WEEKLY ECONOMIC OUTLOOK

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

THE WEEK'S ECONOMY AT A GLANCE

The last mile gets bumpy

The economy is entering a more consequential phase of the inflation fight. The earlier energy shock is fading, but underlying price pressures remain stubborn and have become more broadly distributed across the inflation basket. That leaves the Federal Reserve with more work to do, even as higher borrowing costs increasingly weigh on interest-rate-sensitive parts of the economy. That tension was evident throughout this week's data: consumer and producer inflation remained too firm for comfort, Fed officials signaled that additional tightening is likely, and existing-home sales fell to their weakest pace since 2010. The question is increasingly not whether higher rates are working, but whether they can cool inflation without putting too much pressure on an otherwise resilient economy.

What this means for business: *Persistent inflation and further Fed tightening point to borrowing costs staying elevated, keeping pressure on financing and rate-sensitive demand even as the broader economy remains resilient.*



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ECONOMIC DATA OF THE WEEK

0.4%

October's Consumer Price Index (CPI) report contained an important warning beneath the headline: core services prices excluding housing rose 0.4%, equivalent to a 4.9% annualized pace. Sometimes called "supercore" CPI inflation, the measure captures categories such as transportation, recreation, and medical services, where price pressures remained firm last month. We estimate those prices are up 3.5% from a year ago and have made little sustained progress since early 2025. With these underlying pressures remaining well above a pace consistent with the Fed's 2% inflation objective, October's reading strengthens the case for further policy tightening.

U.S. Bank Economic Research Group

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ECONOMIC REPORT OF THE WEEK

CPI

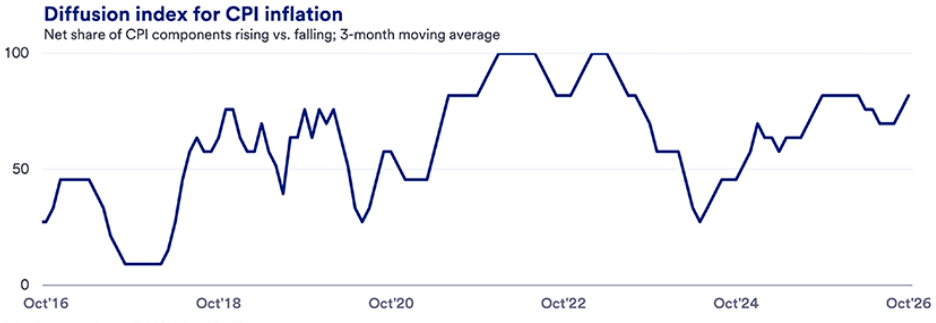
The October CPI report offered less inflationary relief than the slower headline suggested. Consumer prices rose 0.4% month-over-month (MoM), easing from September's 0.6% increase as the earlier surge in energy prices moderated sharply. Food prices accelerated, however, with both grocery and restaurant prices rising, while shelter costs remained firm and accounted for more than 30% of the overall increase. The U.S. Bureau of Labor Statistics did not publish its usual 12-month headline and core readings because the 2025 government shutdown prevented the collection of most price data last October (our estimate puts headline CPI inflation at roughly 3.9% from a year ago).

Beneath the headline, core CPI rose 0.3% MoM for a third consecutive month (an estimated 2.8% from a year ago), underscoring the limited progress in underlying inflation. Shelter inflation eased slightly, but owners' equivalent rent remained firm, while transportation, recreation, and medical care services also posted notable increases. Core goods inflation cooled, although much of that improvement reflected a drop in used-vehicle prices, leaving goods prices to provide less of the disinflationary offset they typically did before the pandemic. Taken together, October did not signal a broad inflationary surge, but measures of inflation breadth suggest that price increases are becoming more widely distributed across the CPI basket, reinforcing the uneven path back toward 2%.

Quote of the week

"As pricing pressure climbs and becomes more broad-based, it's no longer a question of if the Fed will raise rates in December, but how much."

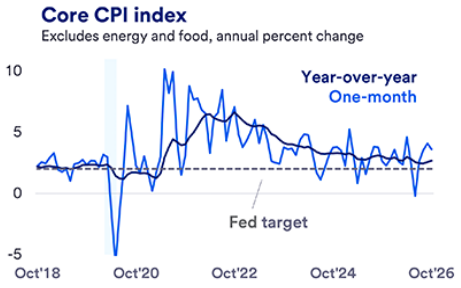
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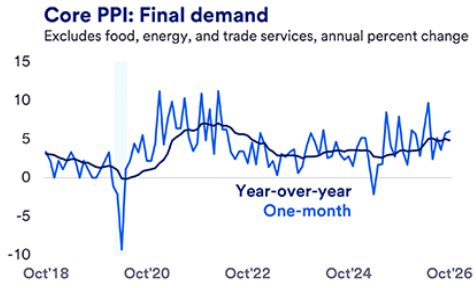


Sources: U.S. Bank Economics, Bloomberg, U.S. Bureau of Labor Statistics (BLS)

Inflation: Pipeline pressure cools, not clears

The producer-price report offered some relief from September's surge, but little evidence that pipeline inflation has fully cleared. The PPI (Producer Price Index) for final demand rose 0.3% MoM in October after an upwardly revised 1.4% increase in September, although the 12-month rate edged up to 6.5%, its highest since late 2022. Energy prices edged lower and services inflation slowed, but food and core goods prices remained firm, while transportation and warehousing costs rose sharply again, led by another increase in truck-freight charges. Core producer prices (excluding food, energy, and trade services) rose 0.5% for a second consecutive month, leaving that underlying measure 4.9% above a year ago and pointing to continued input-cost pressures for businesses.





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

Economic trends: Monetary policy

FedSpeak: Debate shifts from whether to how fast

With inflation still running too high, Federal Reserve officials increasingly agree that monetary policy will need to become more restrictive. Chair Kevin Warsh has acknowledged that the Fed's "monetary medicine" is beginning to work but has continued to flag persistent inflation, while New York President Williams has said inflation remains "far too high" and that policymakers will need to take action over time. Similar messages from regional Fed presidents this past week reinforced a notably hawkish consensus that additional tightening is likely, even if its timing and magnitude remain data-dependent.

Most notably, Governor Waller pushed that debate a step further. Before Tuesday's CPI release, he said another monthly core reading near 0.3% could warrant consideration of a 50-basis-point increase in December, warning that a smaller move could raise questions about the Fed's commitment to price stability. October's CPI report indeed met that threshold, prompting markets to price a more aggressive policy path and pushing the two-year Treasury yield roughly 30 basis points higher this week. Still, Waller's starting point remained a quarter-point increase, making his remarks better understood as placing 50 basis points on the table rather than endorsing it as the most likely outcome.

The broader Committee, however, still appears to favor steadier tightening. Dallas' Logan suggested that at least two additional quarter-point increases may be needed, while San Francisco's Daly, Cleveland's Hammack, Richmond's Barkin, and St. Louis' Musalem generally emphasized incremental action and continued dependence on incoming data. Financial conditions have also tightened through higher bond yields and weaker equity prices (including a sharp pullback in Nvidia and other technology shares), giving officials some reason to avoid unnecessarily amplifying market volatility. We continue to expect a 25-basis-point increase in December, followed by another in March, while viewing a 50-basis-point December move as possible but still relatively unlikely.

Economic trends: Housing sector

Housing turnover breaks lower

The housing market provides one of the clearest examples of the restraint already coming from higher interest rates. Existing-home sales fell 5.5% in October to a 3.75 million annualized pace, breaking below the roughly 4 million range that had prevailed for the past several years and reaching their lowest level since 2010. The weakness was broad-based, with sales declining across most regions and for both single-family homes and condominiums. Mortgage applications and pending-sales data similarly point to continued softness in the coming months as borrowing costs weigh on prospective buyers.



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

On the positive side, supply continued to improve even as demand weakened. The number of homes available for sale is up 4.6% from a year ago to 1.59 million, while months' supply has increased to 5.1 from 4.4 a year earlier. That shift is giving buyers more choice and slowing price appreciation, with the median existing-home price rising just 0.4% year-over-year. Yet greater availability has not resolved the market's central constraint. With the average 30-year mortgage rate still above 7% through early November, and prices still historically high, monthly payments remain prohibitive for many households.

So far, housing continues to adjust through fewer transactions rather than widespread declines in home values or growing financial distress. Existing homeowners generally remain supported by low fixed mortgage rates and accumulated equity, leaving many reluctant to sell, while distressed properties accounted for only 2% of October transactions – according to the National Association of Realtors (NAR) October Existing-Home Sales report. Instead, higher rates are squeezing prospective buyers through reduced affordability while fewer transactions weigh on mortgage lenders, real estate brokers, and other housing-related businesses.

Economic trends: The week ahead

Data and reports we're watching this week: Consumer check, more Fed watch

This week the focus shifts from inflation to the consumer and the Federal Reserve. October retail sales are due out on Tuesday, followed by the minutes from the FOMC's (Federal Open Market Committee's) October meeting on Wednesday. A number of Fed officials are also scheduled to speak, including Governor Cook and Cleveland President Hammack, the two dissenters at the October meeting. Together, the data and Fed communications should provide a clearer sense of whether policymakers are coalescing around another rate increase in December and whether a larger move is gaining support.

We expect **Tuesday's retail sales report** to show spending growth cooling after a strong September. We forecast headline retail sales to rise 0.3% MoM in October. That is slightly above the 0.2% consensus but down markedly from 0.8% in September. Excluding autos, we expect a somewhat firmer 0.4% gain. We also expect a healthy 0.4% gain in the control group (ex. autos, gas, building materials, and restaurants), which feeds directly into the consumer spending component of GDP. Gasoline prices and early holiday shopping could provide some support, but because retail sales are reported in nominal terms, the control group and the composition of spending will provide a more useful signal of underlying consumer momentum.

Wednesday's FOMC minutes will give more detail on the October decision, where officials held rates steady in a 10-2 vote, with Hammack and Cook dissenting in favor of a 25-basis-point hike. We will look for evidence that the vote understated broader support for near-term tightening and for how officials weighed persistent inflation against the restraint already coming from higher market interest rates. Still, the minutes will be backward-looking, as the meeting preceded the stronger October employment and inflation reports, both of which strengthened the case for a December hike. After Governor Waller placed a half-point increase on the table last week, remarks from Cook, Hammack, and other officials may offer a more current read on whether that view is gaining traction.

Other releases, including industrial production and housing starts, will provide additional checks on the breadth of economic growth and the effects of higher borrowing costs. But the week's central question will be whether consumer demand is cooling enough to ease inflation pressure without compromising the economy's broader resilience.

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 - November 16 through November 20						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
11/16/2026	7:30 a.m.	**Empire State Manufacturing**	Nov	**19.0**	19.0	25.5
11/17/2026	7:30 a.m.	**Retail sales (MoM)**	Oct	**0.3**	0.2	0.8
		Retail sales ex-auto (MoM)	Oct	**0.4**	0.4	0.9
		Retail sales control group (MoM)	Oct	**0.4**	0.4	0.1
		Import prices (MoM)	Oct	**0.8**	0.7	1.1
	8:15 a.m.	**Industrial production (MoM)**	Oct	**0.2**	0.1	0.7
	9 a.m.	**Business inventories (MoM)**	Sep			0.4
		NAHB Housing Index	Nov	**29.0**	29.0	29.0
11/18/2026	7:30 a.m.	**Housing starts (000)**	Oct	**1238.0**	1240.0	1221.0
		Building permits (000)	Oct P	**1376.0**	1378.0	1398.0
	9 a.m.	**Pending home sales (MoM)**	Oct			-7.3
	1 p.m.	**FOMC minutes**	28-Oct			
	3 p.m.	**TIC flows ($ billions)**	Sep			199.8
11/19/2026	7:30 a.m.	**Philly Fed Manufacturing**	Nov	**23.2**	23.2	20.9
		Initial jobless claims	14-Nov	**197.0**	196.5	200.0
	9 a.m.	**Leading index**	Oct	**0.0**	0.0	0.0
11/20/2026	9 a.m.	**U. Mich. Consumer Sentiment**	Nov F	**53.6**	53.3	51.0

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 11/13/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

Nov. 16, 4 a.m.: Barr (Board of Governors/Voter)
Nov. 16, 8:05 a.m.: Williams (New York Fed/Voter)
Nov. 16, 11 a.m.: Warsh (Board of Governors/Voter)
Nov. 17, 6:30 a.m.: Musalem (St. Louis Fed/Non-Voter)
Nov. 17, 8:30 a.m.: Hammack (Cleveland Fed/Voter)
Nov. 18, 1:30 p.m.: Williams (New York Fed/Voter)
Nov. 18, 3:15 p.m.: Kashkari (Minneapolis Fed/Voter)
Nov. 19, 7:50 a.m.: Hammack (Cleveland Fed/Voter)
Nov. 19, 11:30 a.m.: Goolsbee (Chicago Fed/Non-Voter)
Nov. 19, 1:15 p.m.: Barr (Board of Governors/Voter)
Nov. 19, 3 p.m.: Barkin (Richmond Fed/Non-Voter)
Nov. 19, 5:30 p.m.: Paulson (Philadelphia Fed/Voter)
Nov. 19, 7:25 p.m.: Waller (Board of Governors/Voter)
Nov. 19, 11:15 p.m.: Cook (Board of Governors/Voter)

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