WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | August 28, 2026

THE WEEK'S ECONOMY AT A GLANCE

The dog that didn't bark

The economic data story this week is one of resilience tempered by caution. Revised GDP figures revealed even stronger underlying demand during the second quarter, while July's income and spending report showed consumers still benefiting from rising incomes despite becoming more selective in their purchases. At the same time, consumer confidence remained subdued, reflecting persistent concerns about inflation and the economic outlook. Those crosscurrents were echoed by Federal Reserve Chair Kevin Warsh at Jackson Hole, where he described an economy that remains healthy overall but has yet to make sufficient progress on price stability. Taken together, this week's reports suggest economic growth remains solid in the third quarter, leaving the Federal Reserve focused on inflation risks and keeping a September rate hike firmly in play.

What this means for business: *For businesses, the Warsh Fed appears inclined to provide fewer policy breadcrumbs, placing a greater premium on monitoring incoming economic data and preparing for a wider range of interest rate outcomes.*

Quote of the week

Despite Chair Warsh's Jackson Hole remarks emphasizing that the Fed should move away from routine forward guidance, his speech also signaled that the 'stable prices' mandate is his main concern. Enough to reenforce our call for a hike this year..

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

ECONOMIC DATA OF THE WEEK

4.2%

While the second estimate of second-quarter GDP left growth unchanged at a modest 1.5% annualized rate, the underlying details continued to point to a more resilient economy than the topline figure suggests. A key example is real final sales to private domestic purchasers, a measure of private-sector demand that excludes trade, inventories and government spending, which was revised up to an even more robust 4.2% (from 3.9% previously). The upgrade reflected stronger consumer spending, particularly on services, while business investment remained solid. Taken together, the revisions suggest that temporary drags from trade and inventories masked firmer underlying demand heading into the second half of the year.

ECONOMIC REPORT OF THE WEEK

July personal income and spending

Consumer spending lost momentum in July after a strong finish to the second quarter, though household finances remained relatively healthy. Inflation-adjusted consumer spending was essentially unchanged – 0.0% month-over-month (MoM), 2.1% year-over-year (YoY) – following a 0.4% MoM increase in June, as weaker goods purchases were offset by continued growth in services spending. At the same time, real disposable income rose a solid 0.4% MoM (0.5% YoY), following more modest gains in May and June. The combination suggests consumers continue to benefit from income growth, even as spending becomes more selective and sensitive to affordability pressures.

Inflation data offered a cautiously encouraging, but ultimately inconclusive, signal. The Federal Reserve's preferred inflation measure, the Personal Consumption Expenditures (PCE) price index, increased 0.2% MoM in July, while core PCE inflation, which excludes food and energy, also rose 0.2%, leaving year-over-year inflation at 3.7% and 3.3%, respectively.

U.S. Bank Economics Research Group

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Although inflation has cooled substantially from its postpandemic highs, progress toward the Fed's 2% objective remains gradual and choppy. As Chair Warsh emphasized in his Jackson Hole remarks, recent inflation reports have been encouraging, but do not yet provide convincing evidence that underlying inflation pressures are returning to levels consistent with price stability.

Taken together, July's report reinforces the picture of an economy that is still growing, but at a more measured pace,

ECONOMIC REPORT OF THE WEEK

July personal income and spending *continued*

suggesting a business environment where demand remains resilient but growth opportunities may become more dependent on consumers' willingness to spend selectively. Consumer spending softened at the start of the third quarter, yet solid income growth, a stable labor market, and stronger underlying demand during the second quarter suggest household activity remains resilient. In our view, the report is broadly consistent with the Federal Reserve's continued focus on price stability and with the U.S. Bank Economic Research Group's expectation that the central bank will raise its policy rate at the September Federal Open Market Committee (FOMC) meeting.

ECONOMIC TRENDS: MONETARY POLICY

Jackson Hole marks the arrival of the Warsh Fed

Federal Reserve Chair Kevin Warsh used his first Jackson Hole address to lay out the guiding philosophy of the new Fed. Rather than provide hints about upcoming policy decisions, Warsh argued that the central bank should move away from routine forward guidance and instead respond to evolving economic conditions as they unfold. Repeatedly emphasizing the limitations of forecasting, he defended a more flexible, data-driven approach, culminating in his declaration that he is "committed to a discipline, not to a decision."

A central theme of the speech was Warsh's belief that the Federal Reserve should say less about future policy. He argued that forward guidance, while useful during periods of crisis, has become less effective in normal times by encouraging markets to focus excessively on Fed signaling rather than underlying economic fundamentals. Going forward, Warsh suggested policymakers should place greater emphasis on incoming data and market developments, implying a communications strategy that may be less predictable than investors have grown accustomed to over the past decade.

Warsh also devoted considerable attention to the possibility that the economy may be changing in important ways. He pointed to rapid advances in artificial intelligence, strong capital spending, shifting productivity trends, demographic changes, and evolving labor market dynamics as reasons policymakers should remain open to reassessing long-held economic assumptions. While he stressed that the Fed's recently launched reviews and task forces will not influence near-term policy decisions, he argued they are necessary to ensure the institution is prepared for a potentially different economic environment in the years ahead.

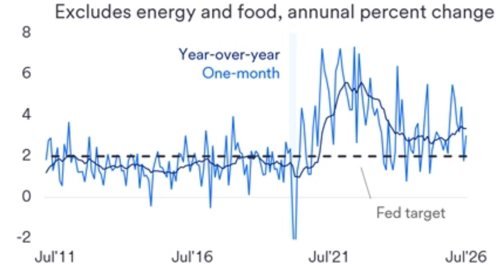
Despite this emphasis on longer-term change, Warsh's assessment of current conditions was notably upbeat. He described business investment as strong, consumer spending as healthy, labor markets as stable, corporate profits as robust, and financial conditions as less restrictive than many observers assume. At the same time, he reiterated that inflation remains above the Federal Reserve's target and argued that recent improvements in inflation data do not yet provide convincing evidence that underlying price pressures have meaningfully improved. Taken together, the speech suggests the Warsh Fed remains focused on restoring price stability while reserving judgment on future policy actions until additional evidence emerges.

PCE inflation

Price index, annual percent change

Core PCE inflation

Excludes energy and food, annual percent change



Sources: U.S. Bank Economics, Bloomberg, Bureau of Economic Analysis (BEA).

ECONOMIC TRENDS: MONETARY POLICY

Jackson Hole marks the arrival of the Warsh Fed *continued*

While Warsh offered no signal regarding September, his characterization of an economy that remains resilient alongside inflation that is still running above target is broadly consistent with the U.S. Bank Economic Research Group's expectation that the Federal Reserve will raise the policy rate at its next meeting.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumers feel better about today than tomorrow

Consumer confidence edged lower in August, extending a broader downtrend that has been in place for much of the past two years. The Conference Board's Consumer Confidence Index slipped to 89.4 (from 90.2 in July), remaining below its long-run average and near its lowest level of the year. That said, the headline decline masks an important shift beneath the surface. Consumers grew somewhat more optimistic about current conditions even as their outlook for the future deteriorated further. The Present Situation Index rose to 121.2, while the Expectations Index fell to 68.2, leaving the latter well below the 80 threshold historically associated with elevated recession risk.

The labor market details were more encouraging than in recent months. The labor market differential, which measures the share of consumers saying jobs are 'plentiful' minus those saying jobs are 'hard to get,' improved to +7.5 (from +2.7 in July). The increase reflected both a larger share of respondents reporting jobs are plentiful and a decline in those saying jobs are difficult to find.

While the improvement suggests labor market perceptions may have stabilized after weakening earlier this year, the differential remains well below levels seen during the postpandemic labor market boom. As such, a single month of improvement is not enough to conclude that hiring conditions are strengthening meaningfully.

Sources: U.S. Bank Economics, Bloomberg, Conference Board.

Price concerns also continue to weigh on sentiment. Consumers became more pessimistic about future business conditions, labor market prospects, and income growth, while one-year inflation expectations ticked higher. Survey respondents continued to cite elevated prices, particularly for gasoline, while references to trade and geopolitical tensions also increased. In our view, that backdrop helps explain why confidence has remained subdued even though hard economic data continue to point to a resilient economy. Strong labor markets and income growth are supporting household spending, but consumers remain sensitive to affordability pressures and increasingly cautious about the outlook.

Taken together, August's Conference Board report paints a picture of consumers who feel reasonably comfortable about current conditions but less confident about what lies ahead. The improvement in labor market perceptions is encouraging and broadly consistent with other indicators showing limited layoffs and steady job growth. At the same time, weak expectations, elevated inflation concerns, and a still-low saving rate suggest households remain cautious.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumers feel better about today than tomorrow *continued*

For now, the consumer sector appears resilient, but confidence remains too subdued to support a meaningful acceleration in household spending.

ECONOMIC TRENDS: BUSINESS ACTIVITY

Economic data roundup: Soft housing, low layoffs, firm investment

Other economic data released this week painted a mixed picture, with housing activity softening, labor market conditions remaining stable, and business investment continuing to show signs of resilience. New home sales fell by more than 10% in July to a seasonally adjusted annual rate of 607,000. Despite the decline, sales have largely moved sideways since early 2022, fluctuating within a range of roughly 600,000 to 700,000 units annually. While the drop bears watching, the broader housing market has yet to show signs of significant deterioration. Inventory levels have improved, home price appreciation has cooled, and residential construction remains relatively stable. As a result, we continue to expect housing activity to remain subdued but broadly range-bound through the remainder of the year.

Sources: U.S. Bank Economics, Bloomberg, U.S. Census Bureau, Mortgage Bankers Association.

Labor market indicators were somewhat more encouraging. Initial jobless claims fell to 203,000 last week, a level that remains low by historical standards and consistent with a labor market experiencing limited layoffs. Recent Job Openings and Labor Turnover Survey (JOLTS) data have conveyed a similar message, with job separations remaining subdued. At the same time, hiring activity continues to run at a relatively modest pace, suggesting a labor market that is stable but less dynamic than during the immediate postpandemic expansion.

Meanwhile, the Census Bureau's advance indicators report pointed to a wider goods trade deficit in July as imports increased and exports declined. Some of the increase in imports likely reflected inventory rebuilding, with both wholesale and retail inventories rising during the month. At the same time, durable goods orders rose 1.1% MoM in July, while core capital goods orders, a key indicator of business equipment spending, also moved higher. While a wider trade deficit could weigh on third-quarter GDP growth if sustained, the combination of rising inventories, firm capital spending plans, and continued business investment suggests demand remains healthy across important segments of the economy.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Labor market in focus

Attention turns to the labor market next week, with the July JOLTS report due Tuesday and the August Employment Report scheduled for release on Friday. While recent data continue to suggest labor market conditions remain healthy, these reports will provide an important test of whether hiring demand and job growth are cooling enough to alter the Federal Reserve's policy outlook. **Tuesday's JOLTS report** is expected to show job openings edging lower to 7.325 million in July from 7.359 million in June. Despite the modest decline, openings would remain near recent levels,

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Labor market in focus *continued*

consistent with a labor market that continues to normalize rather than deteriorate. Jobless claims have remained low throughout the summer, suggesting layoffs remain limited and labor demand remains broadly stable. Taken together, the data should help assess whether businesses are becoming more cautious about hiring or continue to view labor needs as largely unchanged.

The week's main event arrives on **Friday with the August Employment Report**. We expect nonfarm payrolls to increase by 25,000 following July's 23,000 decline. While that would fall short of consensus expectations, it would still point to continued job growth rather than a material weakening in labor market conditions. We expect the unemployment rate to edge up to 4.2% from 4.1%, reflecting job growth that remains positive but slightly below the pace needed to keep unemployment unchanged. Hiring by state and local governments could also prove softer than usual for this time of year amid ongoing budget pressures.
Taken together, this week's labor market data are likely to reinforce the view that employment conditions remain stable. While job growth is modest, the labor market does not appear to warrant support from the Federal Reserve, keeping a September rate hike on the table.

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 31 through September 4

Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
9/1/2026	8:45 a.m.	S&P Global US Manufacturing PMI	Aug F			53.2
	9 a.m.	ISM manufacturing	Aug	**55.0**	55.2	55.6
		JOLTS Job Openings (000)	Jul	**7325**	7380	7359
		Construction spending (MoM)	Jul	**0.2**	0.2	-0.1
9/2/2026	7:15 a.m.	ADP employment change (000)	Aug	**45.0**	47.7	44.0
	9 a.m.	Factory orders (MoM)	Jul	**0.6**	0.6	-0.3
		Durable goods orders (MoM)	Jul F	**0.5**	0.5	1.1
		Durable goods ex Transportation (MoM)	Jul F			0.4
		Capital goods orders nondefense ex. Aircraft	Jul F			0.2
	1 p.m.	Fed Beige Book				
9/3/2026	7:30 a.m.	Trade Balance	Jul	**-75.5**	-74.5	-73.3
		Nonfarm productivity (QoQ)	2Q F	**1.4**	1.4	1.4
		Unit labor costs (QoQ)	2Q F	**1.3**	1.3	1.3
		Initial Jobless Claims	29-Aug	**204**	205	203
	8:45 a.m.	S&P Global US Services PMI	Aug F			56.8
		S&P Global US Composite PMI	Aug F			56.0
	9 a.m.	ISM Services Index	Aug	**54.3**	54.3	54.1
9/4/2036	7:30 a.m.	Employment report (000)	Aug	**25**	55	-23
		Unemployment rate (%)	Aug	**4.2**	4.1	4.1

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 8/28/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

Sept. 3, 7:30 a.m.: Christopher Waller (Board of Governors/Voter)

Disclosures