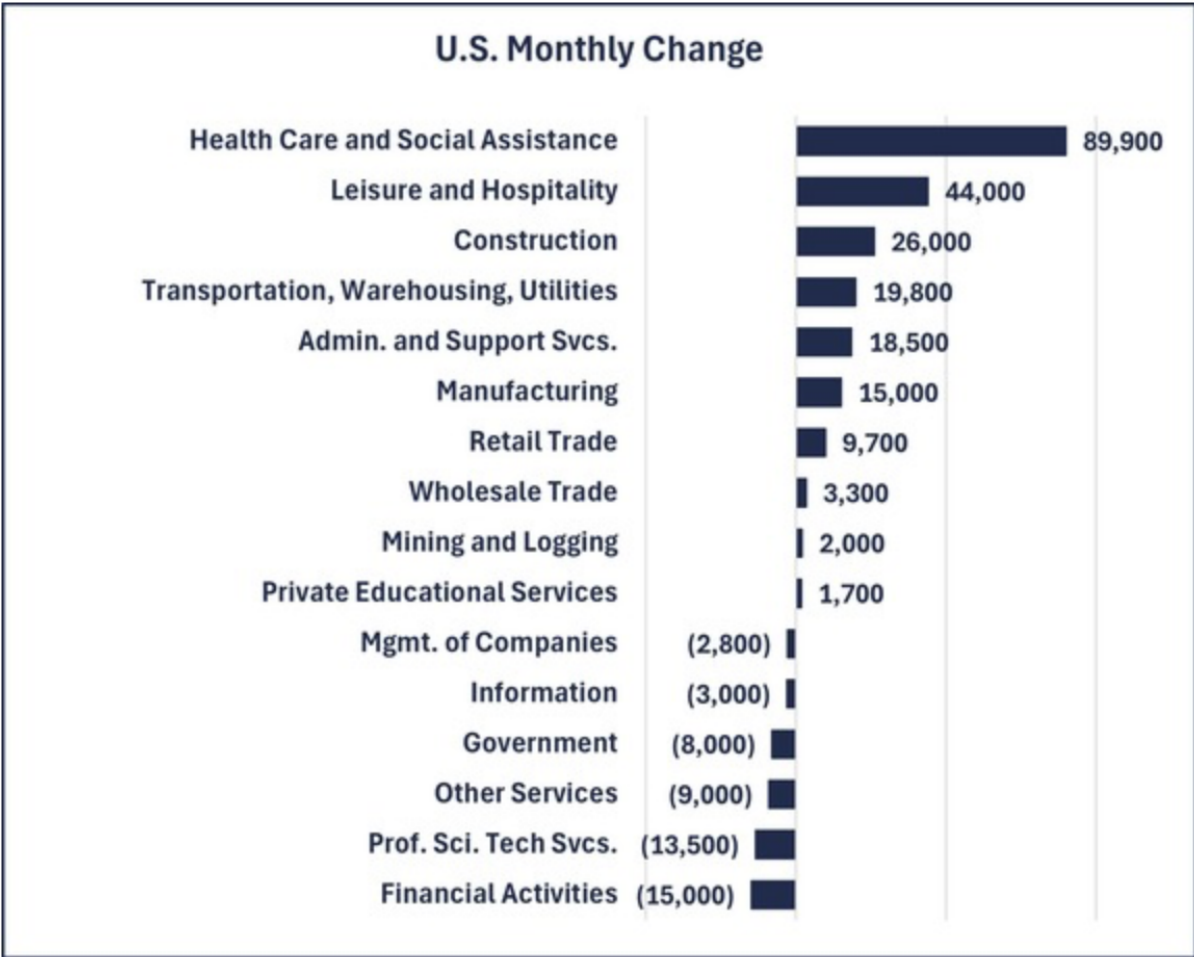
U.S. Employment

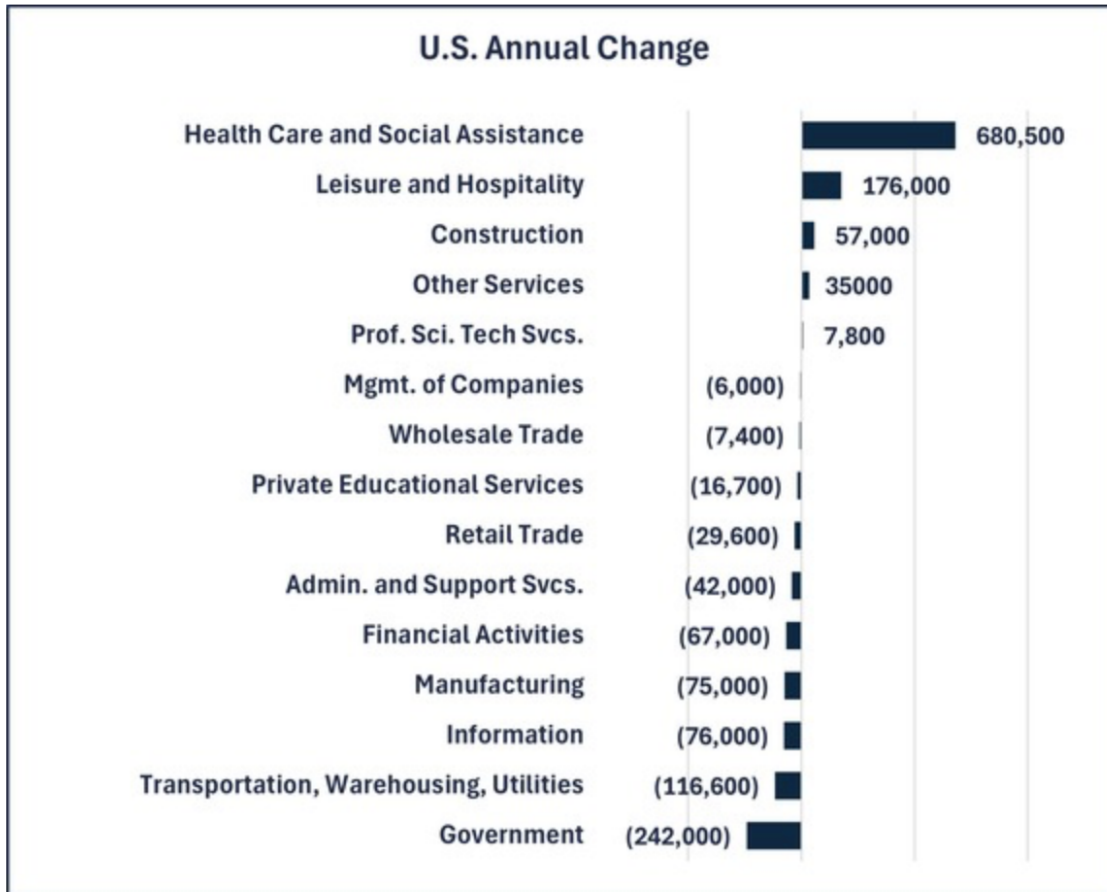


U.S. employment rebounded from February's job losses by adding 178,000 jobs. This number (as always) is subject to revision, but as it stands, it is the biggest monthly increase since December of 2024.

Source: Bureau of Labor Statistics

U.S. Employment Change By Industry





Looking at the industry detail, we see a familiar story with health care accounting for over half of March's gains. Health care was a major contributor to February's decline as the industry uncharacteristically lost 28,000 jobs due to a nurses' strike. Other significant gaining industries were leisure-hospitality (44,000 new jobs), construction (26,000), and transportation (19,800). Manufacturing also posted a good month with 15,000 new jobs.

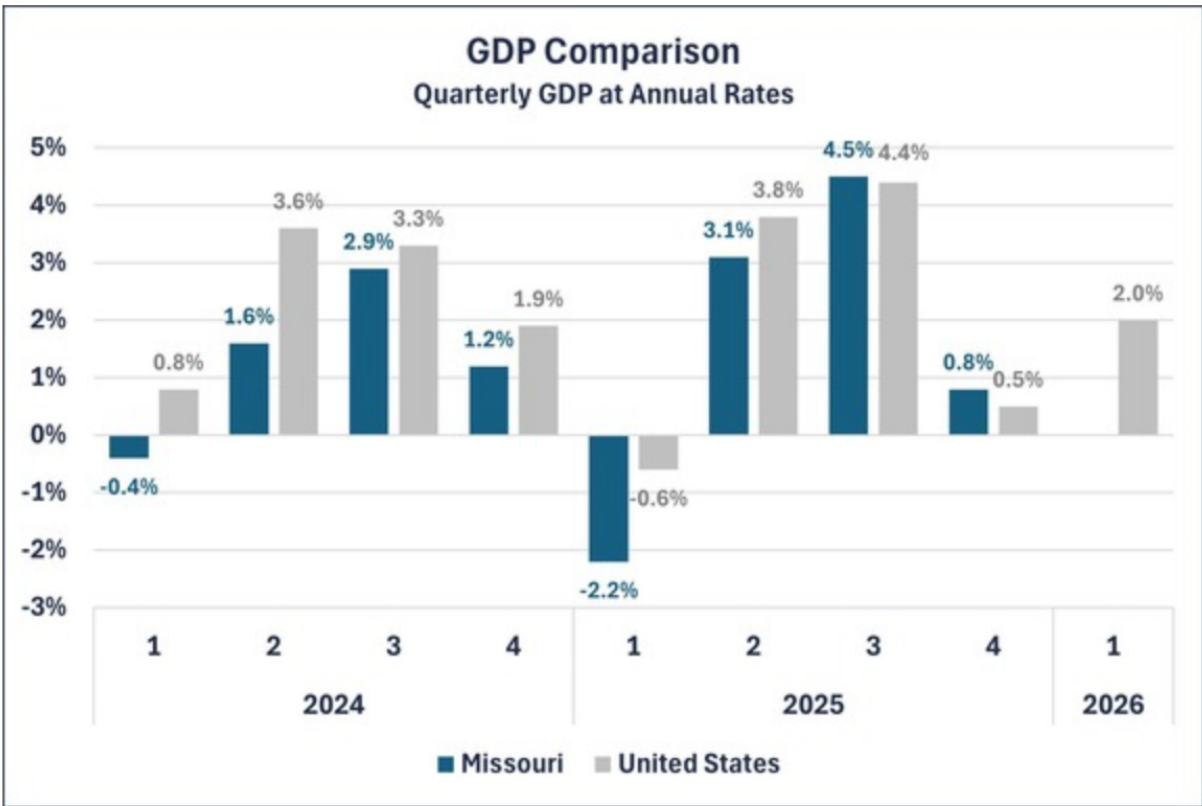
Declines were seen in the finance sector (-15,000 jobs), "other services" (-9,000), and government (-8,000). For the year ending in March, health care remains the driving force in employment growth, adding 680,500. Leisure-hospitality added 176,000 and construction added 35,000.

Most sectors lost jobs over the last year. The government sector fell the most, losing 242,000 jobs. Transportation and manufacturing are down year-over-year (116,000 and 75,000 respectively), but their strong showing in March provides some encouragement in those key sectors.

Source: Bureau of Labor Statistics

Data Deep Dive

GDP



The U.S. economy grew at a 2% annualized growth rate in the first quarter. This would typically be considered a modest growth number, but it does mark a good comeback from 2025 Q4 when the government shutdown resulted in a slow 0.5% growth rate.

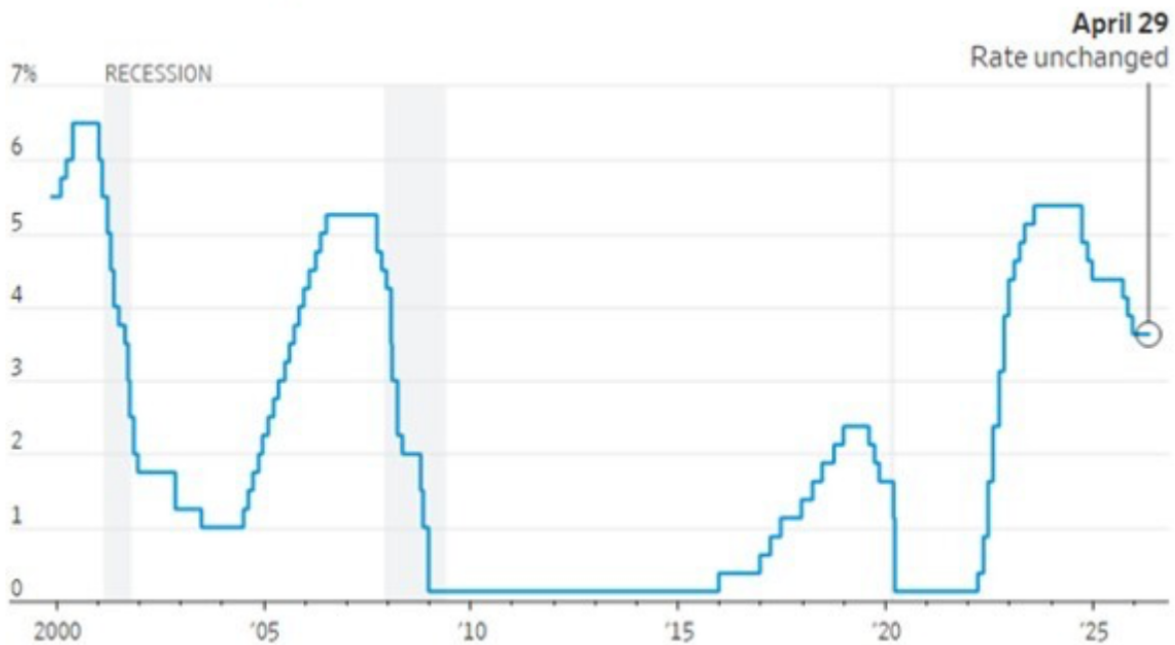
Business investment (likely tied to AI) was the leading growth category, growing at an annualized 10.4% growth rate. Consumers pulled back a bit as overall as consumer spending grew at a 1.6% annualized rate (down from 1.9% in Q4).

Source: Bureau of Economic Analysis

Data Deep Dive

Federal Reserve and Interest Rates

Federal-funds rate target



Note: Chart shows midpoint of target range since 2008.
Source: Federal Reserve

The Federal Reserve held interest rates steady this week, keeping the federal funds rate at 3.5% to 3.75% for the third straight meeting. The hold was expected but the division within the Fed seems to be growing. Four officials dissented - the most in a single FOMC vote since 1992. One member wanted to cut rates by a quarter point. Three others supported holding rates steady but objected to keeping language in the statement that still points toward possible future cuts.

This was also likely Jerome Powell's final meeting as Fed Chair, though he plans to remain on the Board of Governors for now. A new Chair can shape the Fed's tone, priorities, and communication style, and can play a major role in building agreement around future rate decisions.

However, the Chair is still only one vote on the committee, so a new leader does not automatically mean a hard pivot on interest rates. Any major shift still has to move through the broader Fed system, especially when officials are already this divided.

Source: Federal Reserve