WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | July 3, 2026

THE WEEK'S ECONOMY AT A GLANCE

No red cards yet

The economic data story this week is not one of weakness, but of moderation. Hiring slowed, consumers grew somewhat less optimistic about job prospects, and manufacturing activity cooled from the stronger pace seen earlier this year. At the same time, layoffs remained contained, unemployment stayed low – helped in part by slower labor-force growth – and manufacturing activity continued to expand. Together, the data suggest the economy is settling into a slower, less frenetic rhythm, characterized by steady growth, cautious hiring, a more limited supply of available workers, and gradually easing inflation pressures. For now, that remains more consistent with an economy transitioning toward a more sustainable pace of expansion than one experiencing a meaningful loss of momentum.

What this means for business: *Businesses continue to operate in an environment of steady growth and easing cost pressures, but softer hiring and cautious consumers suggest expansion opportunities may become more selective.*

Quote of the week

A lower unemployment rate may sound unequivocally positive, but this month's data suggest slower labor-force growth played an important role. The labor market remains stable, though not as dynamic as the headline figures might imply.

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

Important disclosures provided on last page

ECONOMIC DATA OF THE WEEK

57,000

U.S. employers added 57,000 jobs in June, marking the slowest pace of payroll growth in several months and falling well short of consensus expectations (+113,000), though broadly in line with our forecast (+80,000). Compounding the softer headline, prior months were revised lower by a combined 74,000, reducing the three-month average pace of job growth to 111,000 from 188,000 previously. While employment growth remains above the pace needed to absorb labor-force growth, the report suggests hiring momentum has cooled from earlier in the year. At the same time, the slowdown – driven largely by a sharp decline in leisure and hospitality employment – does not appear to reflect a broad-based deterioration in labor demand. Job gains remained concentrated in a handful of sectors, including health care, social assistance, and professional and business services, reinforcing a familiar theme: labor market conditions continue to normalize, but hiring remains uneven across industries.

ECONOMIC REPORT OF THE WEEK

June Employment Report

Beneath the softer payroll headline, the household survey indicated a more resilient picture of labor market conditions. The unemployment rate unexpectedly ticked down to 4.2% in June. However, a decline in labor-force participation to 61.5% explains much of the improvement, indicating that slower labor-force growth – rather than a surge in employment – played an important role in pushing the unemployment rate lower. While one month doesn't make a trend, fewer people looking for work and fewer workers finding jobs is not a good combination.

Meanwhile, long-term unemployment has continued to trend higher, pointing to pockets of softness even as broader labor market conditions remain relatively stable. And average hourly earnings rose 0.3% month-over-month (MoM) in June, leaving annual wage growth at 3.5%. Here, the data offer little evidence of renewed wage inflation pressures, but also suggest labor-cost growth is easing only gradually.

Overall, the household survey suggests the labor market is cooling, but not unraveling. While conditions have become less dynamic and the decline in unemployment overstates the underlying improvement in labor market conditions, the data remain more consistent with continued normalization than a meaningful deterioration or increase in labor market slack.

U.S. Bank Economics Research Group

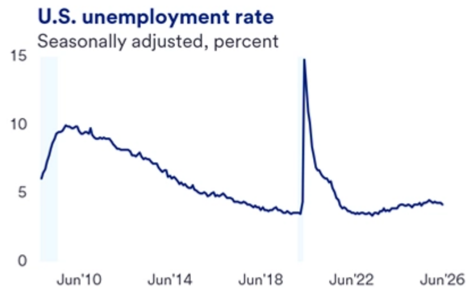
Beth Ann Bovino, Chief Economist

Ana Luisa Araujo, Senior Economist

Matt Schoeppner, Senior Economist

Adam Check, Economist

Andrea Sorensen, Economist

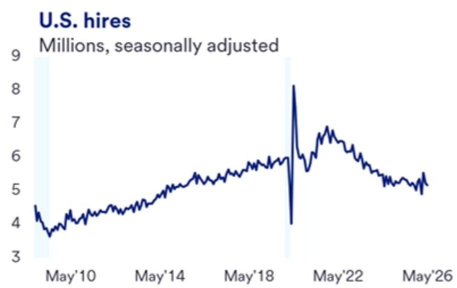


U.S. Bank Economics, Bloomberg, Bureau of Labor Statistics (BLS)

ECONOMIC TRENDS: LABOR LANDSCAPE

‘Low-hire, low-fire’ labor market remains intact

The May Job Openings and Labor Turnover Survey (JOLTS) reinforced the view that labor demand remains stable, even as hiring activity continues to cool. Job openings were little changed at 7.6 million following April's jump, suggesting employers still have positions to fill. However, hiring remained soft, quits stayed low, and layoffs were largely contained. Together, the data point to a labor market with limited worker mobility and relatively little turnover.



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

Otherwise, the combined May JOLTS report and June employment data tell a consistent story. Hiring has slowed, job openings remain relatively steady, labor-force growth has moderated, and layoffs remain contained. A slower pace of labor-force growth has also helped keep unemployment low, reinforcing the view that limited labor supply – not just labor demand – has contributed to the labor market's continued stability. In other words, the labor market still appears to be operating in a “low-hire, low-fire” environment. Employers continue to post positions but remain cautious about expanding headcount, while workers appear increasingly reluctant to leave existing jobs as opportunities become harder to find. The result is a labor market that continues to normalize through reduced churn rather than widespread job losses – a dynamic that helps explain why unemployment has remained low even as hiring has cooled.

For the Federal Reserve, this mix supports patience. Softer hiring and a less dynamic labor market reduce the risk that labor demand is reaccelerating in a way that would add to inflation pressures. At the same time, contained layoffs, low unemployment, and still-firm wage growth limit the case for a more dovish shift. The labor market is giving policymakers room to remain on hold, but not yet a compelling reason to abandon a higher-for-longer stance while inflation remains above target. We continue to expect the Fed to remain on hold through next year, with the policy rate likely having already reached its terminal level.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumer confidence: Labor market concerns temper modest improvement

Consumer confidence edged higher in June, but the broader message remains one of caution. The Conference Board's Consumer Confidence Index rose to 91.2 from a downwardly revised 90.6 in May, as improved expectations for business conditions and income offset weaker assessments of current conditions. The Expectations Index increased to 74.4, though it remained below the key 80 threshold historically associated with recession risk, while the Present Situation Index slipped to 116.4. Overall, the report points to a consumer backdrop that is stabilizing but still subdued by historical standards.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumer confidence: Labor market concerns temper modest improvement *continued*

Beneath the headline, labor market perceptions softened noticeably. The labor market differential – the share of consumers saying jobs are "plentiful" minus those saying they are "hard to get" – fell to +2.4, as the share reporting jobs were hard to get rose to its highest level since early 2021. That deterioration aligns with the broader message from recent JOLTS and employment data – layoffs remain contained, but hiring has become less robust and job opportunities appear harder to secure. In that sense, consumer perceptions are increasingly consistent with a ‘low-hire, low-fire’ labor market – stable for many workers already employed, but less favorable for those seeking to switch jobs or reenter the workforce.

U.S. Bank Economics, Bloomberg, The Conference Board

Inflation concerns also eased, though remain an important constraint on sentiment. Lower oil and gasoline prices appear to have provided some relief, and short-term inflation expectations moved lower in June. Still, price concerns remain elevated, limiting the overall improvement in confidence. Taken together, the report suggests consumers are not pulling back sharply, but remain selective and sensitive to both labor market conditions and purchasing power pressures.

As a result, confidence continues to point to a cautious backdrop – one consistent with continued spending growth, but not a meaningful reacceleration in household demand.

ECONOMIC TRENDS: BUSINESS ACTIVITY

Manufacturing activity: Expansion continues as cost pressures ease

The June Institute for Supply Management (ISM) Manufacturing PMI (purchasing managers’ index) provided another encouraging signal for the goods-producing economy. While the headline index edged down to 53.3, from 54.0 in May, it remained in expansion territory for a sixth consecutive month. New orders and production moderated but continued to signal growth, suggesting demand remains resilient even as activity cools from the stronger pace seen earlier this spring. Overall, the report points to a manufacturing sector that is still expanding, albeit at a more moderate pace.

Beneath the headline, the details suggest growth is becoming more balanced. Order activity remained solid, inventories returned to expansion territory, and supplier delivery times continued to lengthen, though at a slower pace than in prior months. Meanwhile, the employment index improved to 49.7 – its strongest reading in more than a year – even though it remained just below expansion territory. These data suggest manufacturers are supporting higher output while remaining cautious about adding workers, a pattern consistent with the broader labor market.

Perhaps the most notable development was a moderation in input-cost pressures. The prices-paid index fell sharply to 73.0 in June (from 82.1 in May), marking a second consecutive decline after energy-related disruptions pushed costs higher earlier in the year.

ECONOMIC TRENDS: BUSINESS ACTIVITY

Manufacturing activity: Expansion continues as cost pressures ease *continued*

While still elevated by historical standards, the pullback suggests some pressure from oil prices and supply disruptions may be beginning to ease. That is welcome news for manufacturers and policymakers alike, as it points to a less intense inflation backdrop.

Overall, the June report reinforces a familiar theme. Demand for factory goods continues to support activity, hiring remains measured, and cost pressures are easing rather than disappearing. The result is a sector that continues to contribute to economic growth while remaining consistent with a broader environment of moderation and normalization.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: FOMC meeting minutes take center stage

The economic calendar is relatively light this week, placing greater focus on Wednesday's release of the **minutes from the June 16–17 Federal Open Market Committee (FOMC) meeting**. The meeting marked Kevin Warsh's first as Federal Reserve Chair and introduced a notably different communication style. Policymakers delivered a shorter post-meeting statement, while Warsh's press conference provided limited forward guidance despite emphasizing elevated inflation and the Committee's commitment to returning price growth to target. The minutes may help fill in some of the gaps left by this streamlined approach, offering greater insight into the unanimous decision to leave the federal funds rate unchanged at 3.50% to 3.75%, the notably divided dot plot showing six participants anticipating a near-term rate hike, and the extent of debate occurring behind the scenes.

Warsh has repeatedly described FOMC meetings as a "good family fight," and the minutes could provide an early indication of whether meaningful policy disagreements are shaping deliberations or whether the Committee remains broadly aligned despite differing views on the appropriate path forward.

Outside the Fed, **Monday's June ISM Services PMI** will provide an updated read on the largest segment of the U.S. economy. We expect the index to remain in expansion territory, though likely at a somewhat slower pace. Particular attention will be paid to the employment and prices-paid components, particularly after the large drop in leisure and hospitality jobs in June. Evidence of continued hiring would reinforce the view that labor market conditions remain broadly stable, while a renewed pickup in prices paid could add to inflation concerns.

Thursday's **June Existing Home Sales** report will offer another look at a housing market still constrained by elevated mortgage rates and affordability challenges. While sales activity has shown tentative signs of stabilization, transaction volumes remain historically subdued. A firmer-than-expected reading would suggest buyers are gradually adapting to the higher-rate environment, while continued weakness would reinforce the view that housing remains among the sectors most sensitive to elevated borrowing costs.

Taken together, the week's releases should provide a few additional pieces of the economic puzzle, though the FOMC minutes are likely to command the greatest attention.

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 - July 6 through July 10

Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
7/6/2026	8:45 a.m.	**S&P Global US Services PMI**	Jun F	**50.5**		51.3
		S&P Global US Composite PMI	Jun F	**52.1**		52.2
	9 a.m.	**ISM Services Index**	Jun	**53.0**	54.2	54.5
7/7/2026	7:30 a.m.	**Trade Balance**	May	**-76.8**	-78.8	-55.9
7/8/2026	9 a.m.	**Wholesale Inventories (MoM)**	May F			0.3
	1 p.m.	**FOMC minutes**	17-Jun			
	2 p.m.	**Consumer Credit**	May	**17.2**	17.2	20.7
7/9/2026	7:30 a.m.	**Initial Jobless Claims**	4-Jul	**215**	218	215
	9 a.m.	**Existing home sales (mln)**	Jun	**4.2**	4.2	4.2

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 7/3/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

July 6, 10 a.m.: Waller (Board of Governors/Voter)
July 9, 8 a.m.: Williams (New York Fed/Voter)
July 9, 12:30 p.m.: Logan (Dallas Fed/Voter)

Disclosures