



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | June 12, 2026

THE WEEK'S ECONOMY AT A GLANCE

The heat is on – but not everywhere

This week's economic data reinforced a familiar but increasingly uneasy mix. The economy continues to expand, but with mounting crosscurrents. Inflation reaccelerated at the headline level on energy-driven pressures, while underlying measures remain more contained – though rising producer costs point to potential pipeline risks ahead. At the same time, activity across labor markets, housing, and consumer behavior remains resilient, even as signs of cooling become more evident at the margin. Against that backdrop, the Federal Reserve is widely expected to remain on hold at next week's Federal Open Market Committee (FOMC) meeting, with a reduced bias toward easing and greater sensitivity to upside inflation risks. Taken together, the story is not one of a sharp turn, but of a more uneven and uncertain environment – where policy is likely to stay restrictive for longer and risks are increasingly skewed toward persistent inflation pressures.

What this means for business: *Cost pressures are becoming more uneven and potentially less predictable for businesses, suggesting a need to balance pricing discipline with caution on demand as higher input costs and softer underlying momentum begin to converge.*

Quote of the week

The underlying story hasn't fundamentally changed, but it's becoming less comfortable. Headline inflation is proving sensitive to energy, and risk remains that some of that pressure begins to filter more broadly – particularly if it starts to weigh more persistently on purchasing power.

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ECONOMIC DATA OF THE WEEK

4.2%

Inflation firmed again in May, with the Consumer Price Index (CPI) rising 0.5% month-over-month (MoM) and 4.2% year-over-year (YoY) – the fastest annual pace since 2023. The increase was driven largely by energy, with gasoline prices again doing much of the lifting and the broader energy index accounting for more than 60% of the monthly gain.

Beneath the headline, however, the inflation picture was more measured. Core CPI rose a moderate 0.2% MoM and 2.9% YoY, with shelter cooling from April's firmer pace, core goods prices softening modestly, and core services excluding housing remaining relatively contained. Taken together, that mix suggests the inflation backdrop remains uneven, but not yet broadly reaccelerating across categories most closely tied to underlying demand.

The key question is whether the current energy shock remains largely confined to headline inflation – or begins to feed more meaningfully into transportation-sensitive categories, core services, and ultimately inflation expectations.

For now, May's CPI report supports a Fed that remains on hold, but with less room to look through upside inflation risk if energy pressures persist.

ECONOMIC REPORT OF THE WEEK

May PPI: Pipeline pressure builds

May's Producer Price Index (PPI) added an important caution flag to the inflation outlook and corporate cost pressures. Final demand PPI rose 1.1% MoM and 6.5% YoY – the fastest annual pace since late 2022 – with nearly 80% of the monthly increase tied to a sharp rise in goods prices. Energy was again the primary driver, but broader underlying measures – including those excluding food, energy and trade services – also firmed, suggesting upstream cost pressures are becoming harder to dismiss as purely headline-driven.

Final demand goods prices jumped 2.8% MoM (10.2% YoY), the largest monthly increase in the series' history, led by a surge in gasoline and other energy-linked products. This creates immediate cost exposure for manufacturers and goods-heavy sectors, where energy and raw inputs represent a significant share of operating expenses.

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Services were more mixed, rising a more modest 0.3% MoM (4.9% YoY), but the composition remains instructive. Trade margins declined, suggesting some retailers and wholesalers absorbed costs rather than fully passing them through, while transportation and warehousing prices moved higher – an early sign that energy and freight-related pressures are moving through parts of the supply chain.

Taken together, the PPI report complicates the somewhat cleaner message from CPI. Consumer-level core inflation remains relatively contained,

ECONOMIC REPORT OF THE WEEK

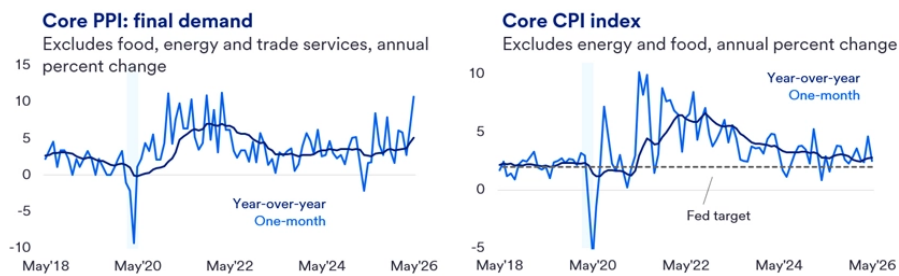
May PPI: Pipeline pressure builds *continued*

but producer-level data show cost pressures continuing to build upstream, including in measures that strip out energy and trade effects. That leaves the Fed in a familiar holding pattern: no immediate need to move, but a higher bar for renewed easing – and a meaningful risk that persistent energy pressure could eventually shift the policy discussion toward hikes.

ECONOMIC TRENDS: INFLATION OUTLOOK

Inflation: Still uneven, but pipeline risks are getting louder

May's CPI and PPI inflation reports didn't fundamentally change the direction of travel – but they do make the path forward more uncertain. The key takeaway is not that price pressures are broadly reaccelerating, but that inflation is becoming more uneven and more exposed to energy-driven shocks. Headline pressures have moved higher again, as expected, while underlying inflation – particularly across core services – remains comparatively contained. That keeps the broader disinflation narrative largely intact, albeit increasingly fragile.



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

What has changed is where the risk sits. At the consumer level, the near-term pain remains concentrated in visible essentials such as gasoline, with still-limited evidence that higher energy costs are feeding meaningfully into core services or other demand-driven categories. At the producer level, however, cost pressures are building more clearly – particularly across goods, transportation and supply chain-related services. That divergence suggests businesses may be absorbing some of this upstream pressure for now, but that dynamic becomes harder to sustain if input costs remain elevated.

That tension is what matters for the outlook. If energy prices stabilize or retreat, the current episode is likely to remain a headline-driven flare-up that fades over time. But if higher input and distribution costs persist – or begin to filter more clearly into core prices and inflation expectations – the risk profile shifts. For the Fed, that reinforces a patient stance in the near term, but with increasing sensitivity to upside inflation surprises. In that sense, inflation is no longer simply ‘cooling’ – it is evolving into a more volatile and two-sided risk, where the possibility that the next move could be a hike can no longer be dismissed.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Activity check: Cracks forming, but no break

This week's labor market data continued to point to a gradual cooling – still consistent with a steady backdrop, but increasingly less firm at the margin. Initial jobless claims rose to 229,000 in the week ending June 6, extending a modest upward drift from late-April lows, while continuing claims also edged higher. Even so, levels remain within the relatively low and sideways range observed in recent years, suggesting layoffs are still contained. The recent trend bears watching, however. If sustained, a gradual firming in claims would signal that layoffs are beginning to pick up and that the labor market's [‘low-fire, low-hire’](#) equilibrium is tilting more clearly toward weaker conditions.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

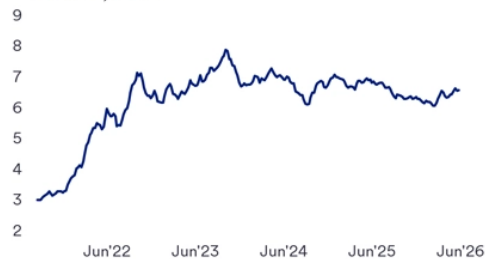
Activity check: Cracks forming, but no break continued

Housing data, by contrast, offered a modest upside surprise – though within a still subdued broader trend. Existing home sales rose 3.2% in May to a 4.17 million annualized pace, driven primarily by a rebound in single-family activity. Inventory continues to build gradually, while price appreciation remains muted, pointing to some incremental improvement in market balance. Even so, activity remains within the narrow range observed over the past two years. With mortgage rates still elevated and affordability constrained, the recent pickup likely reflects earlier improvements in financing conditions rather than a sustained reacceleration in demand – suggesting renewed headwinds into the summer months.

U.S. existing home sales
Millions of units, SAAR, NAR



U.S. 30-year fixed mortgage rate
Percent, MBA

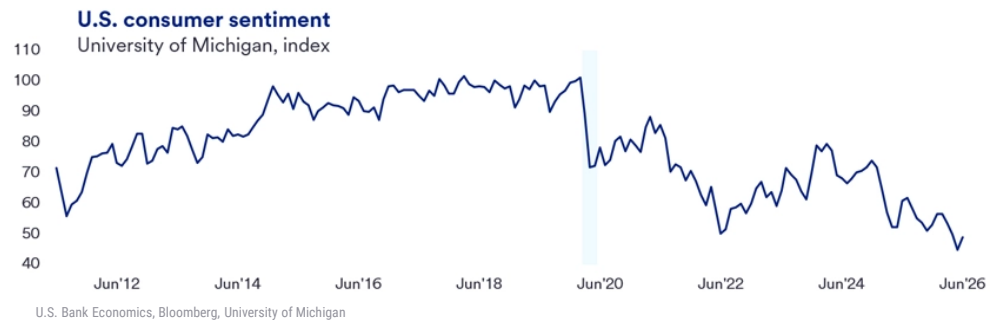


U.S. Bank Economics, Bloomberg, National Association of Realtors (NAR), Mortgage Bankers Association (MBA)

On the consumer side, sentiment improved modestly from May's record low but remains depressed overall. The preliminary June University of Michigan index rose to 48.9, reflecting a partial rebound as inflation expectations eased at both short- and longer-term horizons. Still, confidence remains historically weak, underscoring the persistent gap between how consumers feel and how they behave.

Elevated price levels – particularly for energy and other essentials – continue to weigh on perceptions, even as spending and broader economic activity have held up better than sentiment alone would suggest.

Taken together, this week's data reinforce a familiar but increasingly delicate balance: activity remains resilient across key sectors, but underlying momentum is softening. The labor market is cooling gradually, housing is stabilizing but not accelerating, and consumers remain cautious despite recent improvement in sentiment. For policymakers, that mix supports a continued wait-and-see approach – but also highlights how narrow the margin for error has become if labor market softness broadens or weak confidence begins to feed more directly into spending.



ECONOMIC TRENDS: MONETARY POLICY

FOMC preview: A new chair, same hold

The FOMC is unlikely to deliver a change in the policy rate at its June 16–17 meeting, but it may still prove important for the broader outlook. The Federal Reserve is widely expected to hold the federal funds target range at 3.50% to 3.75%, reflecting a still-complicated backdrop. Inflation remains well above target,

ECONOMIC TRENDS: MONETARY POLICY

FOMC preview: A new chair, same hold *continued*

recent energy-driven price pressures have increased near-term uncertainty, and the labor market – while cooling at the margin – has not weakened enough to create urgency for easing.

With the rate decision largely settled, attention will center on the policy statement and the updated Summary of Economic Projections (SEP), which will provide a refreshed view on growth, unemployment, inflation and the expected path of interest rates. We expect the statement to move away from an easing bias and toward a more neutral stance, reflecting a Committee that sees little justification for near-term cuts while inflation risks remain elevated.

The updated ‘dot plot’ may offer the clearest signal of how far the Committee’s thinking on the policy outlook has shifted. In March, the median participant still penciled in one 25-basis point cut for 2026. Given firmer inflation data, better-than-expected job growth, and continued energy-related uncertainty, however, we now expect the median dot to move toward no rate changes this year. Markets will also be watching for any participants projecting hikes this year or next – an indication that the policy debate is no longer centered solely on the timing of cuts, but increasingly on whether further tightening could become necessary if inflation proves more persistent.

Chair Kevin Warsh’s first press conference will also draw attention, as it is likely to be the primary venue for any shift in tone from the incoming Chair. While a new chair can influence communication over time, meaningful shifts in framework or guidance typically emerge gradually rather than at an initial meeting. The key question is whether Chair Warsh reinforces the Committee’s baseline view or begins to signal a differing perspective at the margin.

Important disclosures provided on last page

Bottom line: this week’s FOMC meeting is likely to be a ‘no change’ decision with meaningful signaling value. The Fed remains on hold, but the case for renewed easing has weakened and the bar for rate cuts has risen. If the statement and dot plot confirm that shift, the message will be clear – policy is likely to remain restrictive for longer, and while a hike is not the base case, it is becoming a more meaningful part of the risk distribution.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we’re watching this week: Firm spending meets a steady Fed

This week’s data will provide an updated read on consumer spending just as markets turn their attention to the June FOMC meeting, helping frame the economy’s underlying momentum heading into a key policy decision.

Tuesday’s release of **May Housing Starts and Building Permits** will offer a timely read on a sector still constrained by elevated mortgage rates and affordability pressures. We expect a modest pullback following April’s stronger readings, with starts easing to 1.45 million and permits to 1.42 million (annualized). Even so, activity should remain broadly rangebound, reflecting a balance between still-limited existing home supply – which continues to support new construction – and ongoing headwinds from higher financing costs.

Attention will then turn to Wednesday’s **May Retail Sales** report, which should provide insight into the resilience of consumer spending amid evolving price dynamics. We forecast headline retail sales rising 0.5% MoM, matching April’s pace, with sales excluding autos also increasing 0.5%. Control group sales – a key input into GDP – are expected to rise 0.5% as well. Higher gasoline prices likely provided some lift to nominal spending, absorbing a larger share of household budgets, while a more modest increase in auto sales suggests only a limited contribution from that category.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Firm spending meets a steady Fed *continued*

At the same time, moderating grocery inflation and softer goods prices should provide some offset, reinforcing a picture of steady, but not accelerating, real consumption growth.

The week culminates with the **June FOMC Meeting** on Wednesday afternoon. As discussed above, the Committee is widely expected to hold rates steady, with markets focused on the policy statement, updated projections and Chair Warsh's first press conference.

Overall, this week's releases should reinforce a familiar narrative – resilient consumer demand alongside a Federal Reserve that remains on hold but is moving more decisively toward a neutral stance. With the easing bias fading and inflation progress uneven, the direction of the next policy move remains uncertain.

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 - June 15 through June 19						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
6/15/2026	7:30 a.m.	Empire State manufacturing	Jun			19.6
	8:15 a.m.	Industrial production (MoM)	May	0.2	0.2	0.7
	9 a.m.	NAHB housing index	Jun	36	36	37.0
6/16/2026	7:30 a.m.	Import prices (MoM)	May			1.9
		Housing starts (000)	May	1450	1430	1465
		Building permits (000)	May P	1420	1428	1423
6/17/2026	7:30 a.m.	Retail sales (MoM)	May	0.5	0.5	0.5
		Retail sales ex-auto (MoM)	May	0.5	0.4	0.7
		Retail sales control group (MoM)	May	0.5	0.4	0.5
	9 a.m.	Business inventories (MoM)	Apr	0.5	0.5	0.9
		Pending home sales (MoM)	May			1.4
		FOMC rate decision (Upper Bound)	17-Jun	3.75	3.75	3.75
6/18/2026	1:30 p.m.	FOMC press conference				
	7:30 a.m.	Initial Jobless Claims	13-Jun	225.0		229.0
		Philly Fed manufacturing	Jun			-0.4
		Leading index	May			0.1
3 p.m.	TIC flows (\$ bil.)	Apr			150.7	

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 6/12/2026.

Disclosures

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