WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | September 11, 2026

THE WEEK'S ECONOMY AT A GLANCE

The Fed's job just got easier – but not easy

This week's economic data reinforced the view that inflation is easing, but not quickly enough to bring the Federal Reserve's job to an end. The August Consumer Price Index (CPI) came in firmer than expected, with persistent shelter and services inflation offsetting continued improvement in annual inflation measures. Meanwhile, producer prices pointed to some additional pipeline pressure, while higher interest rates continued to weigh on housing activity. Taken together, the data suggest economic growth and labor market conditions remain resilient enough to support underlying inflation pressures. As a result, the latest reports reinforce our belief that the path back to 2% inflation will remain gradual, clearing the way for a 25-basis-point (bp) rate hike this year. We continue to expect a 25-bp increase at this week's Federal Open Market Committee (FOMC) meeting.

What this means for business: *Inflation is moving in the right direction, but persistent services inflation and higher borrowing costs suggest businesses should continue planning for only gradual easing in cost pressures and a higher rate environment.*

Quote of the week

Inflation is moving in the right direction, but the last mile back to 2% remains challenging with risks still on the horizon.

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

ECONOMIC DATA OF THE WEEK

0.3%

Core CPI increased 0.3% in August, above expectations and the strongest monthly gain in several months. While the annual core inflation rate edged down to 2.4% – its lowest reading since early 2021 – the firmer monthly reading highlights the challenge facing the Federal Reserve: inflation is improving, but not quickly enough to declare victory. Higher shelter costs and a reacceleration in core services inflation suggest underlying price pressures remain inconsistent with a timely and sustainable return to the Fed's 2% objective. Likewise, with economic activity and labor market conditions still resilient, the figures strengthen the case for a 25-bp rate hike at this week's FOMC meeting.

ECONOMIC REPORT OF THE WEEK

August Consumer Price Index (CPI)

August's CPI report showed inflation remaining stubbornly firm despite continued improvement in the annual inflation rates. Headline CPI rose 0.4% month-over-month (MoM), leaving the year-over-year (YoY) rate unchanged at 3.4%. Core CPI increased a stronger-than-expected 0.3% MoM, though the year-over-year rate edged down to 2.4%. Higher energy prices contributed to the monthly increase in headline inflation, while firmer shelter and services inflation kept underlying price pressures elevated. Taken together, the report reinforces the view that inflation continues to move in the right direction, but not quickly enough to provide confidence that price pressures are returning sustainably to the Federal Reserve's 2% target.

Energy accounted for much of the acceleration in headline inflation, with gasoline prices rising almost 4% during the month and contributing more than one-third of the overall increase. Meanwhile, shelter inflation rebounded to 0.3% MoM (3.0% YoY) after an unusually soft July reading, highlighting the uneven nature of the disinflation process.

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The larger concern for policymakers, however, remains services inflation. Core services excluding housing accelerated to 0.5% MoM (3.0% YoY), the strongest monthly increase since January, suggesting underlying inflation pressures remain persistent despite ongoing improvement in the annual rates.

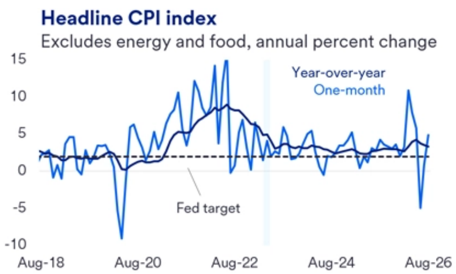
Goods inflation, by contrast, remained relatively contained. Core goods prices increased just 0.1% MoM (0.7% YoY), providing little evidence of a broad-based reacceleration in goods-sector price pressures.

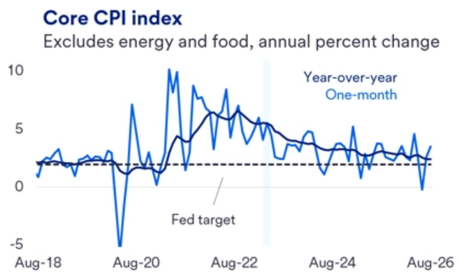
ECONOMIC REPORT OF THE WEEK

August Consumer Price Index (CPI) *continued*

The divergence between relatively tame goods inflation and persistent services inflation continues to characterize the inflation outlook.

Overall, the report likely clears the way for a 25-bp rate hike at this week's FOMC meeting. While annual inflation measures continue to improve, August's firmer-than-expected core reading is unlikely to provide policymakers with a compelling reason to delay further tightening, particularly given continued resilience in economic activity and labor market conditions.



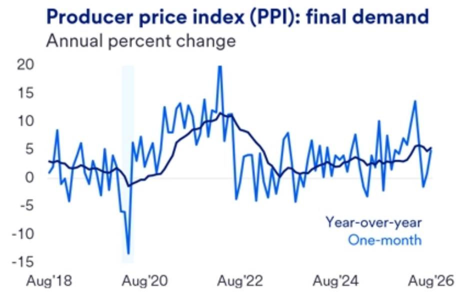


Sources: U.S. Bank Economics, Bloomberg, U.S. Bureau of Labor Statistics (BLS).

ECONOMIC TRENDS: PRODUCER AND CONSUMER PRICES

Producer prices: Firmer at the headline, more contained underneath

August's Producer Price Index (PPI) report showed a modest pickup in producer inflation that was broadly in line with expectations. Headline final demand prices increased 0.4% during the month and 5.4% from a year earlier. Core prices excluding food and energy rose 0.2% MoM, slightly below expectations, while the measure excluding food, energy, and trade services increased 0.3%.



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

Goods prices provided most of the upward pressure. Final demand goods prices rose 1.1% in August after two consecutive declines, with more than three-fourths of the increase attributable to energy. Diesel fuel was a particularly important contributor, while gasoline, jet fuel, and home heating oil also increased.

Services inflation was more restrained, rising 0.1% during the month, though transportation and warehousing costs increased 2.3%. At the same time, trade services margins declined 0.2%, suggesting retailers and wholesalers absorbed at least some of the increase in input costs. Several categories that feed into the Personal Consumption Expenditures (PCE) price index, including airline passenger services, legal services, and hospital inpatient care, also moved higher.

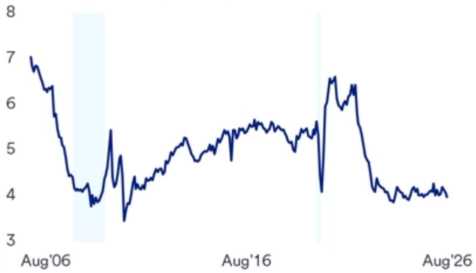
Overall, the report points to firmer pipeline pressure, without clear evidence of a broad-based acceleration in underlying producer inflation. By itself, the report is unlikely to settle the Fed debate.

ECONOMIC TRENDS: HOUSING SECTOR

Housing: Higher rates continue to restrain activity

Existing home sales have remained subdued since late 2022 as elevated mortgage rates, affordability pressures, and the lock-in effect continue to constrain activity. In August, sales fell 2.0% MoM to an annualized 3.98 million, broadly matching expectations, while mortgage rates climbed to around 6.7%, near a one-year high, amid renewed inflation concerns driven by higher energy prices and concerns about federal debt.

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).

Sales declined across most regions, with weakness led by the Midwest and South, while activity in the West was unchanged. Single-family sales declined 1.9%, and condominium and co-op sales fell 2.7%. The median existing home price declined to $429,100 in August from $436,400 in July, though it remained 1.6% above its year-earlier level.

On the positive side, supply conditions improved modestly. Inventory increased to 1.62 million homes, while months' supply rose to 4.9 months from 4.6 months, reaching one of its highest levels since 2015. More inventory may gradually improve buyer choice, but elevated borrowing costs remain the dominant restraint on transaction activity.

The housing report is unlikely to materially alter the near-term policy outlook. It reinforces the uneven effects of restrictive interest rates: housing remains under pressure even as broader demand and the labor market continue to hold up.

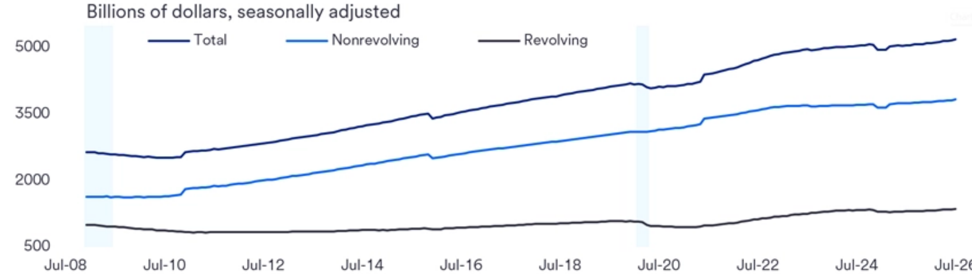
ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumer credit: Borrowing still supporting spending

Household borrowing continues to underpin consumer demand, with stronger loan growth helping offset headwinds from persistent price pressures and elevated interest rates. Consumer credit outstanding increased $18.1 billion in July, following a revised $14.5 billion increase in June. Growth was driven primarily by nonrevolving credit, which includes auto and student loans, while revolving credit growth slowed despite a modest increase in credit card borrowing.

Nonrevolving credit expanded at a 4.9% annualized rate, up from 2.5% in June, while revolving credit grew at a more modest 2.5% annualized pace, down from 6.1% previously. The divergence suggests consumers remain willing to finance larger purchases but are becoming somewhat more cautious with short-term borrowing.

Consumer credit
Billions of dollars, seasonally adjusted



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

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Consumer credit: Borrowing still supporting spending *continued*

Looking ahead, elevated interest rates and tight lending standards are likely to weigh on credit growth. While consumer borrowing continues to support demand, future spending may depend increasingly on income growth and labor-market resilience rather than continued expansion of household debt.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Decision time at the Fed

The spotlight this week falls squarely on the Federal Reserve's September 15–16 policy meeting. Policymakers will announce their interest rate decision Wednesday afternoon, followed by Chair Warsh's press conference. While consensus expectations generally favor no change in the federal funds rate, U.S. Bank Economics expects the Committee to raise rates by 25 bp. The decision could prove to be a close call. Three policymakers dissented in favor of a rate hike at the July meeting, and subsequent remarks from Fed officials have continued to emphasize concerns that inflation remains above target and is not returning to the Federal Reserve's 2% objective quickly enough.

Those three policymakers voted for a 25-bp rate hike in July, and there has been little evidence since then to suggest their views have softened. More broadly, several officials who supported holding rates steady have indicated that tightening may be necessary if inflation fails to show meaningful improvement. While Chair Warsh has largely avoided providing forward guidance, his remarks at Jackson Hole were widely viewed as hawkish. More recently, Governor Waller suggested that his September vote would hinge heavily on the August inflation data.

With last week's CPI report showing only limited additional progress toward the Fed's inflation goal, and economic activity and labor market conditions remaining resilient, we believe the August CPI report tipped the balance of opinion on the Committee toward a rate increase, with Governor Waller likely moving closer toward a hawkish vote.

The week's other key release arrives Wednesday morning with the August retail sales report. We expect headline retail sales to increase 0.9% MoM following a 0.6% decline in July. More importantly, we expect a strong 0.5% increase in control group sales, which exclude autos, gasoline, building materials, and food services, and feeds directly into the consumer spending calculation for GDP. While retail sales are reported in nominal terms and therefore reflect both price and volume changes, a strong report would provide further evidence that consumer spending remains a source of support for economic growth.

Taken together, this week's events should provide important insight into both the strength of household demand and the outlook for monetary policy.

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 - September 14 through September 18						
Date	Time (CST)	Release	For	USB Econ	Consensus	Previous
9/15/2026	7:30 a.m.	**Empire State manufacturing**	Sep	**14.2**	14.1	20.6
9/16/2026	7:30 a.m.	**Import prices (MoM)**	Aug			-0.4
		Retail sales (MoM)	Aug	**0.9**	0.9	-0.6
		Retail sales ex-auto (MoM)	Aug	**0.5**	0.5	-0.3
		Retail sales control group (MoM)	Aug	**0.5**	0.4	-0.4
	9 a.m.	**NAHB housing index**	Sep	**34.0**	34.0	35.0
		Business inventories (MoM)	Jul	**0.2**	0.2	0.0
	1 p.m.	**FOMC rate decision (Upper Bound)**	16-Sep	**4.00**	3.75	3.75
	1:30 p.m.	**FOMC press conference**	16-Sep			
	3 p.m.	**TIC flows ($ bil.)**	Jul			133.5
9/17/2026	7:30 a.m.	**Philly Fed manufacturing**	Sep	**28.6**	28.6	47.4
		Initial Jobless Claims	12-Sep			206
		Housing starts (000)	Aug	**1300**	1315	1239
		Building permits (000)	Aug P	**1415**	1410	1433
	9 a.m.	**Pending home sales (MoM)**	Aug			-2.3
9/18/2026	8:15 a.m.	**Industrial production (MoM)**	Aug	**0.3**	0.3	0.2
	9 a.m.	**Leading index**	Aug	**0.2**	0.2	0.2

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 9/11/2026.

Disclosures

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