WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | September 4, 2026

THE WEEK'S ECONOMY AT A GLANCE

Still growing, just differently

A month after labor market data raised concerns that economic momentum might be fading, this week's economic reports painted a more reassuring picture. August payrolls rebounded, job openings remained consistent with a balanced labor market, and business surveys continued to point toward healthy demand across much of the economy. At the same time, growth is becoming increasingly dependent on productivity gains and investment in areas such as AI and digital infrastructure – rather than rapid workforce expansion. With employment conditions remaining broadly consistent with full employment, attention is now shifting back toward inflation, making next week's Consumer Price Index (CPI) report a pivotal test as Federal Reserve policymakers weigh the need for tightening.

What this means for business: *Growth opportunities remain plentiful but are becoming increasingly concentrated across industries tied to technology, infrastructure and productivity-enhancing investment.*

Quote of the week

With that jobs report, it's not a question of 'if' the FOMC will raise rates this year (we expect this month). It's now 'how many times?'

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

ECONOMIC DATA OF THE WEEK

162,000

U.S. employers added 162,000 jobs in August, a meaningful improvement from the weak pace reported earlier in the summer. Prior months were also revised higher, while job gains extended across a broader range of industries than in July. Taken together, hiring is now running only modestly above the pace needed to keep the unemployment rate stable, a sign that the labor market continues to cool gradually without losing its footing.

ECONOMIC REPORT OF THE WEEK

August employment situation

Beyond the stronger headline payroll gain, the August employment report offered several signs that labor market conditions remain balanced. The unemployment rate held steady at 4.1% even as labor-force participation rebounded and the labor force expanded by nearly 700,000 people. Likewise, employment in the household survey rose sharply, allowing the economy to absorb most of that increase in labor supply without a meaningful rise in joblessness.

The report also showed little evidence that labor market resilience is reigniting wage pressures. Average hourly earnings increased 0.3% during the month, while annual wage growth slowed to 3.1%, its lowest reading in more than five years. Combined with improving participation and strong household-employment gains, the data suggest the labor market remains near full employment even as labor-cost pressures continue to ease.

More broadly, the report pushes back against concerns that labor market conditions were deteriorating mid-summer.

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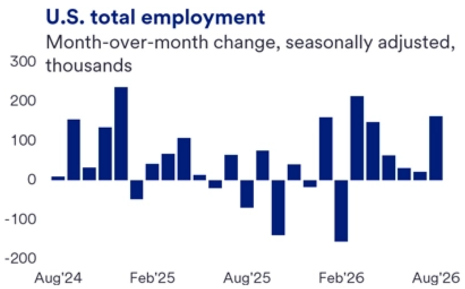
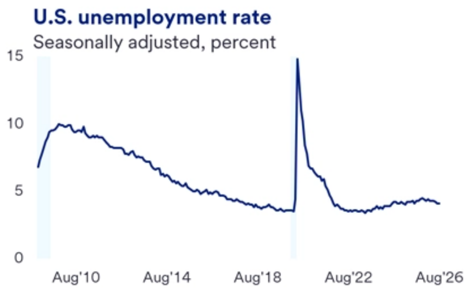
While hiring remains well below the pace seen earlier in the expansion, unemployment remains low, layoffs remain limited, and wage growth continues to moderate, pointing to a labor market that is cooling and rebalancing rather than weakening outright. With labor conditions no longer appearing to be a significant constraint on policy, attention is increasingly shifting back toward inflation, leaving next week's CPI report as the key determinant of whether the Federal Reserve delivers a September rate hike and whether additional tightening ultimately proves necessary.



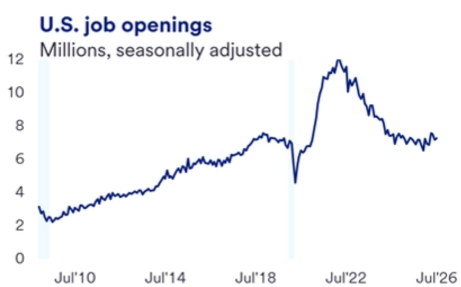


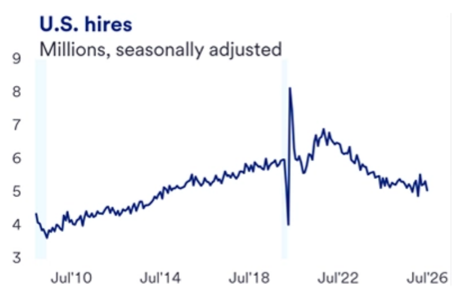
Sources: U.S. Bank Economics, Bloomberg, U.S. Bureau of Labor Statistics (BLS).

ECONOMIC TRENDS: LABOR LANDSCAPE

Labor market: Fewer moves, fewer worries

The July Job Openings and Labor Turnover Survey (JOLTS) reinforced a theme that has become increasingly evident across the labor market: activity remains subdued, but conditions remain stable. Job openings rose modestly to 7.27 million during the month, while the ratio of job openings to unemployed workers edged back up toward roughly one-to-one. At the same time, hiring, quits and layoffs all remained in a relatively low and stable range. This suggests employers and workers alike remain cautious, resulting in a labor market with relatively little turnover.





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

The more important takeaway from JOLTS is that labor market conditions remain broadly balanced. While worker and employer activity has slowed, hiring remains sufficient to absorb labor supply and keep unemployment low.

August's employment report reinforced that conclusion, with labor-force participation increasing while the unemployment rate held steady at 4.1%. Taken together, the data suggest labor market conditions remain broadly consistent with steady full employment, allowing policymakers to focus more squarely on the inflation side of the Federal Reserve's dual mandate.

For businesses, this environment presents both opportunities and challenges. Employee retention may be easier than during the labor shortages that characterized the earlier stages of the postpandemic expansion, but firms continue to report difficulty finding qualified workers in certain fields. The Federal Reserve's latest Beige Book noted ongoing shortages of skilled trades and technical workers despite only modest overall employment growth. In other words, labor market conditions may be cooling at the aggregate level, but labor availability remains uneven across industries and occupations.

ECONOMIC TRENDS: BUSINESS ACTIVITY

Businesses keep growing, even as hiring remains selective

The August surveys from the Institute for Supply Management (ISM) pointed to an economy that continues to expand at a healthy pace. While the Manufacturing PMI (Purchasing Managers' Index) eased to 54.6 from July's multiyear high, both production and new orders remained firmly in expansion territory. Activity in the much larger services sector strengthened further, with the Services PMI rising to 55.4 as both business activity and new orders accelerated. Taken together, the reports suggest business demand remains resilient across much of the economy despite a broader environment of slower workforce and employment growth.

ECONOMIC TRENDS: BUSINESS ACTIVITY

Businesses keep growing, even as hiring remains selective *continued*

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Sources: U.S. Bank Economics, Bloomberg, Institute for Supply Management (ISM).

Yet stronger business activity has not translated into broad-based hiring. Manufacturing employment remained in expansion for a second consecutive month, while the services employment measure stayed in contraction territory despite firmer demand. The divergence suggests businesses continue to expand output more readily than payrolls, relying on productivity gains, existing capacity, and a more stable workforce to meet demand.

The ISM surveys also indicate that inflation pressures remain a consideration for businesses. Manufacturing input costs remained elevated, while the services prices index climbed to its highest level in more than four years. Respondents continued to cite higher energy costs, tariffs and geopolitical uncertainty as challenges, while supplier delivery times remained longer than normal. Importantly, however, the combination of strong orders and expanding activity appears to reflect firm demand conditions as much as supply-side constraints.

For the broader outlook, the ISM reports reinforce the view that economic growth remains on solid footing even as hiring stays measured. The result is an economy that appears capable of sustaining growth with fewer additions to headcount than in previous cycles. That combination is unlikely to dissuade Fed policymakers from a September rate hike should inflation remain firm.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Construction: A narrower foundation

The construction sector is becoming increasingly divided between sectors constrained by high borrowing costs and those benefiting from the ongoing AI investment boom. Total construction spending fell 0.5% in July, driven by another decline in residential construction, and remains 3.8% below its level a year ago. The weakness reinforces a broader theme seen throughout the housing market, where affordability challenges continue to weigh on new development.

Yet beneath the headline decline, investment activity remains far from uniform. Private nonresidential construction continued to edge higher in July, supported by ongoing spending on data centers and related infrastructure. The Federal Reserve's latest Beige Book echoed that trend, reporting weaker residential construction alongside growing nonresidential activity, with several districts specifically citing data center projects as a key source of demand.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Construction: A narrower foundation *continued*

Manufacturing activity also continued to benefit from defense- and technology-related investment.

For the broader outlook, the construction data highlight the increasingly concentrated nature of economic growth. A relatively small group of investment categories continues to account for an outsized share of new activity, helping offset persistent weakness in housing and other interest-rate-sensitive sectors. That resilience is one reason we are tracking third-quarter real GDP growth at a solid 2.7% annualized pace.

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Final read before the Fed

Inflation takes center stage this week as policymakers receive the final major economic data before the Federal Reserve's September 15–16 policy meeting. August Producer Price Index (PPI) data are due Thursday, followed by the CPI on Friday. With labor market conditions appearing broadly consistent with full employment, inflation has become the primary focus for policymakers. As a result, this week's reports are likely to play a central role in determining whether the Federal Reserve delivers a September rate hike.

Thursday's PPI report will provide an early look at pipeline inflation pressures. We expect headline producer prices to increase 0.4% month-over-month (MoM) in August following no change in July, lifting the year-over-year rate to 5.3%. Core PPI is expected to rise 0.3% MoM during the month, raising the annual rate to 4.7%. Higher energy prices are likely to contribute to stronger transportation and warehousing costs, while modest increases in airfares and healthcare services could also push producer prices higher.

While PPI does not directly translate into consumer inflation, it often provides an early signal of broader pricing pressures.

The week's **main event arrives on Friday with the August CPI report**. We expect headline consumer prices to increase 0.4% over the month, up from 0.1% in July, while the year-over-year inflation rate holds steady at 3.4%. Core CPI is forecast to rise 0.3% MoM, leaving the annual rate unchanged at 2.5%. Although inflation remains well below the highs reached earlier in the cycle, another firm monthly reading would suggest progress toward the Federal Reserve's 2% target remains uneven.

Taken together, this week's inflation reports could prove decisive for the September Federal Open Market Committee (FOMC) meeting. We expect the data to remain firm enough to support a 25-basis-point rate hike later this month. More broadly, however, the reports will help determine whether policymakers view recent inflation progress as sufficient to leave rates unchanged or whether additional policy tightening may ultimately be required.

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 7 through September 11

Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
9/8/2026	5 a.m.	**NFIB Small business optimism index**	Aug	**99.2**	99.2	99.8
	2 p.m.	**Consumer Credit**	Jul	**11.3**	11.3	14.2
9/10/2026	7:30 a.m.	**Initial Jobless Claims**	5-Sep	**205**	205	206
		PPI (MoM)	Aug	**0.4**	0.4	0.0
		PPI (YoY)	Aug	**5.3**	5.2	4.7
		PPI (ex-food & energy) (MoM)	Aug	**0.3**	0.3	0.2
		PPI (ex-food & energy) (YoY)	Aug	**4.7**	4.6	4.2
	9 a.m.	**Existing home sales (mln)**	Aug	**4.0**	4.0	4.1
		Wholesale Inventories (MoM)	Jul F			1.3
9/11/2026	7:30 a.m.	**CPI (MoM)**	Aug	**0.4**	0.4	0.1
		CPI (YoY)	Aug	**3.4**	3.4	3.4
		CPI (ex-food & energy) (MoM)	Aug	**0.2**	0.2	0.2
		CPI (ex-food & energy) (YoY)	Aug	**2.3**	2.4	2.5
	9 a.m.	**U. Mich. Consumer sentiment**	Sep P	**51.1**	51.0	51.7
	1 p.m.	**US budget deficit ($ bil.)**	Aug			-432.3

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 9/4/2026.

Disclosures