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Research

Economics
US Economic Notes

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What you need to know for the week ahead

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Post CPI Conference Call:

Wednesday Aug 12, 9:00 am EST

To register for the call, please contact your DB sales rep or go to the following URL:

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Commentary for Monday: With the July employment report in the rear-view mirror, the focus for this week turns to the other side of the Fed's dual mandate: inflation. The July jobs report presented a conflicting picture of the US labor market. See our latest chartbook "July employment: A downshift in momentum" for a deeper dive into the July data as well as our views on the labor market more broadly.

On the downside, headline payrolls contracted 23k and the private sector only added 30k jobs, both substantially missing expectations. In addition, prior months were revised down a net -103k, lowering the 3- and 6-month averages to 20k and 44k, respectively. However, much of the downside miss was driven by two sectors – leisure and hospitality (-40k) and local government education workers (-50k) – as diffusion indexes of job gains across sectors fell only slightly. Goods employment (+25k) actually rose the most since March and construction (+22k) the most since January.

On the more positive side, the unemployment rate fell further to 4.09%, its lowest reading since early 2025. Underlying the decline was a further fall in permanent job losers, which have also unwound the entire increase since that period. While the downtick in the labor force participation rate (by 0.1 percentage points to 61.4%) might undermine some of this move, that is not necessarily our read as some of the prior month's significant drop in participation for the 25-34 age group was unwound.

This month's decline was concentrated in older workers, which looks to us to be more about an aging population -- with more workers entering low-participation age groups -- as age-group-specific participation rates have been more stable. As such, we interpret this move as structural: neither reflecting cyclical weakness nor a development that will meaningfully reverse. Taken together, we view the July labor market data as consistent with a broadly stable picture with a low monthly breakeven rate (likely in the 0-50k range).

In terms of the week's data docket, Wednesday's CPI and Thursday's PPI will certainly be the highlight. Our expectations are for a roughly 2% decline in gas prices to weigh on July's headline CPI (+0.15% forecast vs. -0.42% previous) relative to core (+0.26% vs. -0.02%). Should our forecasts hit the mark, the year-over-year rate for both would tick down a tenth, the former from 3.53% to 3.45% and the latter from 2.59% to 2.51%.

In terms of the component level details, the June data featured many outlier price changes, so the extent to which they see payback will be important. Within core goods, we will have our eye on recreation commodities and educational and communication commodities. The former seemed to be driven by outsized increases in subcategories like toys (+2.5%) and other video equipment (+7.7%), so we are looking for some negative payback. That being said, recent increases in memory chip prices could begin to add price pressures to these goods, as well as for information technology commodities.

With respect to core services, last month saw surprising decreases in motor vehicle insurance, telephone services, and other lodging away prices. The first two categories do not show a particular tendency to exhibit payback after a surprising print, so we are looking for a return to something closer to where they were running in prior months.

However, we have penciled in some payback in other lodging away given that last month's downside surprise was particularly large relative to a private measure of hotel rates. There could thus be a couple of basis points of downside risk to our forecast should this payback not occur. Similarly, we have built in some slight positive payback in medical care services given that they seemed to be a bit on the weaker side. We will also pay attention to airline fares given July's almost 12% increase in jet fuel prices. For more details, see "July CPI preview & webinar registration".

As to Thursday's PPI data, we are looking for headline (+0.2% vs. -0.3%) and core (+0.3% vs. +0.2%) to come in close to their CPI counterparts. Our focus though will be on the categories like health care services, airfares, and portfolio management that feed into core PCE. Given our component level forecasts, our ex-ante prediction is for a 0.22% increase in July, which would have the year-over-year rate remain steady at 3.3%.

Portfolio management will be of particular interest within the PPI. While the 1% equity decline in June would point to a slight drag on core PCE in July, June's portfolio management PCE only rose 0.6%, completely missing May's 5.1% rally in equities. This presents potential scope for upward revisions to the prior data, which would boost the year-over-year rate.

Friday's retail sales will also be noteworthy for the first glimpse into Q3 spending. Though lower gasoline prices should drag on headline (+0.1% vs. +0.2%), ex-auto sales (+0.5% vs. -0.2%) and retail control (+0.4% vs. +0.5%) should post sturdy gains.

As of the writing of this piece, the Fed speaking lineup is sparse, with only Cleveland's Hammack (voter) and Richmond's Barkin (non-voter) scheduled. Hammack will be interviewed on Monday and will also participate in a moderated discussion on Thursday, while Barkin will speak on the economic outlook and monetary policy, also on Thursday.

Both officials have spoken recently; Hammack's explanation for her dissent from the July FOMC meeting stated that "Inflation has remained stubbornly above 2 percent for more than five years, and I am not confident it will return to our objective on its own." Barkin's comments though have been more two-sided, noting that it was a "close call" on whether rates are high enough to bring inflation down. Their appearances occur in the wake of the CPI data and thus may provide a window into how the incoming dataflow is impacting the views of both the hawkish as well as the more neutral camps within the FOMC.

Disappointing jobs figures likely reduce the potential for a more significant tightening in the labor market, which in turn could diminish the urgency around Fed action in September. That said, the potential for a rebound in employment due to one-offs against a backdrop of steadily declining labor market slack keeps higher rates on the table, in our view. Whether and when hikes come will continue to be more reliant on incoming inflation data.

Figure 1: Data docket and DB forecasts

FORECAST				
Aug-10	Aug-11	Aug-12	Aug-13	Aug-14
	Existing Home Sales	CPI Total Core	PPI Total Core	Retail Sales
	10:00 AM May: 4.19M	8:30AM May: +0.5% +0.2%	8:30AM May: +0.6% +0.1%	8:30AM May: Jun: *Jul:*
	Jun: 4.09	Jun: -0.4 Unch.	Jun: -0.3 +0.2	Total +1.0% +0.2 *+0.1*
	Jul: 4.11	*Jul: +0.15 +0.26*	*Jul: +0.1 +0.3*	Ex Autos +1.0% -0.2 *+0.5*
	3 Yr Note Auction *$58bn*	10 Yr Note Auction *$42bn*	Initial Claims	Control +0.8% +0.5 *+0.4*
			8:30AM Jul-25 198k +9k	Business Inventories
			Aug-01 199 +1	10:00 AM Apr: +0.6%
			Aug-08 205 +6	May: +0.3
			20 Yr Bond Announcement *$16bn*	*Jun: +0.2*
			30 Yr TIPS Announcement *$8bn*	Consumer Sentiment
			30 Yr Bond Auction *$25bn*	10:00 AM Jun: 49.5
				Jul: 55.2
				Prelim: Aug: 52.5

Source: Haver Analytics, Deutsche Bank Research

Figure 2: FRB, Bloomberg Finance LP, Deutsche Bank Research

Region	Name	Date	Dove/Hawk	Voter	Events
Cleveland	Hammack	Aug-10	Hawk	Y	Interview
		Aug-13			Moderated Q&A
Richmond	Barkin	Aug-13	Neutral	N	Economic outlook and monetary policy

Source: FRB, Bloomberg Finance LP, Deutsche Bank Research

Figure 3: DB US Economics forecast summary

Economic Activity	2026				2027				2028				2025F	2026F	2027F	2028F
(% qoq, saar)	**Q1**	**Q2F**	**Q3F**	**Q4F**	**Q1F**	**Q2F**	**Q3F**	**Q4F**	**Q1F**	**Q2F**	**Q3F**	**Q4F**	**Q4/Q4**	**Q4/Q4**	**Q4/Q4**	**Q4/Q4**
GDP	2.1	1.5	3.3	1.9	2.0	2.4	2.3	2.1	2.3	1.9	2.2	1.9	2.0	2.2	2.2	2.1
Private consumption	0.5	3.2	2.8	1.9	2.0	2.2	2.1	2.0	2.3	2.2	2.3	2.1	2.1	2.1	2.1	2.2
Investment	7.9	3.0	12.7	6.4	5.1	5.6	5.5	4.3	4.2	3.0	3.8	3.1	2.1	7.4	5.1	3.5
Nonresidential	10.6	8.4	7.6	6.2	5.2	5.5	5.2	4.4	3.5	3.7	3.6	3.8	5.6	8.2	5.1	3.7
Residential	-7.8	1.5	-1.0	-1.0	1.5	1.0	1.2	0.9	2.5	2.3	2.4	2.0	-3.8	-2.1	1.1	2.3
Gov't consumption	4.4	-0.8	1.0	0.7	0.5	0.9	0.9	0.9	-0.3	-0.4	-0.2	-0.2	-1.2	1.3	0.8	-0.3
Exports	10.9	4.5	3.5	3.3	3.0	3.1	3.0	3.1	2.0	2.1	2.0	2.1	1.1	5.5	3.0	2.0
Imports	11.8	11.5	8.9	7.1	5.1	4.1	4.0	3.5	2.1	2.2	2.1	2.2	-1.9	9.8	4.2	2.1
Contribution (pp): Inventories	0.2	-0.7	1.0	0.2	0.1	0.2	0.2	0.1	0.2	-0.1	0.1	-0.1	-0.1	-0.2	0.2	0.1
Net trade	-0.4	-1.0	-1.0	-0.7	-0.5	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1	-0.2	-0.7	-0.2	-0.1
Unemployment rate, %	4.3	4.3	4.2	4.3	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.5	4.3	4.2	4.2
Prices (% yoy)																
CPI	2.7	3.8	3.3	3.2	2.8	1.9	2.4	2.5	2.6	2.7	2.7	2.6	2.8	3.2	2.5	2.6
Core CPI	2.5	2.7	2.4	2.6	2.4	2.2	2.4	2.7	2.7	2.8	2.8	2.6	2.8	2.6	2.7	2.6
PCE	3.1	3.8	3.7	3.5	2.9	2.2	2.3	2.3	2.3	2.2	2.2	2.2	2.8	3.5	2.3	2.2
Core PCE	3.1	3.3	3.3	3.2	2.7	2.4	2.4	2.5	2.4	2.3	2.3	2.2	2.9	3.2	2.5	2.2
Fed Funds	3.63	3.63	3.88	4.13	4.13	4.13	4.13	4.13	3.88	3.63	3.63	3.63	3.63	4.13	4.13	3.63

Source: BEA, BLS, FRB, Haver Analytics, Deutsche Bank Research

Figure 4: Data calendar and DB forecasts

Aug-03	Aug-04	Aug-05	Aug-06	Aug-07
ISM Index 10:00 AM May: 54.0 Jun: 53.3 Jul: 55.6 Construction Spending 10:00 AM Apr: -1.4% May: Unch. Jun: -0.1 Unit motor vehicle sales May: 16.3M Jun: 16.6 Jul: 16.3	International Trade Balance 8:30 AM Apr: -$54.6B May: -77.6 Jun: -73.3 Factory Orders 10:00 AM Apr: +5.3% May: -1.1 Jun: -0.3 June JOLTS data released	ADP Employment Report 8:15 AM May: +122k Jun: +95 Jul: +44 ISM Services 10:00 AM May: 54.5 Jun: 54.0 Jul: 54.1 3 Yr Note Announcement $58bn 10 Yr Note Announcement $42bn 30 Yr Bond Announcement $25bn	Initial Claims 8:30AM Jul-18 189k -20k Jul-25 198 +9 Aug-01 199 +1 Productivity ULCs 8:30AM 4Q25: +1.6% +2.1% 1Q26: 0.8 1.3 Prelim: 2Q26: +1.4 +1.3 Wholesale Inventories 10:00 AM Apr: +0.7% May: +0.3 Jun: +0.2	Employment 8:30 AM May: Jun: Jul: Payrolls +63k +20 -23 Private +61k +30 +30 UnRate 4.3% 4.2 4.2 Hrly Erngs +0.2% +0.3 +0.1 Workwk 34.3 34.3 34.3 Consumer Credit 3:00 PM Apr: +$20.8B May: -0.2 Jun:
FORECAST				
Aug-10	Aug-11	Aug-12	Aug-13	Aug-14
	Existing Home Sales 10:00 AM May: 4.19M Jun: 4.09 *Jul: 4.11* 3 Yr Note Auction *$58bn*	CPI Total Core 8:30AM May: +0.5% +0.2% Jun: -0.4 Unch. *Jul: +0.15 +0.26* 10 Yr Note Auction *$42bn*	PPI Total Core 8:30AM May: +0.6% +0.1% Jun: -0.3 +0.2 *Jul: +0.1 +0.3* Initial Claims 8:30AM Jul-25 198k +9k Aug-01 199 +1 *Aug-08 205 +6* 20 Yr Bond Announcement *$16bn* 30 Yr TIPS Announcement *$8bn* 30 Yr Bond Auction *$25bn*	Retail Sales 8:30AM May: Jun: *Jul:* Total +1.0% +0.2 *+0.1* Ex Autos +1.0% -0.2 *+0.5* Control +0.8% +0.5 *+0.4* Business Inventories 10:00 AM Apr: +0.6% May: +0.3 *Jun: +0.2* Consumer Sentiment 10:00 AM Jun: 49.5 Jul: 55.2 *Prelim: Aug: 52.5*
Aug-17	Aug-18	Aug-19	Aug-20	Aug-21
NY Fed Empire State Survey 8:30AM Jun: +5.7 Jul: +15.6 *Aug: +10.0* NAHB Housing Market Index 10:00 AM Jun: 36 Jul: 34 *Aug: 31*	Housing Starts Permits 8:30AM May: 1.199M 1.410M Jun: 1.427 1.374 *Jul: 1.425 1.400* Industrial Production Cap. Util 9:15AM May: +0.1% 76.1% Jun: +0.1 76.1 *Jul: +0.3 76.4* Pending Home Sales Index 10:00 AM May: +3.5% Jun: -5.4 *Jul: +1.0*	FOMC Minutes 20 Yr Bond Auction *$16bn*	Philadelphia Fed 08:30AM Jun: +10.3 Jul: +41.4 *Aug: +15.3* Leading Economic Indicators 10:00AM May: +0.1 Jun: -0.2 *Jul: +0.1* 2 Yr Note Announcement *$69bn* 5 Yr Note Announcement *$70bn* 7 Yr Note Announcement *$44bn* 2 Yr FRN Announcement *$28bn* 30 Yr TIPS Auction *$8bn*	S&P Manufacturing PMI 9:45 AM Jun: 53.9 Jul: 53.9 *Aug: 54.1* S&P Services PMI 9:45 AM Jun: 51.2 Jul: 54.6 *Aug: 53.8*
Aug-24	Aug-25	Aug-26	Aug-27	Aug-28
	New Home Sales 10:00 AM May: 618k Jun: 628 *Jul: 630* Consumer Confidence 10:00 AM Jun: 92.2 Jul: 90.8 *Aug: 90.2* 2 Yr Note Auction *$69bn*	Personal Income 08:30 AM May: Jun: *Jul:* Income +0.7% +0.2 *+0.1* Consump. +0.9% +0.3 *+0.2* Core PCE +0.3% +0.1 *+0.22* Real GDP Deflator 8:30 AM 4Q25: +0.5% +3.7% 1Q26: +2.0 +3.6 *Prelim: 2Q26: +1.5 +6.2* Durable Goods Orders 8:30 AM May: Jun: *Jul:* Headline -4.0% +0.5 *+0.7* Ex-Trans. +1.8% +0.7 *+0.7* Core +1.9% +1.2 *+0.7* 5 Yr Note Auction *$70bn* 2 Yr FRN Auction *$28bn*	Advance Goods Trade Balance 8:30 AM May: -$105.8B Jun: -$101.5 *Jul: -$100.4* 7 Yr Note Auction *$44bn*	Chicago PMI 9:45 AM Jun: 56.7 Jul: 57.6 *Aug: 57.9* Consumer Sentiment 10:00 AM Jun: 49.5 Jul: 55.2 *Final: Aug: 52.5*

Source: Haver Analytics, Bloomberg Finance LP, Deutsche Bank Research

Appendix 1

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