



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | February 13, 2026

THE WEEK'S ECONOMY AT A GLANCE

Still growing, still adjusting

This week's data reinforced a familiar but increasingly nuanced narrative. Downward benchmark revisions to employment confirmed that 2025's labor market strength was overstated in real time, while January's jobs and inflation data both pointed to gradual normalization rather than abrupt deterioration. The December retail sales report added texture to that picture, showing consumer demand cooling at the margin late last year but remaining consistent with moderation rather than retrenchment after a front-loaded holiday season. Looking ahead, slower hiring, thinning savings buffers, and persistent cost pressures point to more moderate growth in 2026, leaving the Fed well positioned to remain patient and data-dependent as it balances cooling – but still sticky – inflation against firm activity.

What this means for business: For businesses, the message is one of resilience with constraints. Demand remains supportive, but tighter labor availability and policy uncertainty raise the premium on productivity, flexibility and balance sheet discipline.



Investment products and services are:

NOT A DEPOSIT • NOT FDIC INSURED • MAY LOSE VALUE • NOT BANK GUARANTEED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY

Quote of the week

Indicators point to trend monthly job gains of around 25,000 even as economic growth remains solid, raising the prospect of a strong-GDP, low-job-creation environment that could become the Fed's next policy challenge.

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



ECONOMIC DATA OF THE WEEK

-898,000

The Bureau of Labor Statistics' annual benchmark revision lowered the level of nonfarm payroll employment in March 2025 by -898,000 – modestly smaller than the preliminary -911,000 and equivalent to roughly -70,000 jobs per month between April 2024 and March 2025. Importantly, the revision had a much smaller effect on reported job growth for the remainder of 2025, with payroll gains from April through December now estimated at roughly +13,000 per month, only about 15,000 weaker than previously reported. This underscores that the benchmark primarily re-levels history rather than materially altering the late-2025 trend.

With output little changed, the downward revision to labor input implies faster measured productivity growth and lower unit labor costs, modestly improving the inflation-labor tradeoff heading into 2026.

More broadly, the revised data reinforce our view that the underlying breakeven pace of job growth has fallen to around +25,000 per month, consistent with slower labor force growth and a labor market operating closer to full employment.

ECONOMIC REPORT OF THE WEEK

Q4GDP

Friday's advance estimate of Q4 real GDP is expected to show a solid 2.8% annualized gain, confirming that the U.S. economy closed 2025 with above-trend momentum. Consumer spending and AI- and data center-related investment remained the centerpiece of resilience, more than offsetting headwinds from shifting tariff policy, tighter immigration constraints, and disruptions related to the late-year government shutdown.

Looking ahead, a cooling labor market and persistent cost pressures support our expectation for slower consumption growth in 2026, even as productivity gains provide a partial offset. Taken together, the report should reinforce the Fed's patient, data-dependent stance rather than signal a need for near-term policy adjustment.

U.S. Bank Economics Research Group

Beth Ann Bovino, Chief Economist

Ana Luisa Araujo, Senior Economist

Matt Schoeppner, Senior Economist

Adam Check, Economist

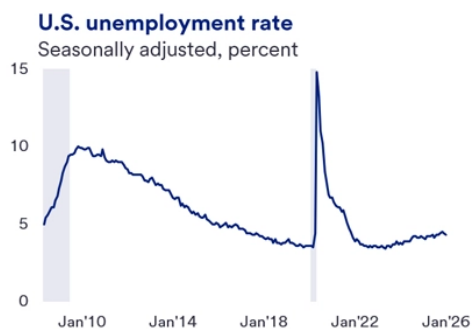
Andrea Sorensen, Economist

ECONOMIC TRENDS: LABOR LANDSCAPE

Employment: Firmer than expected, still normalizing beneath the surface

January’s employment report pointed to a labor market that remains firm and resilient, even as underlying conditions continue to normalize. Nonfarm payrolls rose by +130,000, surpassing expectations and signaling that businesses are still hiring above the economy’s lower breakeven pace. The unemployment rate slipped to 4.3%, reinforcing that labor market slack is accumulating only gradually and remains historically low. And wage growth held at 3.7% year-over-year (YoY), 0.4% month-over-month (MoM), consistent with a market that has cooled structurally but continues to generate steady income gains. Together with a longer average workweek (34.3 hours), the data point to firmer labor utilization than late-2025 trends had implied.

Within the details, the federal government remained a visible drag (-42,000 in January), consistent with the ongoing unwind of deferred resignations, while private payrolls increased a robust +172,000. The sector mix, however, cautions against over-extrapolation: gains were concentrated in seasonally sensitive categories such as construction, education, and health care, suggesting that technical factors likely boosted the headline. As a result, the firmer three-month average, which rose to +73,000, likely overstates underlying momentum.



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

As discussed above, the annual benchmark revision of Current Employment Statistics (CES) delivered a sizable downward recalibration to 2025 employment levels, confirming that last year’s job growth was overstated in real time. The revised data point to a cooler underlying hiring trend that aligns more closely with business surveys and anecdotal reports – caution rather than contraction – while leaving the late-2025 trajectory broadly intact. Revisions to historical labor input also raise measured productivity and lower unit labor costs, modestly improving the inflation-labor tradeoff.

More broadly, the labor market continues to converge toward a “low-hire, low-fire” equilibrium reflecting both softer labor demand and slower labor supply growth. In that context, January’s headline strength contrasts with a cooler 2025 backdrop revealed by the benchmark, while forward-looking indicators – lower job openings, elevated early-year layoffs, and stable jobless claims – continue to signal gradual normalization rather than renewed acceleration. Revisions to historical labor input also raise measured productivity and lower unit labor costs, modestly improving the inflation-labor tradeoff even as wage growth remains steady.

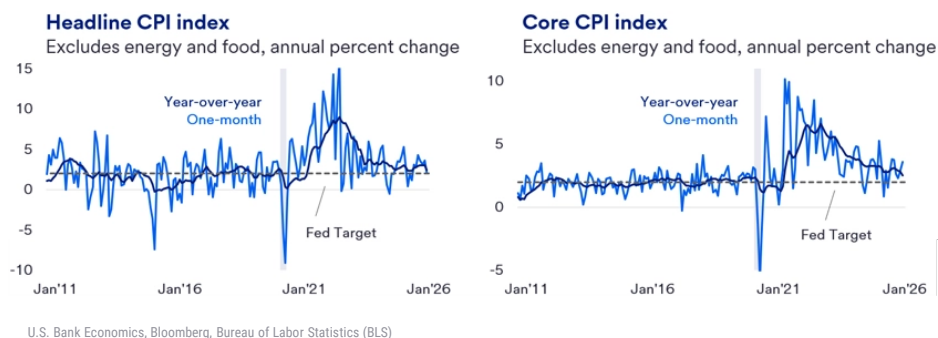
From a policy perspective, the combination of firmer January hiring, lower unemployment, steady wage gains, and longer hours supports a patient, data-dependent Fed. While the backward-looking benchmark reduces perceived momentum in 2025, the forward-looking tenor of January’s report argues against near-term urgency to ease, particularly with inflation not yet fully normalized. Our base case for 2026 remains monthly job gains in the 0–50,000 range, consistent with unemployment settling in the mid-to-upper-4% range and a labor market operating near full employment.

ECONOMIC TRENDS: INFLATION OUTLOOK

Inflation: A cooler headline with familiar cross-currents

January's Consumer Price Index (CPI) report landed as a modest downside surprise, easing overall inflation but leaving enough underlying firmness to keep the Fed firmly on hold. Headline rose a softer-than-expected 0.2% MoM in January, pulling the year-over-year rate down to 2.4%. Energy did the heavy lifting on the downside, while food cooled after December's jump. Excluding those components, core CPI rose 0.3% MoM and eased to 2.5% YoY – the lowest core reading since early 2021. The three- and six-month annualized paces of core CPI are also running close to 2.5%, consistent with gradual normalization as the economy moves into 2026.

Beneath the headlines, January's details continue to point to a broadly disinflationary goods backdrop alongside more uneven progress in services. Core goods prices were essentially flat on the month, as declines in used vehicles offset modest tariff-related firmness elsewhere. Shelter inflation slowed further and remains consistent with a gradual cooling trend, reinforcing the view that housing disinflation is intact – even if month-to-month progress remains uneven. By contrast, core services excluding housing firmed modestly, reflecting lingering price pressures in travel- and recreation-related categories as well as the typical seasonal strength seen at the start of the year. For businesses in these sectors, this signals continued demand but also the need to navigate higher input costs and pricing dynamics.



As is often the case with January data, separating signal from noise requires some care. Updated seasonal factors front-load some inflation into early-year readings, while shutdown-related distortions continue to unwind without a meaningful offset. Viewed together, these cross-currents suggest that short-term volatility is masking a more stable underlying trend, leaving January best read as further evidence of gradual disinflation rather than a turning point.

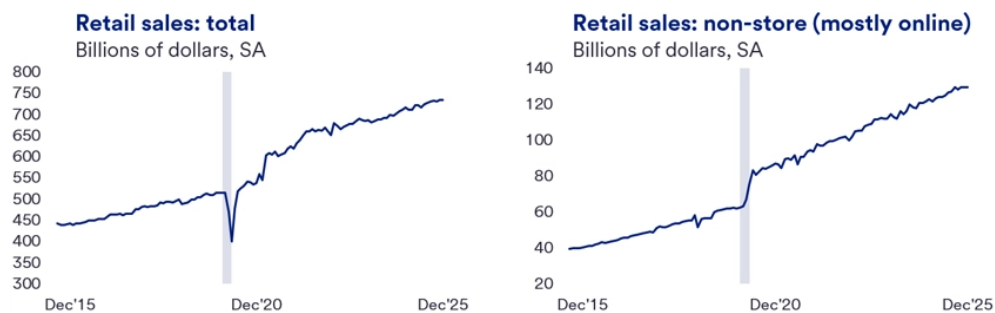
While January's CPI profile points to continued normalization, the implications for Personal Consumption Expenditures (PCE) – the Fed's preferred inflation gauge – are less benign. Areas of relative firmness, most notably non-housing services tied to professional, financial, and healthcare spending, carry greater weight in PCE than in CPI, while categories restraining CPI, such as used vehicles, play a smaller role. As a result, we expect core PCE inflation to run meaningfully firmer than core CPI, keeping short-run trends closer to ~3% annualized even as CPI momentum improves. For the Fed, that divergence reconciles the message from this report. Inflation is clearly cooling, but not yet in a way that fully alleviates concern around services-led persistence and lingering tariff pass-throughs. Combined with still-solid labor market conditions, the data support remaining on hold in the near term, while keeping the door open to additional easing later in 2026.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Retail Sales: Holiday hangover

December's retail sales report ended the year on a softer note, with headline sales flat on the month and the control group – a key input to GDP – down 0.1% MoM. The weakness was broad-based, with eight of 13 major categories declining, including holiday-sensitive segments such as clothing and furniture stores, while restaurant spending also edged lower after a strong November. Prior months were revised down as well, reinforcing the view that goods demand cooled meaningfully as the holiday season wrapped up. In real terms, December spending likely fell modestly, introducing some downside risk to Q4 consumption estimates after an otherwise solid quarter.

That said, the December stall does not fundamentally alter the broader consumer narrative. Three-month average growth in retail activity remains within the range of the past couple of years, suggesting more of a deceleration than a break in trend. Some of the December softness likely reflects seasonal distortions and pull-forward effects tied to promotions, tariff-related buying earlier in the fall, and the growing role of gift cards, which shift spending into subsequent months. Moreover, strength in categories such as building materials and non-store (mostly online) sales points to pockets of resilience beneath the headline.



U.S. Bank Economics, Bloomberg, Census Bureau

Looking ahead, the key question is whether this late-year cooling marks the start of a more sustained slowdown or a temporary pause after a front-loaded holiday season. Slower income growth, a lower savings rate, and a gradually cooling labor market argue for more moderate consumption growth in early 2026, particularly on the goods side. At the same time, easing financial conditions, prospective tax-related cash flow support, and still-solid services demand should help cushion the downside. Bottom line: December retail sales add a note of caution to the consumer outlook, but the data are more consistent with normalization than retrenchment as we head into the new year.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: A shortened week, a full data calendar

While the week is shortened by the Presidents' Day holiday, the economic data calendar remains busy. A slate of December releases, along with the advance estimate of Q4 GDP, should provide timely insight into how the economy closed out 2025 and entered the new year.

Wednesday brings the advance December **Durable Goods** report, the first major release of the week. We expect a decline in the headline figure, largely reflecting a pullback in aircraft orders following recent strength. Excluding transportation, underlying orders should remain modestly positive but soft, consistent with the recent pattern of steady – but subdued – core goods demand. Core capital goods orders (nondefense capital goods excluding aircraft), a key leading indicator for equipment investment, are expected to rise a solid 0.4% MoM. Such an increase would reinforce the view that business investment momentum remains intact, supported by technology and AI-related spending.

ECONOMIC TRENDS: THE WEK AHEAD

Data and reports we're watching this week: A shortened week, a full data calendar *continued*

Also on Wednesday, December **Housing Starts** and **Building Permits** will provide an update on residential construction as the year came to a close. We expect starts to remain choppy but broadly range-bound, with permits pointing to cautious but still-positive builder sentiment.

Friday is the clear highlight of the week, featuring December **Personal Income and Outlays** alongside the advance estimate of Q4 2025 **GDP**. We expect the core PCE price index to rise 0.3% MoM and 2.9% YoY, consistent with recent evidence that inflation is cooling gradually, though unevenly. Otherwise, consumer fundamentals should remain firm. We look for personal income to increase 0.3% MoM and personal spending to rise 0.4% YoY, suggesting households ended the year on solid footing, albeit with some continued reliance on savings.

For Q4 '25 GDP, we expect a 2.8% annualized gain, driven by strong consumer spending and continued strength in AI-related investment. If realized, the report would confirm that the economy finished 2025 with above-trend momentum, even as still-elevated prices and a gradually softening labor market continue to weigh on overall activity.

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 - February 16 through February 20								
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous		
2/17/2026	7:30 a.m.	Empire State manufacturing	Feb	8.7	8.7	7.7		
	9 a.m.	NAHB housing index	Feb			37.0		
2/18/2026	7:30 a.m.	Durable goods orders (MoM)	Dec P	-1.7	-1.7	5.3		
		Durable goods ex Transportation (MoM)	Dec P	0.3	0.3	0.4		
		Capital goods orders nondefense ex. Aircraft	Dec P	0.4		0.4		
		Housing starts (000)	Dec	1320	1325	1246		
	8:15 a.m.	Building permits (000)	Dec P	1420	1420	1411		
		Industrial production (MoM)	Jan	0.4	0.4	0.4		
		Leading index	Jan			-0.3		
		FOMC minutes	28-Jan					
		TIC flows (\$ bil.)	Dec			212.0		
2/19/2026	7:30 a.m.	Advance Goods Trade Balance	Dec	-87.0	-85.1	-86.0		
		Wholesale Inventories (MoM)	Dec P			0.2		
		Retail Inventories (MoM)	Dec			-0.1		
		Philly Fed manufacturing	Feb	7.7	7.7	12.6		
		Initial Jobless Claims	14-Feb	228.0		227.0		
		Trade Balance	Dec	-58.0	-55.5	-56.8		
		Pending home sales (MoM)	Jan	2.5	2.5	-9.3		
		2/20/2026	7:30 a.m.	Personal income (MoM)	Dec	0.3	0.3	0.3
				Personal spending (MoM)	Dec	0.4	0.4	0.5
				PCE Deflator (MoM)	Dec	0.3	0.3	0.2
PCE Deflator (YoY)	Dec			2.8	2.8	2.8		
Core PCE Deflator (MoM)	Dec			0.3	0.3	0.2		
Core PCE Deflator (YoY)	Dec			2.9	2.9	2.8		
	8:45 a.m.	GDP (QoQ % Annualized)	4Q A	2.8	2.8	4.4		
		S&P Global US Services PMI	Feb P			52.7		
		S&P Global US Composite PMI	Feb P			53.0		
		S&P Global US Manufacturing PMI	Feb P			52.4		
		New home sales (000)	Dec	735	735	737		
	9 a.m.	U. Mich. Consumer sentiment	Feb F	57.0	56.9	57.3		

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 2/13/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

February 16, 7:25 a.m.: Bowman (Board of Governors/Voter)

February 17, 11:45 a.m.: Barr (Board of Governors/Voter)

February 17, 1:30 p.m.: Daly (San Francisco Fed/Non-Voter)

February 18, Noon: Bowman (Board of Governors/Voter)

February 19, 8 a.m.: Kashkari (Minneapolis Fed/Voter)

Garrick - I typed in the speaker calendar. Please double check that it matches what they sent.

Disclosures

The views expressed in this commentary represent the opinion of the author and do not necessarily reflect the official policy or position of U.S. Bank. The views are intended for informational use only and are not exhaustive or conclusive. The views are subject to change at any time based on economic or other conditions and are current as of the date indicated on the materials. It is not intended to be a forecast of future events or guarantee of future results. It is not intended to provide specific advice. It is issued without regard to any particular objective or the financial situation of any particular individual. It is not to be construed as an offering of securities or recommendation to invest. It is not for use as a primary basis of investment decisions. It is not to be construed to meet the needs of any particular investor. It is not a representation or solicitation or offer for the purchase or sale of any particular product or service. Investors should consult with their investment professional for advice concerning their particular situation. The factual information provided has been obtained from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. U.S. Bank is not affiliated or associated with any organizations mentioned. U.S. Bank and its representatives do not provide tax or legal advice. Each individual's tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

©2026 U.S. Bank