Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of September 21, 2026

Last week marked a turning point for monetary policy. Following weeks of speculation, the Federal Open Market Committee (FOMC) delivered its first rate increase since July 2023. Concurrently, data releases on retail sales and import prices demonstrated that underlying domestic demand remains resilient while upstream inflation pressures persist.

Wednesday’s FOMC decision stood as the marquee event of the week. In a unanimous vote, the committee elected to raise the target range for the federal funds rate by 25 basis points to 3.75%-4.00%. The accompanying Summary of Economic Projections (SEP) reinforced a hawkish stance, reflecting expectations for higher real GDP growth (2.3% vs. 2.2% in June), a lower unemployment rate (4.1% vs. 4.3% in June), and elevated inflation rate (Headline PCE inflation of 3.7% vs. 3.6% in June). Importantly, committee members viewed risks as skewed firmly towards higher inflation, with the median participant expecting a higher policy-rate path.

Retail sales data for August released prior to the rate decision offered additional support for the hawkish stance. Retail sales in that month rose 1.2% month-over-month (MoM) and 6.0% on a year-over-year basis. Strength was broad-based across 12 of 13 major retail categories. The control group, which excludes volatile automobiles, gasoline, building materials, and food service categories, also jumped 1.4% MoM.

With consumer spending robust, metrics upstream of consumer prices continued to point to building cost pressures. Import prices rose 0.7% month-over-month in August, well above expectations, lifting the year-over-year rate of import price inflation to 7.0%. The rise was driven by nonfuel import prices, which surged 0.8% on the month, likely reflecting the compounding effects of tariffs, as well as rising shipping costs and supply chain disruptions due to ongoing geopolitical conflicts. Energy prices remain elevated as diesel surges to new highs, raising transportation costs across supply chains with little near-term relief in sight. Notably, analysts at JP Morgan abandoned their forecasts for oil markets, acknowledging that they “don’t know how to model the endgame” as the U.S.-Israel-Iran war persists.

Week ahead for economic data: Speeches by several Federal Reserve officials will be monitored closely for further monetary policy clues following the central bank’s recent rate hike and hawkish lean. S&P Global PMIs for September and durable goods orders for August will provide a reading on economic activity in advance of the September hike, though future prints will reveal whether the economy will remain resilient in the face of inflationary pressures and higher borrowing costs. Rounding out the week is the University of Michigan consumer sentiment index.
