



WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economic Research Group | October 16, 2026

THE WEEK'S ECONOMY AT A GLANCE

The price of persistence

Higher energy prices echoed throughout this week's economic data, lifting inflation readings, increasing producer costs, and consuming a larger share of household budgets. Yet consumers largely maintained their spending, manufacturing activity strengthened, and layoffs remained historically low. Taken together, the reports suggest the economy remains resilient but also highlight a growing challenge for policymakers as they work to ensure higher energy costs remain a temporary shock rather than the start of broader inflation pressures

What this means for business: This week's data showed that growth is becoming harder-earned. Customers are still spending, factories are still producing, and layoffs remain low, yet rising energy, transportation, and financing costs are creating new pressure on margins. As a result, businesses may find themselves increasingly focused on productivity, pricing discipline, and cost control rather than simply growing sales.



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ECONOMIC DATA OF THE WEEK

\$4.33

The average U.S. price of a gallon of regular gasoline was \$4.33 on October 12, up markedly from roughly \$3.00 before the U.S.-Iran conflict last February and back near the peaks seen earlier this spring. The latest rise in fuel costs echoed throughout this week's economic data, helping drive a more than 9% increase in gasoline prices in September's CPI report while also boosting retail sales receipts and producer prices. For consumers, the impact is immediate at the pump. For policymakers, the question is whether higher energy costs remain an isolated shock or increasingly feed into transportation, distribution, and other prices across the economy.

ECONOMIC REPORT OF THE WEEK

September CPI

The renewed rise in prices at the pump left a clear imprint on September's inflation reports. The Consumer Price Index (CPI) rose 0.6% during the month, its largest increase since March and lifting the annual inflation rate to 3.7%. A sharp increase in energy prices drove much of the acceleration, with gasoline alone accounting for more than half of the monthly CPI increase. Food prices were unchanged, but that limited relief was not enough to offset the renewed energy squeeze, which continues to consume a larger share of household budgets – leaving less room for other purchases.

The report's underlying details were also firmer than expected. Excluding food and energy, core CPI rose 0.3% for a second consecutive month and 2.6% from a year earlier, with strength extending across both goods and services. Housing inflation accelerated, while prices also increased for airfares, hotels, autos, and computers. Some of that firmness reflected more volatile categories, and leading rent measures continue to suggest housing inflation should moderate over time. Even so, stronger goods prices and still-elevated core services inflation provided little evidence of further improvement during the month. Inflation is not broadly surging again, but September's CPI report suggests progress is becoming more uneven and less convincing.

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Chief economist quote of the week

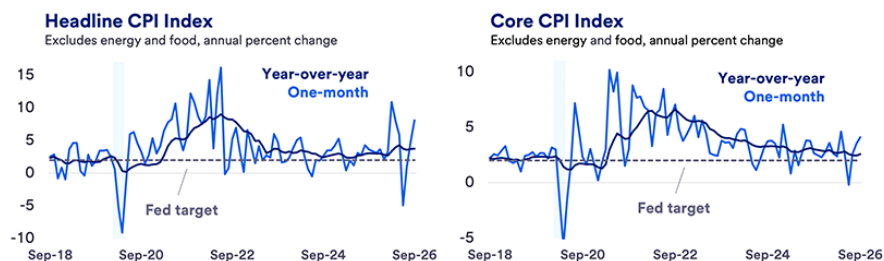
"Persistence has been a defining theme of this expansion. Consumers keep spending, businesses keep investing, and employers keep holding onto workers. Yet inflation continues to find support in places policymakers had hoped would fade."

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

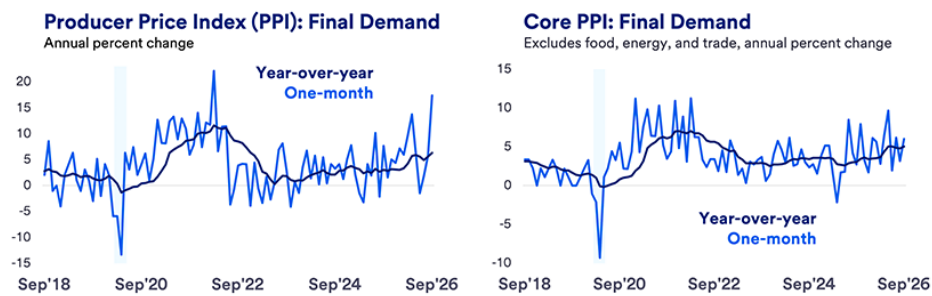
Economic trends: Business activity

Business activity remains firm, but price pressures persist

Rising energy costs left an even larger imprint on producer prices in September. The Producer Price Index (PPI) surged by 1.3% during the month, its strongest monthly jump since early 2022, lifting the year-over-year rate to 6.3%. Higher fuel prices drove much of the gain, raising transportation, distribution, and other business input costs. Yet the report also showed signs of broader inflation pressure, as prices excluding food, energy, and trade services rose a firm 0.5% month-over-month (MoM) and 5.0% from a year earlier.



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



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Taken together, the September CPI and PPI reports show the energy shock moving through both household budgets and business supply chains. Higher fuel prices were accompanied by increases in transportation and warehousing expenses, as well as wider wholesale and retail margins, forcing businesses to either absorb higher costs or pass them along to customers. Still, the details were somewhat less troubling than the headline suggests. Goods prices excluding food and energy rose more moderately, while several PPI components that feed directly into core personal consumption expenditures (PCE) inflation remained relatively soft. The reports therefore suggest that rising energy costs are creating additional channels for inflation pass-through, but do not yet point to a generalized resurgence in underlying price pressures.

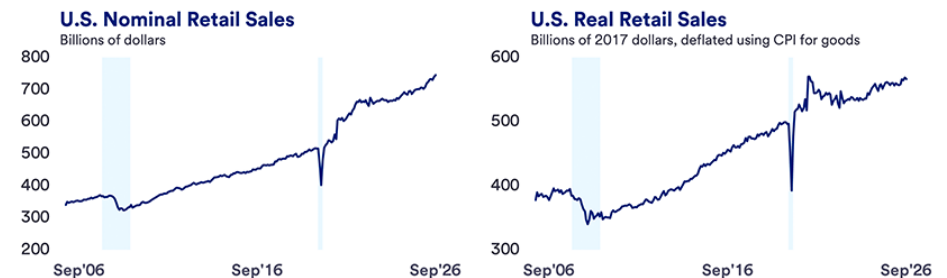
Even so, the Fed's preferred inflation measure, core PCE, now appears likely to post another firm 0.3%–0.4% increase in September (well above the roughly 0.2% monthly pace consistent with the Fed's 2% inflation objective), leaving the Federal Reserve with little evidence that inflation is returning smoothly to target. Policymakers can distinguish a temporary energy shock from persistent underlying inflation, but they will be watching closely for signs that higher transportation, distribution, and other business costs are increasingly feeding into broader consumer prices. For now, September's CPI and PPI reports strengthen the case for additional policy tightening, even if the timing of the next move remains unsettled.

Economic trends: Business cycle indicators

Retail sales: Fueled, not foiled

Consumers appeared to finish the third quarter on a strong note, with retail sales rising a better-than-expected 0.8% in September following an upwardly revised 1.3% increase in August. The back-to-back gains reinforce the broader resilience of household spending, which provided substantial support to economic growth during the quarter. The details, however, suggest consumers were largely maintaining August's underlying strength rather than building on it further.

Gasoline did much of the heavy lifting last month. Sales at gasoline stations jumped by more than 6% MoM, while sales excluding gasoline increased a more moderate 0.2%. Likewise, control-group sales, which feed more directly into estimates of consumer spending in GDP, edged up only 0.1% MoM. Importantly, retail sales are reported in nominal dollars, meaning they capture changes in prices as well as purchasing activity. With gasoline prices rising sharply during the month, most of September's increase reflected consumers paying more at the pump rather than buying more goods.



Sources: U.S. Bank Economics, Bloomberg, U.S. Census Bureau.

Even so, the broader consumer story remains one of resilience.

Outside of gas stations, restaurant spending continued to increase, while furniture and electronics sales also advanced. Therefore, while higher energy costs are absorbing a larger share of household budgets and leaving less room for discretionary purchases, there is little evidence that consumers have pulled back meaningfully. Instead, September's report suggests households are still adjusting to higher costs while continuing to spend, reinforcing a theme that has defined much of 2026.

Economic trends: Business activity

Data roundup: Factories up, housing stuck, layoffs low

The industrial sector entered the fall with renewed momentum.

Industrial production rose 0.7% MoM in September, its strongest monthly gain in five months, while August's reading was revised slightly higher. A weather-related jump in utilities amplified the headline, but manufacturing output also rebounded. The report therefore adds to evidence of an ongoing manufacturing upswing, even if activity is not yet running at full capacity.

Housing, by contrast, remains caught between improving supply and

deteriorating affordability. Existing-home sales rose 1.5% MoM in September to an annualized pace of 3.99 million, but August and September were still the two slowest sales months of the year. Inventory increased 4.6% from a year earlier, while annual median-price growth slowed to 1.3%, gradually giving buyers some negotiating leverage. Nevertheless, higher mortgage rates continue to restrict purchasing power and turnover, leaving affordability, rather than supply alone, as the main obstacle to a sustained recovery.

U.S. Existing Home Sales

Millions of units, SAAR, NAR



U.S. 30-Year Fixed Mortgage Rate

Percent, Mortgage Bankers Association



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

Finally, the labor market continues to benefit from remarkably low layoffs. Initial jobless claims edged up by just 1,000 to 199,000 in the week ended October 10, remaining below 200,000 for a fifth consecutive week, while continuing claims declined modestly. The persistent lack of layoffs helps explain why unemployment has remained comparatively stable despite much slower hiring. For now, claims continue to reinforce the 'low-hire, low-fire' characterization of the labor market and provide little evidence that businesses are responding to higher costs and interest rates with widespread job cuts.

Data and reports we’re watching this week: Calm between the headlines

After a busy week that featured inflation and retail sales reports, this week’s economic calendar is comparatively light. Housing data and the preliminary October S&P Global PMIs (purchasing managers’ indexes) headline the schedule, offering fresh insight into two sectors moving in opposite directions this year. Notably, **Federal Reserve officials will enter their communications blackout period ahead of the October 27-28 Federal Open Market Committee (FOMC) meeting**, leaving incoming data as the primary driver of market expectations. We continue to expect the FOMC to leave rates unchanged in October, a view largely shared by financial markets, which were pricing only about a 17% probability of a rate hike as of Friday.

Housing activity will remain in focus on **Tuesday with reports on September residential construction and pending home sales**. We expect higher mortgage rates and persistent affordability challenges to continue weighing on homebuilding activity, keeping both starts and permits below levels seen earlier this year. While inventories have begun to improve, affordability remains strained, suggesting any recovery in housing activity is likely to be gradual.

Attention will then shift to **Friday’s preliminary October S&P Global PMI surveys**. Although both manufacturing and services activity are expected to remain in expansion territory, the reports will provide an early indication of whether firmer inflation and higher energy costs are beginning to affect business activity, hiring plans, or pricing behavior. Following this week’s stronger-than-expected CPI and PPI reports, the PMI price indexes may receive as much attention as the headline activity measures themselves.

Economic data calendar this week

What we’re watching this week, including release dates and projections from the U.S. Bank Economic Research Group.

U.S. economic calendar - October 19 through October 23						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
10/19/2026	9 a.m.	NAHB Housing Market Index	Oct	31	31	32
10/20/2026	7:30 a.m.	Housing Starts (000)	Sep	1250	1305	1275
		Building Permits (000)	Sep P	1380	1385	1403
	9 a.m.	Pending Home Sales (MoM)	Sep	-0.6	-0.5	0.3
10/22/2026	7:30 a.m.	Initial Jobless Claims	17-Oct	198	200	199
	9 a.m.	Leading Index	Sep	-0.1	-0.1	-0.1
10/23/2026	8:45 a.m.	S&P Global US Services PMI	Oct P	57.5	58.0	58.8
		S&P Global US Composite PMI	Oct P	57.4	57.6	
		S&P Global US Manufacturing PMI	Oct P	55.3	55.5	55.9
	9 a.m.	U. Mich. Consumer Sentiment	Oct F	46.3	46.3	46.3

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 10/16/2026.

Disclosures

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