WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | August 14, 2026

THE WEEK'S ECONOMY AT A GLANCE

The slow(er) lane

This week's economic data reports offer a glimpse of an economy that appears to be settling into a slower, but still stable, pace. Inflation continued to moderate in July, with both consumer and producer prices remaining largely contained, while housing activity stayed subdued under the weight of elevated mortgage rates. At the same time, retail sales suggested consumers may be becoming somewhat more cautious after a strong spring. Taken together, the data point to an economy in which higher borrowing costs continue to restrain demand without derailing growth. For the Federal Reserve, the challenge remains balancing encouraging progress on inflation against the possibility that additional restraint may ultimately be needed to return price growth fully to target.

What this means for business: *Easing inflation is encouraging, but ongoing uncertainty surrounding the Fed's next move means businesses should continue to plan for a higher-for-longer interest rate environment.*

Quote of the week

The economy isn't racing ahead, but it isn't stalling either. This week's data point to a gradual cooling in both inflation and demand, which is ultimately what policymakers have been hoping to achieve..

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

ECONOMIC DATA OF THE WEEK

2.5%

Core consumer prices were 2.5% higher in July than a year earlier, down from 2.9% as recently as May, and the lowest annual rate since the turn of the year. The moderation suggests underlying inflation continues to move gradually lower despite lingering pressure in several goods and services categories. Although inflation remains above the Federal Reserve's target, the July reading offered little evidence that price pressures are broadly reaccelerating. That should provide policymakers with some additional confidence in the inflation outlook, though it is unlikely to resolve lingering questions about whether inflation can return to target without a somewhat more restrictive policy stance.

ECONOMIC REPORT OF THE WEEK

July Consumer Price Index (CPI)

Inflation returned to a more typical pace in July following June's unusually soft reading, suggesting that underlying price pressures continue to cool, albeit gradually. Headline CPI rose 0.1% during the month, lowering the annual inflation rate to 3.4%. Another decline in energy prices helped keep overall inflation contained, with gasoline prices falling for a second consecutive month. Excluding food and energy, core CPI increased 0.2%, reflecting modest increases across several goods and services categories.

The underlying details were mixed but generally consistent with continued moderation. Core goods prices increased 0.2% month-over-month (MoM), and 0.8% year-over-year (YoY) – supported by firmer prices for computers, used vehicles, apparel and household furnishings. Shelter rose just 0.1% MoM (3.2% YoY), although much of that moderation reflected another sharp decline in lodging away from home (including hotels).

Rent and owners' equivalent rent each increased about 0.3% MoM, indicating that the largest housing components remain on a gradual rather than rapid disinflation path. Lastly, the important core services excluding housing (or 'super-core') component increased 0.2% MoM (2.8% YoY), returning to a more typical pace following June's unusually soft reading. Higher medical care prices and airfares were partly offset by another decline in motor vehicle insurance, pointing to normalization rather than a broad-based reacceleration in services inflation.

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ECONOMIC REPORT OF THE WEEK

July Consumer Price Index (CPI) *continued*

Overall, the report suggests inflation is still easing, but the path back toward the Fed's 2% target remains gradual and uneven. Goods prices have firmed modestly, but the increase remains limited in scope, offering little evidence of a broad new wave of tariff- or technology-related price pressure. Meanwhile, housing and other service prices continue to moderate, even if month-to-month progress remains inconsistent. The report should give policymakers somewhat greater confidence that inflation is not reaccelerating, but it is unlikely to resolve the September policy debate on its own.

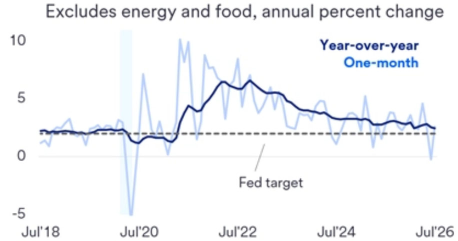
ECONOMIC TRENDS: PRODUCER AND CONSUMER PRICES

Producer prices cool, but inflation risks haven't fully disappeared

Producer prices provided additional evidence that inflation pressures moderated in July. The Producer Price Index (PPI) was unchanged during the month, below expectations, while the annual rate slowed to 4.7% (from 5.5% in June). Lower energy and food prices drove final-demand goods prices lower, offsetting a modest increase in services prices. Core producer prices excluding food and energy rose a modest 0.2% MoM (3.6% YoY), but the broader measure that also excludes trade services increased a firmer 0.4% MoM (4.7% YoY), suggesting that underlying inflation pressures have eased but not disappeared.

Core PPI: final demand
Excludes food, energy and trade services, annual percent change

Core CPI index
Excludes energy and food, annual percent change



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

Taken together, the CPI and PPI reports point to another relatively moderate increase in the Federal Reserve's preferred inflation measure. Based on the components contained in both reports, core Personal Consumption Expenditures (PCE) prices appear likely to have risen about 0.2% MoM in July. However, the annual rate is still expected to remain above 3%, underscoring that inflation has not returned to target even as the monthly pace shows signs of stabilizing.

For the Fed, the broader message is that inflation remains sticky but is not reaccelerating. The July reports showed limited evidence of widespread pass-through from tariffs, higher energy costs, or technology-related demand, though the uneven details caution against declaring the inflation problem resolved. Combined with a softer labor market and weaker July retail sales report, the data may reduce the urgency for additional policy tightening. Still, inflation remains above target, leaving policymakers likely to wait for the next round of inflation and employment data before determining whether further restraint will be needed to return inflation to target.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Retail sales soften as June's spending boost fades

Consumer spending lost momentum at the start of the third quarter, but not necessarily enough to alter the broader growth story. Retail sales fell 0.6% MoM in July, while the retail control group, a key input into GDP calculations, declined 0.4%. Some of the monthly weakness likely reflects temporary calendar-related factors and lower goods prices, as retail sales are reported in nominal terms.

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

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Retail sales soften as June's spending boost fades *continued*

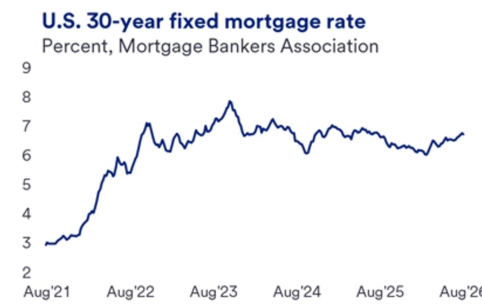
Beneath the headline decline, the details were somewhat more encouraging. Much of the weakness was concentrated in motor vehicle dealers and non-store (mostly online) retailers, while sales at restaurants, apparel stores, health and personal care retailers, and several other categories continued to increase. The sharp pullback in online sales appears to reflect some payback following June spending events, including Amazon Prime Day, that may have temporarily boosted purchases.

Overall, the July report suggests consumer activity entered the third quarter on a softer footing, but it remains too early to conclude that households are meaningfully pulling back. Several temporary factors appear to have boosted June sales and weighed on July activity, potentially exaggerating the monthly decline. More importantly, retail and food service sales over the May-through-July period remained 6.3% above year-ago levels, and 1.9% higher after adjusting for goods inflation, indicating that consumers continue to support economic growth even as momentum moderates.

ECONOMIC TRENDS: HOUSING SECTOR

Housing remains stuck in neutral

The housing market remains one of the clearest examples of how higher interest rates continue to restrain economic activity. Existing home sales fell 1.7% MoM in July to a 4.06 million annualized pace, marking a second consecutive monthly decline. Yet the broader story has changed little. Home sales have spent most of the past three years fluctuating within a relatively low and narrow range, as elevated mortgage rates, affordability challenges, and the 'lock-in effect' continue to limit both buyers and sellers.



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

There are some signs that market distortions are gradually easing. Inventory, for example, has improved from the exceptionally tight conditions that characterized much of the postpandemic period, albeit supply remains historically low. Even so, elevated mortgage rates continue to weigh on affordability and demand, with the average 30-year fixed mortgage rate climbing roughly 50 basis points since January to nearly 6.8% in early August. Many homeowners also remain reluctant to give up mortgages secured at substantially lower rates. The result is a market that has stabilized but remains stuck at a relatively low level of activity.

ECONOMIC TRENDS: HOUSING SECTOR

Housing remains stuck in neutral *continued*

From a broader economic perspective, housing continues to act as a drag on growth rather than a source of inflation pressure. Home prices are still rising, but at a relatively modest pace of about 2% from a year ago – well below the gains seen during the pandemic housing boom. In other words, higher borrowing costs continue to restrain demand, keeping activity subdued and home price appreciation relatively modest.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Reading between the lines

Attention turns to July Housing Starts and Building Permits on Tuesday, followed by the minutes from the July 28-29 Federal Open Market Committee (FOMC) meeting on Wednesday. While the housing data will provide another gauge of activity in one of the economy's most interest rate-sensitive sectors, the FOMC minutes are likely to be the week's most closely watched release as markets look for additional clues about the path of monetary policy.

Tuesday's housing report is expected to show **Housing Starts** easing to a 1.360 million unit annualized pace in July from 1.427 million in June. **Building Permits**, a leading indicator of future construction activity, are expected to remain relatively steady at 1.372 million units. Elevated mortgage rates and construction costs continue to weigh on residential development, while permitting activity near current levels would suggest builders remain cautious but continue to see enough demand to support future projects.

The week's main event arrives on Wednesday with the release of the **July FOMC meeting minutes**. Markets will be looking for signs that support for an additional rate hike extended beyond the three officials who formally dissented in favor of raising rates at the meeting. Chair Warsh noted there was healthy debate among policymakers, and the minutes may provide greater insight into how broadly concerns about persistent inflation were shared across the Committee.

Taken together, the week's releases should provide additional insight into both housing market conditions and the Federal Reserve's policy outlook. While the economic calendar is relatively light, the FOMC minutes could offer important clues about the balance of opinion within the Committee and the likelihood of further policy action in the months ahead. U.S. Bank Economics continues to expect the Federal Reserve to raise rates once during the second half of 2026.

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 - August 17 through August 21

Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
8/17/2026	7:30 a.m.	**Empire State manufacturing**	Aug	**10.0**	10.0	15.6
	9 a.m.	**NAHB housing index**	Aug	**33.0**	33.0	34.0
	3 p.m.	**TIC flows ($ bil.)**	Jun			132.2
8/18/2026	7:30 a.m.	**Import prices (MoM)**	Jul	**0.1**	0.1	0.3
		Housing starts (000)	Jul	**1360**	1350	1427
		Building permits (000)	Jul P	**1372**	1370	1374
	8:15 a.m.	**Industrial production (MoM)**	Jul	**0.3**	0.3	0.1
	9 a.m.	**Pending home sales (MoM)**	Jul	**0.4**	0.4	-5.4
8/19/2026	1 p.m.	**FOMC minutes**	29-Jul			
8/20/2026	7:30 a.m.	**Philly Fed manufacturing**	Aug	**28.0**	25.0	41.4
		Initial Jobless Claims	15-Aug	**208**	210	209
	9 a.m.	**Leading index**	Jul	**0.1**	0.1	-0.2
8/21/2026	8:45 a.m.	**S&P Global US Services PMI**	Aug P	**53.9**	53.9	54.6
		S&P Global US Composite PMI	Aug P			54.5
		S&P Global US Manufacturing PMI	Aug P	**53.7**	53.7	53.9

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

Disclosures