



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | February 6, 2026

THE WEEK'S ECONOMY AT A GLANCE

Reading between the lines: Slower signals, bigger questions

The first week of February offered a clearer view of an economy cooling at the margins but still avoiding abrupt breaks, with a string of data releases pointing to slower labor demand, mixed momentum in activity, and credit conditions that remain steady rather than restrictive. December's JOLTS report confirmed another step down in vacancies and historically low churn, while January's ISM surveys delivered a split verdict – manufacturing showing a welcome, if possibly front-loaded, rebound, and services continuing to expand with stubborn price pressures. Meanwhile, credit signals from the Senior Loan Officer Survey suggested banks are cautious but no longer tightening meaningfully, even as borrowers remain selective. The week's labor market tone was punctuated by Challenger's sharp rise in announced layoffs, though claims data still show little evidence of spillover into actual job loss.

Against this backdrop, attention now turns to an unusually consequential mid-February slate – notably the delayed January Employment Report and January CPI – which together will provide the first clean read on how the labor market and inflation are behaving as 2026 gets underway, and how much room the Fed has to maintain its patient stance.

What this means for business: *For businesses, these conditions point to a year that may require prudent workforce planning and tighter cost control as demand softens at the edges but does not collapse, as we expect. As increasing job insecurity leads to cautious consumers, businesses will need to thread the needle on how to hold onto customers and manage costs.*

Investment products and services are:

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

Important disclosures provided on last page

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

108,435

Announced job cuts surged to 108,435 in January – according to Challenger, Gray & Christmas – more than triple December’s total and over twice the level from a year earlier, marking the highest January reading since 2009. Much of the spike reflects a handful of large, company-specific announcements, including major workforce reductions at both UPS and Amazon tied to contract changes and internal restructuring. Other industries cited inflation-related cost pressures, reduced reimbursements (healthcare), and broader restructuring efforts as reasons for trimming headcount. Challenger data do not specify the geographic distribution of cuts, leaving markets unable to gauge how many layoffs are occurring domestically versus foreign subsidiaries. Despite the headline jump, these announcements have not yet translated into broad-based job loss, with weekly jobless claims still stable – suggesting the Challenger report is better viewed as a reminder that firms remain willing to cut when necessary,

not necessarily evidence of an emerging wave of layoffs.

ECONOMIC REPORT OF THE WEEK

January Employment Report (preview)

With last week’s partial government shutdown delaying the release, Wednesday’s January Employment Report arrives at a moment when markets are increasingly focused on whether labor market cooling is becoming more entrenched. Job openings have already fallen to their lowest levels since the depths of the pandemic in 2020 and announced layoffs surged to the highest January total in 17 years. Yet traditional labor market gauges, including jobless claims, remain stable, offering a more tempered signal.

Against that backdrop, we expect a payroll gain of roughly 55,000 last month, modestly flattered by the typical seasonal quirks that accompany January hiring patterns but consistent with a labor market operating near its lower ‘breakeven’ pace – reflecting both softer demand and a constrained supply of workers. Wage growth should hover near recent averages

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

, and the unemployment rate is likely to hold around 4.4%, with some risk of a slight uptick. The report will also incorporate the 2025 benchmark revision, which is widely expected to trim last year’s job gains but without signaling a more concerning shift in labor market fundamentals.

Bottom line: Rather than a turning point, January’s report is likely to serve as a clearer baseline for early-2026 labor conditions – an important input for a Federal Reserve weighing cooling labor dynamics against the still-incomplete normalization of inflation.

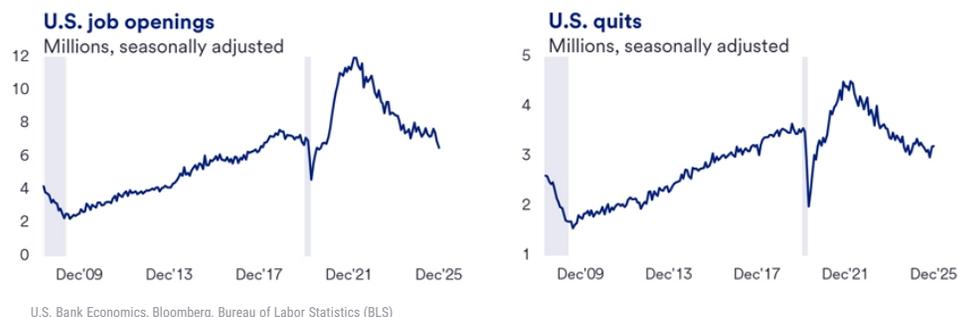
ECONOMIC TRENDS: MONETARY POLICY

Vacancies deflate: The low-churn labor market drifts lower

The latest JOLTS report showed another step down in labor demand. Job openings fell by nearly 400,000 to 6.54 million in December – well below the pre-pandemic average – while the openings-to-unemployed ratio slipped to 0.87, a level similarly undercutting its pre-2020 balance. This now places broader labor market tightness firmly below pre-pandemic conditions, underscoring that demand-side pressures are no longer a meaningful source of inflation risk.

Beneath the headline, churn remains historically muted, reflecting the same ‘low-hire, dynamics that have defined much of the past year. Hiring remained subdued at a 3.3% rate, near decade lows apart from the immediate pandemic shock, and quits held at 2.0%, highlighting scarce job switching opportunities. At the same time, the layoff rate stayed low at 1.1%, suggesting employers remain reluctant to shed workers despite softer demand. While more forward-looking indicators – such as a recent uptick in Challenger layoff announcements and a seasonality-boosted rise in jobless claims – deserve monitoring, neither yet signals a broad material shift in underlying labor market behavior.

Taken together, December’s data depict a labor market that is easing without unraveling. Openings have fallen sharply, yet hiring has steadied and total separations remain low – both hovering near 5.3 million, evidence of minimal net employment gains. With demand clearly softer but not collapsing, this combination of fewer vacancies, steady hiring, and restrained layoffs should help temper wage and inflation pressures without signaling broad-based job loss. In turn, the backdrop supports a patient Fed, as conditions look soft enough to ease inflation risks yet not weak enough to suggest imminent labor market deterioration.

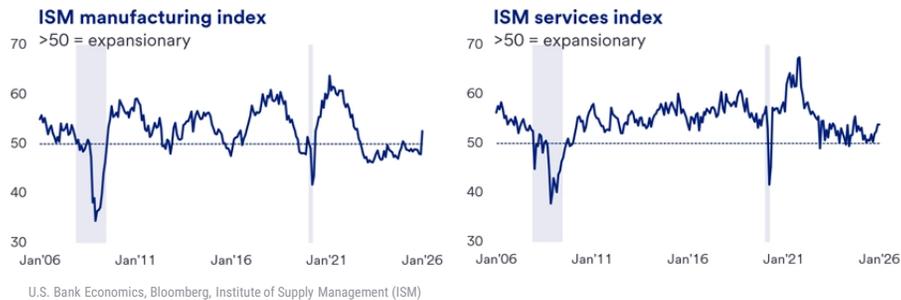


ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

ISM PMIs: A split start to 2026 – factory rebounds, services steady with sticky prices

January’s Institute of Supply Management (ISM) surveys opened the year with a role reversal in goods and a steadier hand in services. The manufacturing index jumped to 52.6 – its first expansion in a year and the strongest reading since 2022. The increase was driven by a rare double-digit surge in new orders and solid production. Supplier deliveries lengthened and backlogs picked up, while customers’ inventories fell to a “too low” level, a combination that typically supports near-term output. Even so, employment remained in mild contraction and prices stayed warm, suggesting firms are rebuilding cautiously amid persistent cost pressures.

The ISM services index, by contrast, held at 53.8 – consistent expansion rather than acceleration. Business activity strengthened, but new orders eased and employment slipped to just above breakeven. The more concerning element is prices paid, which rose to a level historically linked with above-target inflation if sustained. Supplier delivery times also lengthened, and inventories swung back into contraction as firms trimmed stocks after year-end, leaving a picture of stable demand but little relief on service-sector price intensity.



Two cross-currents bear watching. First, part of the factory rebound appears front-loaded. Respondent commentary and order patterns point to post-holiday restocking and buy-ahead activity amid tariff uncertainty – suggesting some risk of payback later. Second, services inflation remains stubborn. With the prices component index back in the mid-60s and delivery times lengthening, cost pressures are not yet aligning with a quick glide toward 2%.

Bottom line: January shifted a bit of the growth momentum back toward goods, while services continued to expand at a measured pace. If low customers’ inventories sustain orders and backlogs, manufacturing could string together additional months of expansion, but the signal will be more convincing if employment firms and price pressures ease. Meanwhile, services remain the primary contributor to overall activity, though elevated prices continue to complicate the inflation outlook. All told, this month’s PMIs still argue for a patient Fed. Factories saw a welcome pulse, yes, but we still don’t have a clear read that underlying inflation is on a decisive downtrend.

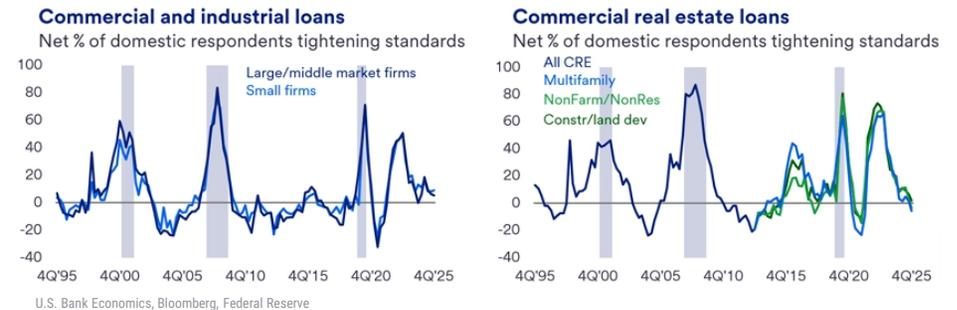
ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Senior Loan Officer Survey: Steady standards, uneven demand

The January Senior Loan Officer Opinion Survey (SLOOS) showed a credit landscape that remains broadly steady as 2026 begins.

Important disclosures provided on last page

Banks continued to report modest net tightening in commercial and industrial (C&I) lending standards for businesses of all sizes, though the degree of tightening eased slightly relative to late 2025. Meanwhile, demand for C&I loans strengthened among large and middle-market borrowers, while borrowing interest from smaller businesses held essentially flat. In commercial real estate (CRE), standards were generally stable, and banks reported firmer demand across construction, land development, and non-residential segments.



Household credit conditions showed a similarly steady pattern. Banks reported little change in mortgage, credit card, or other consumer loan standards, while auto loan terms continued to loosen. Demand, however, softened across most household categories, with weaker appetite for residential real estate, auto and consumer loans, and mostly flat demand for credit card borrowing. Special question responses indicated that banks expect standards to remain broadly unchanged through 2026, with loan demand gradually strengthening and credit quality improving in CRE but deteriorating somewhat for small business, mortgage and consumer borrowers.

Taken together, the January SLOOS depicts a financial system still cautious but no longer tightening materially. Businesses with stronger balance sheets – particularly larger borrowers – appear to be driving a tentative pickup in loan demand, while households remain restrained amid elevated borrowing costs.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Senior Loan Officer Survey: Steady standards, uneven demand *continued*

Banks also reported greater willingness to lend to firms positioned to benefit from artificial intelligence, signaling early signs of sectoral differentiation. At the macro level, credit conditions look stable enough not to impede growth yet not loose enough to complicate the Fed's inflation objectives – reinforcing a backdrop in which policy patience remains the most likely path.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Holiday tailwinds, a delayed Jobs Report, and a fresh read on inflation

A full slate of mid-February data releases will help clarify how the economy closed out 2025 and how the first months of 2026 are taking shape. December retail sales will wrap up the holiday season. The delayed January Employment Report will provide the first comprehensive labor market read of the year. And January Consumer Price Index (CPI) will offer an early test of whether inflation is settling into a more stable pattern. Together, these releases should give policymakers and markets a clearer view of the near-term trajectory.

On Tuesday, **December Retail Sales** will show how consumer spending ended the year and how the holiday season ultimately performed. We expect another solid 0.5% month-over-month (MoM) headline gain, consistent with the resilience seen in prior months. Early indicators point to steady discretionary spending, suggesting households remained willing to spend through year-end. The control group measure will be key for gauging the underlying momentum entering 2026 and whether demand is normalizing to a more sustainable pace.

On Wednesday, the **January Employment Report** takes center stage following last week's brief government shutdown. Our view holds: muted payroll gains of roughly 55,000, wage growth near recent averages, and an unemployment rate around 4.4%, with some risk of a slight uptick. The report will also incorporate the 2025 benchmark revision to the establishment survey – widely expected to trim last year's job gains but not in a way that materially alters the broader labor market narrative. While mainly affecting levels through last March, the revision may modestly reshape 2025's hiring profile and slightly adjust seasonal patterns going forward. Otherwise, this release provides the first meaningful look at labor market conditions heading into 2026 – critical context as the Fed weighs cooling labor dynamics against continued progress on inflation.

On Friday, **January CPI** rounds out the week and may prove one of the more informative early-year inflation prints. January is always a complex month for seasonal adjustment, and this year's reading will mix typical start-of-year price resets, tariff-related cost pass-through, and some potential shutdown noise from November's data collection disruptions. Goods inflation could firm temporarily as retailers implement annual list-price adjustments and pass along some lingering cost pressures. By contrast, services categories – particularly those sensitive to wage growth – may show more moderation than in prior Januarys, reflecting the gradual cooling seen across broader labor-cost measures. Specifically, shelter inflation should remain near trend, with slower rental inflation continuing to filter through. While month-to-month volatility is likely, the broader question is whether early-2026 data confirm that underlying inflation pressures are easing. A softer-than-usual seasonal pulse in services would support that view, while a firmer January print would suggest the disinflation process remains uneven.

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 9 through February 13						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
2/10/2026	5 a.m.	NFIB Small business optimism index	Jan	99.8	99.8	99.5
	7:30 a.m.	Import prices (MoM)	Dec			-0.1
		Employment cost index (QoQ)	4Q	0.8	0.8	0.8
		Retail sales (MoM)	Dec	0.5	0.4	0.6
		Retail sales ex-auto (MoM)	Dec	0.5	0.4	0.5
		Retail sales control group (MoM)	Dec	0.5	0.4	0.4
9 a.m.	Business inventories (MoM)	Nov	0.2	0.2	0.3	
2/11/2026	7:30 a.m.	Employment report (000)	Jan	55	70	50
		Unemployment rate (%)	Jan	4.4	4.4	4.4
	1 p.m.	US budget deficit (\$ bil.)	Jan			-144.7
2/12/2026	7:30 a.m.	Initial Jobless Claims	7-Feb			231.0
	9 a.m.	Existing home sales (mln)	Jan	4.2	4.2	4.4
2/13/2026	7:30 a.m.	CPI (MoM)	Jan	0.3	0.3	0.3
		CPI (YoY)	Jan	2.6	2.5	2.7
		CPI (ex-food & energy) (MoM)	Jan	0.3	0.3	0.2
		CPI (ex-food & energy) (YoY)	Jan	2.6	2.5	2.6

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 2/6/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

February 9, 12:30 p.m.: Waller (Board of Governors/Voter)

February 9, 2:15 p.m.: Bostic (Atlanta Fed/Non-Voter)

February 10, 11:00 a.m.: Hammack (Cleveland Fed/Voter)

February 10, Noon: Logan (Dallas Fed/Voter)

February 12, 6:05 p.m.: Miran (Board of Governors/Voter)

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