Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of August 17, 2026

Last week's data releases provided encouraging signs that price growth may be stabilizing. The inflation rate as measured by the Consumer Price Index (CPI) and growth in producer prices moderated for a second consecutive month in July due to lower average energy prices in that month despite swings in oil prices after renewed fighting between the U.S. and Iran. Core measures excluding volatile food and energy categories also moderated. Components of both feed into the inflation rate as measured by the Personal Consumption Expenditures (PCE) price index, implying a moderate reading for the Federal Reserve's preferred metric for price growth as well.

Consumer demand also softened in July. Retail sales unexpectedly declined month-over-month, with four of the 13 tracked categories contracting. Notably, nonstore (online) sales posted a significant decline, likely reflecting this year's pull-forward of Amazon Prime Day to June. The weaker print could point to more cautious consumer spending ahead after months of eroding purchasing power due to higher inflation and the exhaustion of the larger tax refunds received earlier this year. The University of Michigan's preliminary Consumer Sentiment Index for August also fell as attitudes about current and future economic conditions deteriorated. The broad-based declines were driven by worsening outlooks for business conditions and ongoing affordability pressures. In contrast to weakening consumer sentiment, the NFIB's Small Business Optimism Index rose to its highest level since August 2025, propelled by a surge in employment intentions as labor availability was reported as the leading challenge.

The combination of moderating inflation and PPI figures alongside weaker nonfarm payrolls, softer retail sales, and fragile consumer sentiment has pushed back market expectations for a rate hike beyond the next FOMC meeting in September. Of course, upcoming data releases in advance of the mid-September rate decision could change the narrative if trends over the last two months don't hold. Tariffs, the wars in Europe and the Middle East, AI spending, and a stronger El Niño effect continue to present risks to inflation.

Week ahead for economic data: The upcoming week shifts focus to central bank policy and early reads on August business momentum. Wednesday's release of the July FOMC meeting minutes serves as the week's headline event as market participants seek deeper insight into internal Federal Reserve discussions about the labor market, inflation, and interest rate policy after last month's press conference by Chair Kevin Warsh raised more questions than answers. Updates on housing starts, building permits, industrial production, and surveys of purchasing managers will provide a read on how supply-side activity is holding up under elevated borrowing costs.
