WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economic Research Group | November 20, 2026

THE WEEK'S ECONOMY AT A GLANCE

Still spending, still tightening

The week's economic data captured the difficult balance facing the Federal Reserve as it considers its next move. Consumer spending remained resilient and investment continued to support parts of the manufacturing sector, suggesting economic growth entered the fourth quarter with solid momentum. Yet housing is showing clearer signs of strain from elevated borrowing costs, while inflation remains too firm for policymakers to declare victory. With the economy still growing but the effects of tighter financial conditions becoming more visible, the Fed's debate has shifted toward how quickly additional tightening should proceed.

What this means for business: *Continued economic growth should support demand, but persistent inflation and the prospect of further Fed tightening mean businesses should plan for borrowing costs to remain elevated, with conditions likely to stay most challenging in interest-sensitive sectors.*



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ECONOMIC DATA OF THE WEEK

0.6%

Retail sales continued to advance in October, with the details showing consumers remained resilient beneath the headline. The retail sales "control group," which excludes several volatile categories and helps inform estimates of consumer spending in GDP, increased 0.6% during the month – above both our forecast and consensus expectations. Strength in online sales and several other categories outweighed weakness elsewhere, suggesting underlying consumer demand remained resilient entering the fourth quarter and holiday season. Still, retail sales are reported in nominal terms, and firm goods inflation in October means the increase in actual purchasing volumes was more modest.

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ECONOMIC REPORT OF THE WEEK

Retail sales

October's 0.2% month-over-month (MoM) increase in headline retail sales marked a notable slowdown from September's 0.8% gain, but much of the weakness was concentrated in a few categories. Specifically, purchases at motor vehicle dealerships slumped last month, while spending excluding autos rose 0.6%. The picture also improved through revisions, with control-group figures for August and September revised materially higher. Taken together, the results suggest consumers carried more spending momentum into the fourth quarter than previously estimated, even as higher borrowing costs appear to be weighing on larger, interest-sensitive purchases.

That resilience should continue to support economic growth toward the end of 2026, although we expect consumer spending to moderate from the strong pace earlier this year. Higher prices have eroded some of the purchasing power implied by nominal retail sales, while elevated borrowing costs, slower real-income growth, and a relatively low saving rate leave less room for outsized spending gains. Next Wednesday's personal income and spending report for October will provide a more complete picture by incorporating services expenditures alongside measures of income and inflation. For now, the latest retail sales report suggests consumers remain willing to spend, but increasingly selective about where they do so.

Quote of the week

"Growth still has momentum, but persistent inflation, higher borrowing costs, and recent market volatility are narrowing the path for that resilience to continue."

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



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

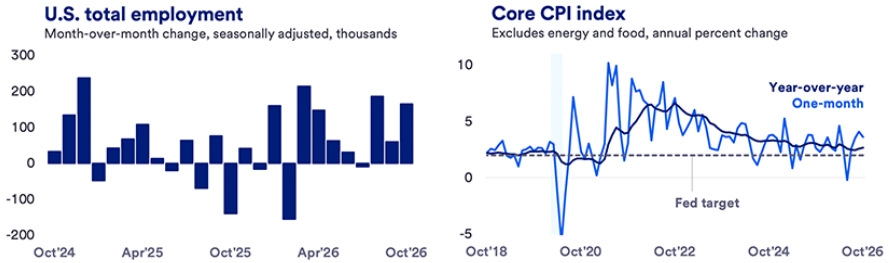
Economic trends: Monetary policy

Federal Reserve: Debate shifts from whether to how fasts

Minutes from the Federal Reserve's October meeting reinforced that the decision to hold the federal funds rate steady at 3.75% to 4.00% was a pause in the tightening cycle, not an end to it. Most participants favored waiting to assess the effects of September's rate increase, tighter financial conditions, and uncertainty surrounding AI-related investment. Yet a few described the decision as a close call, and almost all judged that further rate increases would likely be appropriate. With inflation still broad-based and the labor market viewed as stable and close to full employment, a couple of officials indicated that an increase larger than 25 basis points could warrant consideration if subsequent inflation data were unfavorable.

Since that meeting, firmer inflation and employment data have strengthened the case for additional tightening, and this week's Fed speakers largely agreed that more work remains. Governor Waller has been the clearest advocate for considering a 50-basis-point increase in December, while Chicago's Goolsbee has left all options open. Most other officials, however, have favored a more measured approach. New York's Williams said inflation remains far too high but does not require dramatic action, while San Francisco's Daly, Boston's Collins, and Cleveland's Hammack emphasized gradual tightening. The disagreement therefore appears to center more on the pace and timing of additional increases than on whether rates need to rise further.

For now, another quarter-point increase remains the most likely outcome in December. Persistent inflation, resilient consumer demand, and stable labor conditions give policymakers room to tighten, while higher mortgage rates, weaker housing activity, and tighter financial conditions argue against moving too aggressively. U.S. Bank Economics expects 25-basis-point increases in December and March, bringing the federal funds target range to a peak of 4.25% to 4.50% by the spring. However, the risks are tilted toward faster tightening, including the possibility that a consecutive increase could come in January if inflation remains firm.



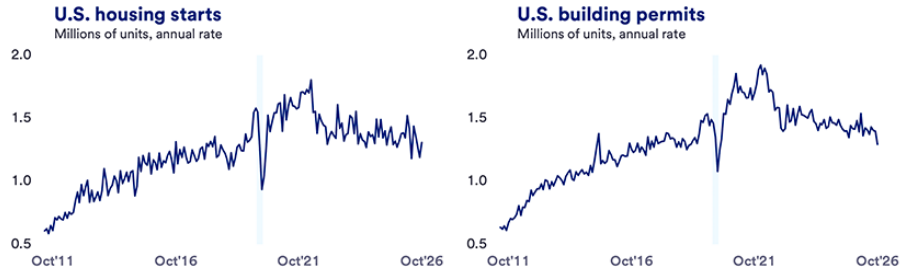
Sources: U.S. Bank Economics, Bloomberg, U.S. Bureau of Labor Statistics (BLS)

Economic trends: Housing sector

New residential construction: Little foundation for a housing rebound

October's rebound in homebuilding provided some relief after several weak months, but the broader housing data point to less construction activity ahead. Housing starts rose 9.9% last month to an annualized 1.309 million units, reversing September's decline and exceeding expectations. That said, the improvement was uneven. Multifamily starts, which can vary substantially from month to month, jumped by nearly 24%, while single-family construction rose a more modest 4% and remained below its year-earlier level. Moreover, the three-month trends in both segments continued to weaken, suggesting October's increase was more of a temporary rebound than the beginning of a sustained recovery.

Forward-looking building permits sent a considerably weaker signal about the construction pipeline. Total authorizations fell 7.4%, including declines in both single- and multifamily permits. Single-family permits have now fallen for three consecutive months and reached their lowest level since early 2023. With permits running below starts, builders appear to be breaking ground on previously approved projects without replacing them at the same pace, pointing to less construction activity ahead.



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

Other housing indicators reinforce that cautious outlook. Pending home sales fell 4.7% in October to another record low, while builder confidence dropped to a 14-year low in November. To that, a record 46% of builders reported cutting prices and 68% offered sales incentives, highlighting the continued effects of mortgage rates above 7%, poor affordability, elevated construction costs, and hesitant buyers. October's rebound in starts therefore does little to alter the broader outlook. We expect weak demand and a shrinking project pipeline to keep residential investment under pressure through year-end, with little scope for a meaningful recovery while long-term interest rates remain elevated.

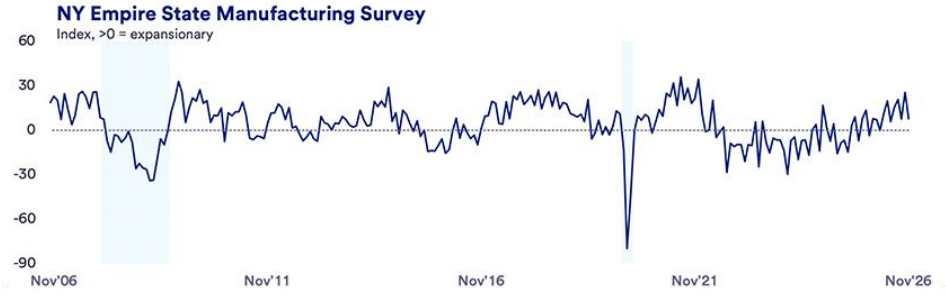
Economic trends: Business cycle indicators

Manufacturing advances unevenly

Factory activity remains in expansion, but October's results showed that its strength is becoming increasingly concentrated in a few investment-related industries. Overall industrial production fell 0.4% MoM, largely reflecting reversals in utilities and mining, while manufacturing output increased 0.3% for a second consecutive month. The details were more mixed, however. Production excluding motor vehicles edged down, and total capacity utilization remained well below its long-run average, suggesting manufacturers generally retain room to increase output without creating broad capacity constraints.

Beneath the mixed headline, investment-related industries continued to provide much of manufacturing's momentum. Production of computers, semiconductors, and communications equipment remained particularly strong, as the AI buildout continued to support demand for high-tech products and business equipment. Strength elsewhere was less consistent, however, with consumer-goods production softer and higher borrowing costs posing a growing headwind to more rate-sensitive industries. Motor vehicle production rebounded in October, but recent weakness in vehicle sales raises questions about whether that improvement can be sustained.

Looking to November, regional manufacturing surveys are similarly pointing to continued but uneven expansion. Headline indexes in New York and Philadelphia slowed sharply, but shipments and employment generally held up better, while Kansas City reported stronger production, orders, and hiring. The inflation signals were less reassuring. Input-price pressures eased in New York and Kansas City but rose sharply in Philadelphia, where manufacturers also reported faster increases in selling prices. Taken together, the reports suggest manufacturing remains a source of economic resilience, but activity is neither uniformly strong nor free from the cost pressures complicating the Federal Reserve's inflation outlook.



Sources: U.S. Bank Economics, Bloomberg, Federal Reserve Bank of New York

Data and reports we're watching this week: Inflation, spending, and jobs

Because of the Thanksgiving holiday, this edition of *Weekly Economic Highlights* covers two weeks of the economic calendar, from Nov. 23 through Friday, Dec. 4. These two weeks will provide several important updates on consumer spending, inflation, business activity, and the labor market. The main releases include October Personal Income and Spending and PCE (Personal Consumption Expenditures) inflation on Nov. 25, followed by October JOLTS (Job Openings and Labor Turnover Survey), the November ISM (Institute for Supply Management) surveys, and the November Employment Report the following week.

Wednesday's Personal Income and Spending report is expected to show that consumers remained resilient entering the fourth quarter, although some of the nominal advance likely reflected higher prices. We expect personal spending to rise 0.4% MoM in October following a 0.5% increase in September, with some upside risk after the strong control-group retail sales report. Personal income likely increased 0.3%, suggesting spending once again outpaced income and may have put additional downward pressure on the saving rate. Meanwhile, we expect both headline and core PCE prices to rise 0.3% MoM. That would lift headline inflation to 3.8% year-over-year (YoY) from 3.6% and core inflation to 3.2% from 3.1%, reinforcing that progress toward the Federal Reserve's 2% objective has stalled and supporting additional policy tightening.

Also on Nov. 25, the second estimate of third-quarter GDP should confirm that the economy expanded at a strong pace over the summer. We expect the 3.4% annualized advance estimate to be unrevised, while consensus anticipates a slight upward revision to 3.5%. The details may be more notable than the headline, as upward revisions to August and September retail sales suggest consumer spending entered the fourth quarter with more momentum than previously estimated. Durable-goods orders will provide a more current reading on business investment, with core capital-goods orders expected to post another solid gain.

Attention will then turn to labor demand and business activity the following week. October JOLTS and the November ISM Manufacturing Index arrive Tuesday, Dec. 1, followed by ADP employment on Wednesday, Dec. 2, and the **November Employment Report on Friday, Dec. 4**. We expect payrolls to increase by 98,000, slightly below the 101,000 consensus forecast, while unemployment remains at a still-low 4.1%. A result broadly in line with our forecast would indicate that hiring is moderating without pointing to a broader deterioration, particularly if JOLTS continues to show limited layoffs and relatively subdued worker turnover. The ISM surveys will provide a complementary reading on whether the recent expansion in manufacturing and services remained intact through November.

Taken together, these reports will provide the final major updates on inflation, spending, and employment before the Federal Reserve's Dec. 8 - 9 policy meeting. Results near expectations would remain consistent with another 25-basis-point increase in December, as inflation is still too firm for policymakers to declare victory, while moderate payroll gains, low unemployment, and limited layoffs provide little pressure to pause.

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 23 through December 4						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
11/23/2026	8:45 a.m.	S&P Global US Services PMI	Nov P	55.7	55.7	56.1
		S&P Global US Composite PMI	Nov P			55.9
		S&P Global US Manufacturing PMI	Nov P	54.5	54.5	54.9
11/24/2026	8 a.m.	S&P/Case-Shiller home prices (MoM)	Sep	0.2	0.2	0.3
		FHFA home prices (MoM)	Sep	0.2	0.2	0.3
	9 a.m.	Conf. Board Consumer Confidence	Nov	92.2	92.1	91.7
11/25/2026	7:30 a.m.	Personal income (MoM)	Oct	0.3	0.3	0.2
		Personal spending (MoM)	Oct	0.4	0.4	0.5
		PCE deflator (MoM)	Oct	0.3	0.3	0.5
		PCE deflator (YoY)	Oct	3.8	3.8	3.6
		Core PCE deflator (MoM)	Oct	0.3	0.3	0.3
		Core PCE deflator (YoY)	Oct	3.2	3.2	3.1
		GDP 2nd update (QoQ %)	3Q S	3.4	3.5	3.4
		Initial jobless claims	21-Nov	201.0	200.0	203.0
		Durable goods orders (MoM)	Oct P	0.5	0.5	1.9
		Durable goods ex. transportation (MoM)	Oct P	0.5	0.5	0.5
		Capital goods orders nondefense ex. aircraft	Oct P	0.8	0.8	0.6
	9 a.m.	New home sales (000)	Oct	640.0	645.0	676.0
	1 p.m.	Fed Beige Book				
11/27/2026	7:30 a.m.	Advance goods trade balance	Oct	-134.0	-133.0	-135.1
		Retail inventories (MoM)	Oct			0.4
		Wholesale inventories (MoM)	Oct P			0.7
11/30/2026	8:45 a.m.	Chicago PMI	Nov			55.3
12/1/2026	8:45 a.m.	S&P Global US Manufacturing PMI	Nov F	54.5	54.5	54.9
	9 a.m.	ISM manufacturing	Nov			55.5
		JOLTS job openings (000)	Oct			7523.0
		Construction spending (MoM)	Oct			-1.9
12/2/2026	7:15 a.m.	ADP employment change (000)	Nov			86.0
12/3/2026	7:30 a.m.	Initial jobless claims	28-Nov	200.0	200.0	203.0
	8:45 a.m.	S&P Global US Services PMI	Nov F	55.7	55.7	56.1
		S&P Global US Composite PMI	Nov F			55.9
	9 a.m.	ISM Services Index	Nov			54.5
		Factory orders (MoM)	Oct			1.8
		Durable goods orders (MoM)	Oct F	0.5	0.5	1.9
		Durable goods ex. transportation (MoM)	Oct F	0.5	0.5	0.5
		Capital goods orders nondefense ex. aircraft	Oct F	0.8	0.8	0.6
12/4/2026	7:30 a.m.	Employment report (000)	Nov	98.0	101.0	165.0
		Unemployment rate (%)	Nov	4.1	4.1	4.1
	9 a.m.	U. Mich. Consumer Sentiment	Dec P	51.8	51.6	51.0

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 11/20/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

- **Nov. 23, 3 p.m.:** Williams (New York Fed/Voter)

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