Deutsche Bank
Research

Economics
US Economic Notes

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What you need to know for the week ahead

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Figure 1: DB economic forecasts

	2025F Q4/Q4	2026F Q4/Q4	2027F Q4/Q4
Real GDP	1.0	2.0	2.2
Unemployment rate, %	4.5	4.4	4.3
Core CPI	3.1	2.6	2.4
Fed Funds	4.125	3.625	3.625

Source: Deutsche Bank

Figure 2

Post Employment Conference Call
Friday Aug 01, 9:00 am EDT
To register for the call, please contact your DB sales rep or go to the following URL:
https://www.dbresearch.com/REPO/RPS_EN-PROD/PROD0000000000594235.link

Commentary for Monday: This week's economic calendar kicks into high gear with the main events being Wednesday's FOMC meeting and Friday's July employment report. As we wrote last week (see "Fed Notes: July FOMC preview: See you on the other side (of tariff inflation) "), we expect the Fed to hold rates steady for the fifth straight meeting and largely maintain existing signals about the policy outlook. This decision is unlikely to be unanimous, however, as we expect two governors to dissent for the first time since 1993. In terms of near-term policy, Powell is unlikely to remove a September rate cut from consideration nor intentionally raise the probability of that outcome. Instead, ahead of key data releases – including two more jobs and inflation reports – we expect he will continue to indicate the Fed's data-dependent stance which will entail making decisions on a meeting-by-meeting basis. His intent will be to allow the incoming data to determine the Fed's upcoming decisions.

Without updated economic forecasts, the meeting statement may receive a bit more attention at this week's meeting. We expect only minor tweaks and a continued emphasis on data-dependence amidst elevated uncertainty on the economic outlook. Starting with the opening paragraph, the statement should remove the reference to swings in net exports in the opening line. Aside from this tweak, the majority of data releases since the June 17 meeting still "suggest that economic activity has continued to expand at a solid pace."

Regarding the second paragraph of the meeting statement, the Committee may want to tweak the sentence regarding uncertainty about the economic outlook. On the one hand, the passage of the tax bill in Congress has given the Committee more clarity to the fiscal outlook. In addition, recently announced trade deals have likely diminished some of the risks on that front. They could, therefore, indicate that uncertainty has diminished further but remains elevated. However, with threats of higher tariffs still present, most officials are likely to still see upside risks to their inflation forecasts. Instead of providing another progress report on uncertainty, the Committee could simply state "Uncertainty about the economic outlook remains somewhat elevated."

Regarding Chair Powell's press conference, recent developments related to whether President Trump will remove Chair Powell might get just as much attention from the press as the economic and policy outlook. On these topics, we would expect Powell to reiterate points he made in the past. For example, in May Powell noted: "[Trump's comments on removing Powell] Doesn't affect…doing our job at all…. [W]e're always going to do the same thing—which is use our tools to foster maximum employment and price stability for the benefit of the American people. We're always going to consider only the economic data, the outlook, the balance of risks." If asked, he could indicate that he does not intend to step aside before his term as chair is completed next May. See our recent notes related to this topic: "Is there a fire behind all the smoke?" and "Removing Powell won't move the needle on Treasury debt costs".

Powell will also be asked about how trade policy is impacting the outlook, a topic we should gain greater clarity on this week. On July 31st, the Federal Appeals court is slated to hear the International Trade Court's ruling that Trump's usage of an emergency declaration for tariffs is unlawful. August 1st is the deadline for reciprocal tariffs. Although the President has renewed threats of significantly higher tariffs, with many rates potentially returning towards those early April levels, he has also announced a few trade deals, including one with Japan which raised the baseline tariff rate to 15% but reduced tariffs on autos (see "Tariff tracker update: Letter by letter"). News reports tentatively indicate that a similar deal might be reached with Europe. At the same time, Treasury Secretary Bessent recently downplayed near-term deadlines with China, indicating that talks were going well and delays could be used. We expect this week to deliver some mix of additional trade deals, tariff delays, but also threats of higher tariffs on a case-by-case basis. Ultimately, we continue to expect that the average effective tariff rate settles near 15% over time, though Trump's recent indications that 15% may be the new floor could point to some modest upside risks to that assumption.

A final topic of discussion for this meeting is the Fed's ongoing policy framework review. The June press conference and minutes indicated that the Committee would finalize any modifications to the Statement on Longer-Run Goals and Monetary Policy Strategy by late summer, suggesting that this meeting will be used to complete that review. So far, Powell has indicated there is broad support on the Committee for revisiting the modifications made in 2020 to the strategy statement, namely adoption of a flexible average inflation target and an asymmetric view on the labor market. Ultimately, we expect the Committee will return closer to the pre-2020 versions of these two items. Most likely, Powell will present those results at Jackson Hole. After that is completed, the Committee will then return to discussing enhancements to communications strategies, including any adjustments to the SEP.

Turning to the data docket, several releases ahead of the conclusion of the FOMC meeting could on the margin influence the tone coming out of the meeting. Tuesday's advance goods trade balance (-$97.6bn forecast vs. -$96.6bn previously) will hopefully show some further stability after historically large swings in the first quarter due to tariffs. The June trade data will also sharpen Fed officials estimates for Wednesday's advance Q2 real GDP (+1.6% vs. -0.5%) release.

However, more important will be the labor market data released during the meeting. Tuesday's JOLTS will provide fresh data on measures of labor slack that Powell follows closely. Recall that in May, the quits rate and the job openings-to-unemployed ratio tightened slightly. Barring a meaningful drop off in the private sector hiring rate and/or notable increase in the layoff rate, Powell (and the FOMC) should have more confidence in continuing to describe the labor market as "solid". The jobs-plentiful / jobs hard-to-get components in Tuesday's consumer confidence release (96.1 vs. 93.0) will also provide some insights for Fed officials as this series has historically been highly correlated with the unemployment rate. Lastly, while Wednesday's ADP survey (+55k vs. -33k) should not inform the Fed's views on Friday's nonfarm payroll print, a further acceleration in job losses could trigger greater concern from some on the Committee. That being said, there have been episodes in the past where short-term growth trends in ADP and BLS private hiring have diverged. Hence, the Fed would be looking across a suite of labor indicators to see if they are telling the same story rather than relying on just one.

Data releases after the FOMC meeting will be equally important to the outlook as market participants reassess prospects for a potential rate cut at the September FOMC meeting. Thursday's personal income (+0.3% vs. -0.4%) and consumption (+0.3% vs. -0.1%) report for June will provide the latest reading on the core PCE deflator (+0.30% vs. +0.18%), the Fed's preferred inflation metric. As we noted recently (see "US Economic Chartbook: US Inflation Outlook: Tip of the tariff iceberg "), though the latest CPI and PPI data missed consensus expectations to the downside with respect to the headline and core series, the categories that feed into the core PCE deflator point to a somewhat stronger print which would have the effect of raising the year-over-year growth rate of the series to 2.8%, its highest rate since February and consistent with no progress in over a year. Indeed, the latest data showed clearer evidence that tariffs are leading to higher prices for core goods components, including recreational goods, household furnishings, and toys, among other categories – one reason we expect the bulk of the FOMC to remain cautious on when it might be appropriate to next reduce rates.

Thursday's Q2 employment cost index (+0.8% vs. +0.9%) will provide policymakers further insights into labor cost trends. Though we expect the Q2 data to show further moderation in the ECI in year-over-year terms (to 3.5%), recent changes to immigration policy could eventually challenge the Fed's view that the labor market is not a source of inflationary pressures if growth accelerates more than we expect next year.

More important to the near-term outlook for monetary policy will be Friday's July employment report. Our headline (+75k vs. +147k) nonfarm payroll forecast reflects payback from last month's 64k surge in state and local government education employment, which was likely a function of the seasonal factor. However, our private payroll (+100k vs. +74k) estimate is closer to the three-month trailing average of 115k. If our forecasts prove close to the mark, the unemployment rate should edge up to 4.2%. Regarding other details of the release, we expect average hourly earnings (+0.3% vs. +0.2%) to tick up slightly amidst steady hours worked (34.2hrs vs. 34.2hrs), which would have the effect of raising the year-over-year growth rate of our payroll proxy for nominal income growth by 40bps to 4.9%.

Regarding our payrolls forecast, as we pointed out last month, we have noticed a pattern of subdued summer payroll gains – at least relative to their January-May averages – over the past couple of years. For example, average private payrolls from June – August of 2023 were roughly 32% below their January – May average. In 2024, the drop-off was even more pronounced with the average June – August private payrolls a little over 65% below their January – May average. However, we believe the breakeven rate of payroll gains (that is, the pace of job growth that would keep the unemployment rate steady) is something closer to 100k per month at present (see "US Economic Perspectives: Potential paths for breakeven employment "). As mentioned above, the Trump Administration's immigration policies are likely to slow net immigration flows, and potentially could lead to an outright decrease in the foreign-born population. Correspondingly, the breakeven rate of payroll gains could be even lower, closer to 50k per month. As such, even modest payroll gains could have the effect of tightening the labor market. As always, we will hold our post-employment call at 9:00AM to discuss the data and impact on the Fed outlook, to register click here.

Friday's manufacturing ISM (49.5 vs. 49.0), final University of Michigan consumer sentiment (62.0 vs. 61.8) and unit motor vehicle sales (15.5mn vs. 15.3mn) will round out this week's data deluge. Recent trade deals and the ongoing rally in risk assets could present upside risks to the ISM and sentiment. We should also note that the Fed will likely keep an eye on the inflation expectations components of the University of Michigan survey, which moderated but remained elevated in the preliminary release (see "US Economic Perspectives: Market inflation expectations are less sanguine than they look "). Unit motor vehicle sales will provide a preliminary glimpse into current-quarter consumer spending.

In summary, the Fed is likely to remain non-committal with respect to the near-term monetary policy outlook. This week's data deluge could very likely influence which way market participants may start to lean – in particular, if Friday's employment data meaningfully disappoint. However, it's worth noting that the initial headline payroll print has exceeded the median consensus forecast in each of the last four months as the economy has been resilient to several shocks thus far – one reason why the Fed has been in no hurry to cut this year.

Figure 3: Fed speak calendar

Region	Name	Date	Dove/Hawk	Voter	Events
FRB	FRB	Jul-19 - Jul-31			Fed external communications blackout
Chair	Powell	Jul-22	Neutral	Y	Welcome remarks at Regulatory Conferenc

Source: Bloomberg Finance LP, Deutsche Bank

Please see the following pages for a forecast summary and estimates of the upcoming US high-frequency data over the next several weeks.

Figure 4: DB Economic forecasts

Economic Activity	2025				2026				2027				2025F	2026F	2027F
(% qoq, saar)	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q4/Q4	Q4/Q4	Q4/Q4
GDP	-0.5	1.6	1.3	1.5	1.7	1.9	2.1	2.5	2.2	2.4	2.1	2.2	1.0	2.0	2.2
Private consumption	0.5	1.7	1.4	1.5	1.6	1.7	1.9	2.1	2.1	2.2	2.1	2.2	1.3	1.8	2.1
Investment	23.8	-18.3	1.9	2.6	2.5	2.7	2.9	4.3	3.2	3.6	2.6	2.5	1.4	3.1	3.0
Nonresidential	10.3	-0.8	0.1	0.9	1.2	2.3	2.4	2.4	2.8	2.9	3.2	3.2	2.6	2.1	3.0
Residential	-1.3	-5.5	-3.0	-3.0	-2.0	2.0	3.0	3.0	2.5	2.4	2.6	2.3	-3.2	1.5	2.4
Gov't consumption	-0.6	-0.3	-0.7	-0.2	1.1	1.8	1.6	1.6	1.5	1.5	1.5	1.5	-0.5	1.6	1.5
Exports	0.4	1.6	2.0	1.5	1.6	2.1	2.1	2.0	2.0	2.1	2.0	2.1	1.4	1.9	2.0
Imports	38.0	-24.0	1.1	1.3	1.7	1.9	1.7	1.9	2.1	2.0	1.9	2.0	1.8	1.8	2.0
Contribution (pp): Inventories	2.6	-3.5	0.4	0.4	0.3	0.1	0.1	0.3	0.1	0.2	-0.1	-0.1	-0.1	0.0	0.1
Net trade	-4.6	4.7	0.0	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Unemployment rate, %	4.1	4.2	4.4	4.6	4.6	4.6	4.5	4.5	4.4	4.4	4.4	4.3	4.6	4.5	4.3
Prices (% yoy)															
CPI	2.7	2.5	3.0	3.1	3.0	3.1	2.9	2.6	2.6	2.6	2.5	2.5	3.1	2.6	2.5
Core CPI	3.1	2.8	3.1	3.1	3.0	3.1	2.8	2.6	2.5	2.5	2.4	2.4	3.1	2.6	2.4
PCE	2.5	2.4	2.9	3.1	2.8	2.9	2.6	2.4	2.4	2.3	2.2	2.2	3.1	2.4	2.2
Core PCE	2.8	2.7	3.0	3.1	2.9	2.9	2.6	2.4	2.3	2.2	2.1	2.1	3.1	2.4	2.1
Fed Funds	4.375	4.375	4.375	4.125	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	4.125	3.625	3.625

Source: BEA, BLS, FRB & Deutsche Bank

Figure 5: Data calendar and DB forecasts

Jul-21	Jul-22	Jul-23	Jul-24	Jul-25
Leading Economic Indicators 10:00AM Apr: -1.4% May: Unch. Jun: -0.3	**Fed Chair Powell** gives welcome remarks at the Regulatory Conference. **Fed Chair Powell** gives opening remarks at the Fed's integrated review.	**Existing Home Sales** 10:00 AM Apr: 4.00M May: 4.04 Jun: 3.93 **20 Yr Bond Auction** $13bn	**Initial Claims** 8:30AM Jul-05 228k -4k Jul-12 221 -7 Jul-19 217 -4 **New Home Sales** 10:00 AM Apr: 722k May: 623 Jun: **2 Yr Note Announcement** $69bn **5 Yr Note Announcement** $70bn **7 Yr Note Announcement** $44bn **2 Yr FRN Announcement** $30bn **10 Yr TIPS Auction** $21bn	**Durable Goods Orders** 8:30 AM Apr: May: Jun: Headline -6.6% +16.4 -11.2 Ex-Trans. Unch. +0.5 +0.2 Core -1.5% +1.7 +0.2
FORECAST				
Jul-28	Jul-29	Jul-30	Jul-31	Aug-01
2 Yr Note Auction *$69bn* **5 Yr Note Auction** *$70bn*	**Advance Goods Trade Balance** 8:30 AM Apr: -$87.6B May: -96.6 *Jun: -97.6* **June JOLTS data released** **Consumer Confidence** 10:00 AM May: 98.4 Jun: 93.0 *Jul: 96.1* **7 Yr Note Auction** *$44bn* **2 Yr FRN Auction** *$30bn*	**ADP Employment Report** 8:15 AM May: +29k Jun: -33 *Jul: +55* **Real GDP** **Deflator** 8:30 AM 4Q24: +2.4% +2.3% 1Q25: -0.5 +3.8 *Adv: 2Q25: +1.6 +2.5* **Pending Home Sales Index** 10:00 AM Apr: -6.3% May: +1.8 *Jun: -1.0* **FOMC Meeting** **3 Yr Note Announcement** *$58bn* **10 Yr Note Announcement** *$42bn* **30 Yr Bond Announcement** *$25bn*	**Initial Claims** 8:30AM Jul-12 221k -7k Jul-19 217 -4 *Jul-26 225 +8* **Personal Income** 8:30 AM Apr: May: *Jun:* Income +0.7% -0.4 *+0.3* Consump. +0.2% -0.1 *+0.3* Core PCE +0.1% +0.2 *+0.30* **Employment Cost Index** 8:30AM Q424: +0.9% Q125: +0.9 *Q225: +0.8* **Chicago PMI** 9:45 AM May: 40.5 Jun: 40.4 *Jul: 42.1*	**Employment** 8:30 AM May: Jun: *Jul:* Payrolls +144k +147 *+75* Private +137k +74 *+100* UnRate 4.2% 4.1 *4.2* Hrly Erngs +0.4% +0.2 *+0.3* Workwk 34.3 34.2 *34.2* **ISM Index** 10:00 AM May: 48.5 Jun: 49.0 *Jul: 49.5* **Consumer Sentiment** 10:00 AM May: 52.2 Jun: 60.7 *Final: Jul: 62.0* **Construction Spending** 10:00 AM Apr: -0.2% May: -0.3 *Jun: +0.2* **Unit motor vehicle sales** May: 15.6 Jun: 15.3 *Jul: 15.5*
Aug-04	Aug-05	Aug-06	Aug-07	Aug-08
Factory Orders 10:00 AM Apr: -3.9% May: +8.2 *Jun: -10.2*	**International Trade Balance** 8:30 AM Apr: -$60.3B May: -71.5 *Jun: -75.0* **ISM Services** 10:00 AM May: 49.9 Jun: 50.8 *Jul: 51.2* **3 Yr Note Auction** *$58bn*	**10 Yr Note Auction** *$42bn*	**Productivity** **ULCs** 8:30AM 4Q24: +1.7% +3.8% 1Q25: -1.5 +6.6 *Prelim: 2Q25: +2.5 +1.0* **Wholesale Inventories** 10:00 AM Apr: +0.1% May: -0.3 *Jun: +0.2* **Consumer Credit** 3:00 PM Apr: +$16.9B May: +5.1 *Jun: +7.2* **30 Yr Bond Auction** *$25bn*	
Aug-11	Aug-12	Aug-13	Aug-14	Aug-15
	CPI Price **Total** **Core** 8:30AM May: +0.1% +0.1% Jun: +0.3 +0.2 *Jul: +0.1 +0.21*		**PPI** **Total** **Core** 8:30AM May: +0.3% +0.4% Jun: Unch. Unch. *Jul: +0.2 +0.2* **20 Yr Bond Announcement** *$13bn* **30 Yr TIPS Announcement** *$8bn*	**Retail Sales** 8:30AM May: Jun: *Jul:* Total -0.9% +0.6 *+0.5* Ex Autos -0.2% +0.5 *+0.5* Control +0.2% +0.5 *+0.5* **NY Fed Empire State Survey** 8:30AM Jun: -16.0 Jul: -5.5 *Aug: +1.0* **Industrial Production** **Cap. Util** 9:15AM May: Unch. 77.5% Jun: +0.3 77.6 *Jul: +0.2 77.8* **Business Inventories** 10:00 AM Apr: Unch. May: Unch. *Jun: +0.1* **Consumer Sentiment** 10:00 AM Jun: 60.7 *Jul: 62.0* *Prelim: Aug: 63.0*

Source: Deutsche Bank

Appendix 1

Analyst Certification

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