Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of August 10, 2026

August's first week of data releases raised fresh doubts about the strength of the labor market. Meanwhile, the status of the war in the Middle East remains in limbo, as Iran maintains its control over the Strait of Hormuz and the Trump Administration seems to have shied away from further escalation. Energy and other infrastructure in the region remain at risk, and trade through the Strait of Hormuz and the Bab al-Mandab Strait remains inhibited.

Total nonfarm payroll employment unexpectedly contracted by 23,000 jobs in July, while job growth for the prior two months saw significant negative revisions, stripping a combined 103,000 jobs from previously reported estimates. The private sector continued to expand, as gains in construction and in healthcare and social assistance helped offset losses in other sectors. Meanwhile, government employment contracted, driven by education services. Nonfarm payroll employment undergoes multiple revisions as more comprehensive data becomes available, so future releases will be watched closely for the direction and magnitude of any changes.

Other indicators continue to point to a stable labor market. Despite the contraction in headline payrolls, the unemployment rate edged down to 4.1% as labor force participation declined, while claims data and the Job Openings and Labor Turnover Survey (JOLTS) for June continue to paint a picture of a "low-hire, low-fire" labor market. The broader U-6 unemployment rate, which includes discouraged and underemployed workers, was also unchanged at 7.9%. Even as demand for labor slows, a concurrent fall in the labor supply due primarily to changes in immigration policy and an aging workforce entering retirement is helping to keep the unemployment rate at historical lows. Surveys of purchasing managers for July continue to point to expansion in manufacturing and services, and to higher input cost pressures and slower delivery times.

Nevertheless, the weaker payroll data and ambiguity about Fed policy have dampened expectations for a rate hike in September, though markets continue to expect a hawkish change in rates later this year. Inflation remains elevated and continues to outpace slowing wage growth. Wars in the Middle East and Eastern Europe, tariffs, AI spending, and climate disruptions all present risks to the upside.

Week ahead for economic data: The upcoming week centers on July inflation data, with eyes on the Consumer Price Index and the Producer Price Index prints after both moderated in June. Also on the docket are July retail sales, the NFIB's gauge of small business optimism, and preliminary consumer sentiment data for August.
