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Muted Momentum

Inflation Stalled, Consumer Confidence Split, Jobless Claims Stayed Low

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Executive Overview

Core inflation held at 3.3% for a second month, consumer confidence stayed near flat, durable goods orders held a steady pace, and jobless claims remained near historic lows through late August.

Recent releases showed several corners of the US economy holding steady rather than shifting sharply in either direction.

Core PCE inflation, the Federal Reserve's preferred gauge, held at 3.3% annually for a second consecutive month, marking four months without net improvement, while the Bureau of Economic Analysis's second GDP estimate held growth at 1.5% for the second quarter, with consumer spending revised modestly higher.

Conference Board Consumer Confidence held near flat at 89.4 in August, though its Expectations Index moved further into a range historically associated with elevated recession risk even as current conditions improved.

Durable goods orders held a consistent upward pace, rising 1.1% to $339.3 billion in July, a fourth increase in five months. Initial jobless claims held near historic lows at 203,000 for the week ended August 22, extending a stable summer pattern.

Together, the data shows an economy where inflation, growth, and the labor market are each holding steady at their current levels, while consumer expectations continue to diverge from consumer confidence in present conditions, a distinction the Federal Reserve will weigh closely ahead of its September 15-16 meeting.

Core Inflation Holds Steady

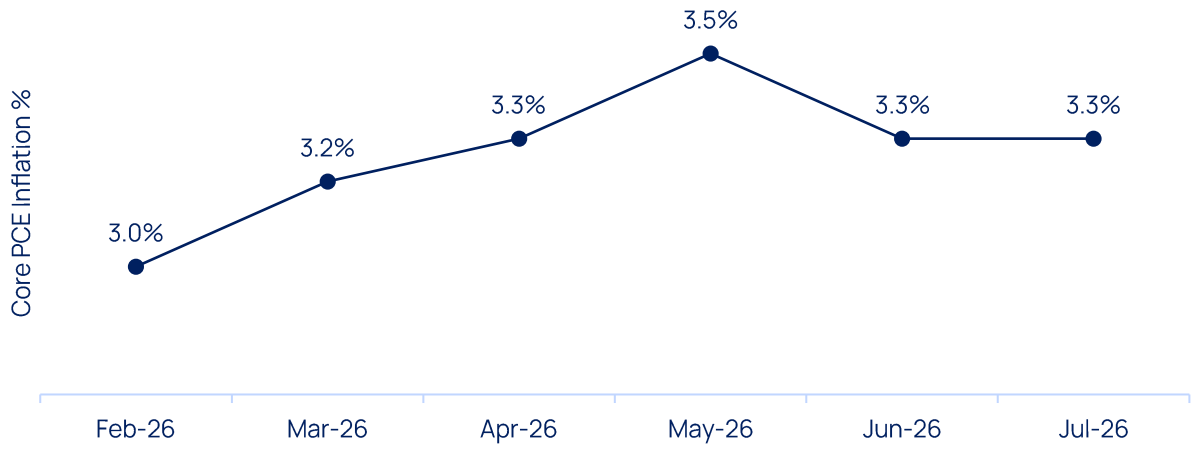
Core PCE inflation held at 3.3% annually for a second straight month, showing four months without net significant movement

The U.S. Bureau of Economic Analysis reported on August 26, 2026 that the core Personal Consumption Expenditures price index, the Federal Reserve's preferred inflation gauge, rose 0.2% month-over-month in July, holding at 3.3% on an annual basis for a second consecutive month.

The reading has held within a narrow 3.3% to 3.4% range across April, May, June, and July, four months with no net annual improvement. Headline PCE inflation held at 3.7% year-over-year, unchanged from June. Personal income rose $115.1 billion, or 0.4%, in July, while personal consumption expenditures increased a comparatively modest $36.3 billion, or 0.2%, reflecting an $86.2 billion increase in services spending partly offset by a $49.9 billion decrease in goods spending. Real PCE, adjusted for inflation, edged up just $1.3 billion, less than 0.1%. The personal saving rate held at 3.0%, matching June's level.

Separately, the same day, the Bureau of Economic Analysis released its second estimate of second-quarter GDP, holding the growth rate at 1.5%, unchanged from the advance estimate, though consumer spending within that estimate was revised up to a 3.4% annualized rate from 3.2%, and corporate profits from current production rose $400.9 billion in the quarter, compared with a $74.4 billion increase in the first quarter.

Figure 1: Core PCE Inflation, YoY



Source: Bureau of Economic Analysis

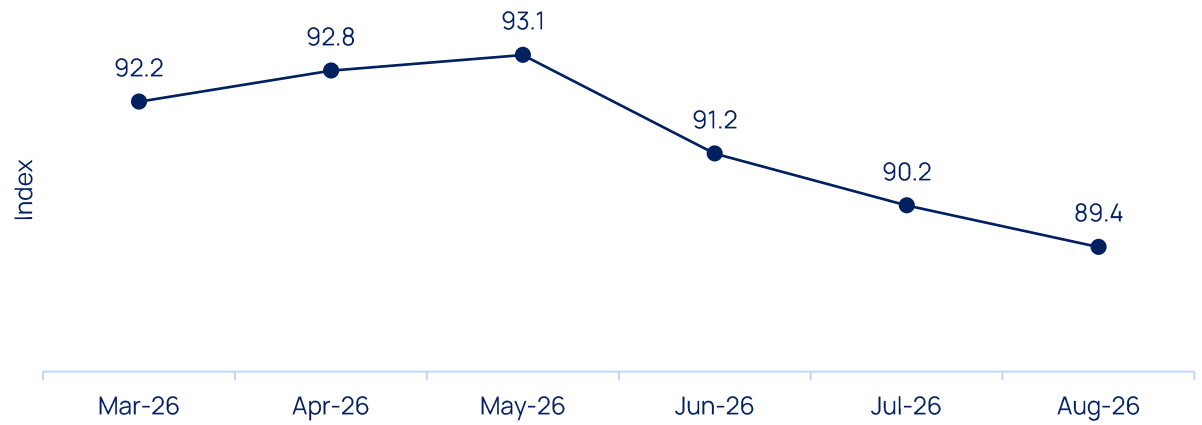
Consumer Confidence Stays Subdued

Consumer confidence dropped to 89.4 in August, with expectations weakening as current conditions improved

The Conference Board reported on August 25, 2026 that its Consumer Confidence Index registered 89.4 in August, holding close to July's 90.2 reading, a change of 0.8 points. The Present Situation Index, which measures consumers' assessment of current business and labor market conditions, rose 6.8 points to 121.2, its first increase after three consecutive months of decline. The Expectations Index, covering consumers' short-term outlook for income, business, and labor market conditions, moved to 68.2, a level the Conference Board has historically associated with elevated recession risk when sustained. The survey period for August's preliminary results ran from August 3 to August 16, 2026.

Auto purchasing expectations held steady on a six-month moving average basis, while homebuying expectations moved down slightly for the month, maintaining an upward trend that began after reaching decade-lows earlier in the cycle.

Figure 2: Consumer Confidence Index



Source: The Conference Board

Among planned durable goods purchases within six months, furniture and smartphones remained the most cited categories, though smartphone purchase expectations continued to moderate. Anticipated spending on services pulled back in August following a July increase in discretionary activity that coincided with lower gasoline prices and seasonal sporting events. The data indicates consumers are holding a steady view of present conditions while remaining cautious about the months ahead.

Durable Goods Orders Stable

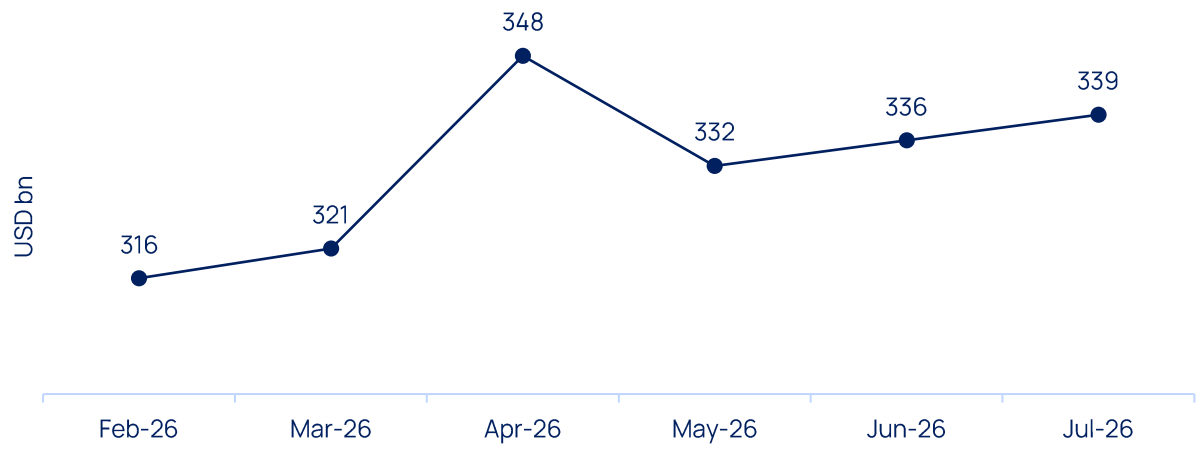
Durable goods orders held a steady upward pace, rising 1.1% to $339.3 billion for a fourth gain in five months

The U.S. Census Bureau reported on August 26, 2026 that new orders for manufactured durable goods rose $3.6 billion, or 1.1%, to $339.3 billion in July, a fourth increase in the last five months. This followed a 0.5% increase in June, indicating a consistent pace of order growth across the summer months.

Excluding transportation equipment, new orders held a steadier 0.4% increase, while orders excluding defence rose 1.3%. Transportation equipment, following two consecutive monthly decreases, contributed $2.6 billion, or 2.3%, to $116.2 billion in July, the primary driver of the headline figure The steadiness in the ex-transportation reading suggests underlying business equipment demand held a consistent trajectory rather than moving sharply in either direction. This data lands the same week as July's core PCE reading and August's consumer confidence figures, giving a fuller picture of business versus household spending patterns heading into the third quarter.

For institutional investors and corporate strategy teams, a durable goods orders pace holding steady across four of the last five months, without the volatility historically associated with this data series, points to manufacturers maintaining consistent capital equipment demand even as consumer-facing indicators showed more caution.

Figure 3: New Orders for Manufactured Durable Goods



Source: U.S. Census Bureau

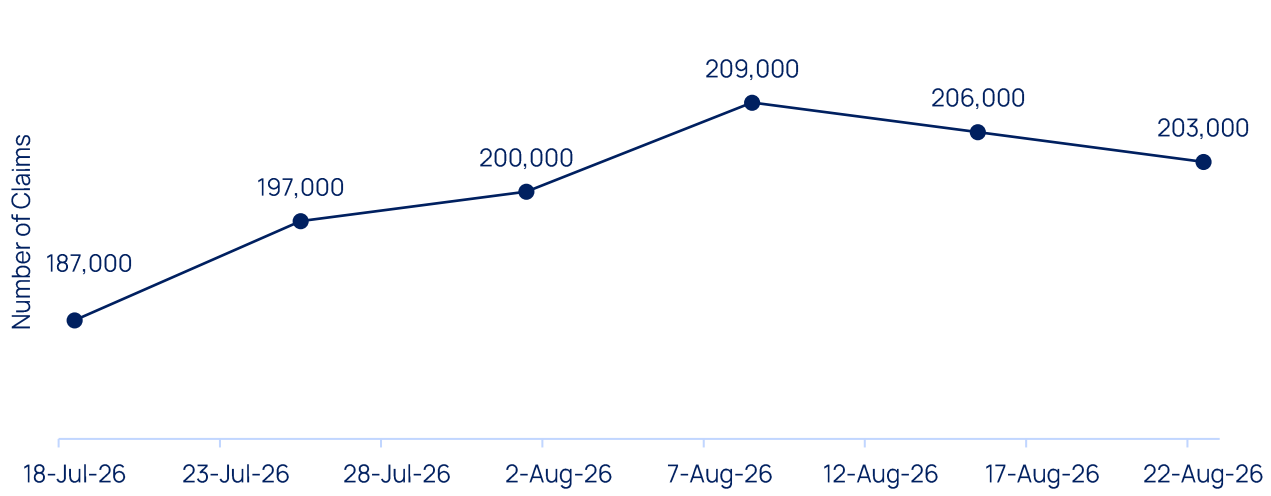
Jobless Claims Remain Low

Initial jobless claims nearing lows at 203,000, extending a stable pattern through late August

The U.S. Department of Labor reported on August 27, 2026 that seasonally adjusted initial jobless claims registered 203,000 for the week ended August 22, a decrease of 4,000 from the prior week's revised level of 207,000, and below the roughly 208,000 consensus forecast. The four-week moving average, which smooths short-term volatility, held at 205,500, an increase of 1,250 from the previous week's revised average of 204,250, indicating the underlying trend remained steady rather than shifting meaningfully in either direction. Claims have held within a consistent 189,000 to 209,000 range throughout the summer of 2026, with temporary increases tied to identifiable seasonal factors rather than a broader shift in labor market conditions.

Continuing claims, reflecting the number of individuals still receiving benefits, stood at 1,778,000 for the week ended August 15, a decrease of 18,000 from the prior week's revised level. The insured unemployment rate held steady at 1.2%, unchanged from the previous week.

Figure 4: Initial Jobless Claims



Source: U.S. Department of Labor

Economists continue to describe the pattern as "low fire, low hire," a labor market where employers are neither reducing headcount aggressively nor expanding hiring at pace, a dynamic that has held consistently across recent weekly readings heading into the Federal Reserve's September 15-16 policy meeting.

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