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Weekly Macro Outlook
w/c 7 September 2026

Weekly Macro Outlook: CPI Policy Stakes

This Weekly Macro Outlook highlights the key economic data releases, central bank events & speeches, and macro themes shaping global markets for the week of September 7, 2026.

Key Focus This Week:

- *Central banks: ECB Monetary Policy Meeting, Fed Blackout Period*
- *Major data: US CPI & PPI August*
- *Key themes: Middle East conflict developments*

Recap of Last Week

The US labor market data for August provided a more upbeat view of conditions after the recent loss of momentum in June and July. Payroll growth rebounded, the unemployment rate remained low, and other indicators suggested an uplift in labor income growth. More broadly, the Fed Beige Book, US ISM surveys, trade, and factory orders data continue to paint a picture of resilient US economic activity at the start of Q3. This solid labor market and growth backdrop reinforce the view that the Fed retains latitude to focus on achieving its price stability mandate. Furthermore, the speech by Fed Governor Waller last week underscored the policy stakes with an unusually rigid condition, noting that the August inflation print will "heavily" influence his view on the appropriate stance of policy.

<u>US Labor Market – Broad Rebound</u>

US payroll job growth surprised to the upside in August, printing +162k (expecting +58k). Revisions to the prior two months were positive (+55k), with the fall of -23k payrolls originally reported for July, revised up to an increase of +21k. The breadth of payroll gains also broadened in August.

The trend in payroll growth improved, though it remains volatile. The 6-month average lifted to +107k growth/month, up from +54k last month. The 12-month average increased to +50k, the highest in almost a year. Payroll growth in the YTD improved to +643k jobs, compared to only +156k in the same YTD period last year.

The US labor market wasn't just a story of stronger payroll growth – conditions more broadly improved in August.

<u>Growth in Labor Income Components</u>

Key indicators showed that labor income likely rebounded in August:

- Aggregate Hours Worked - rebounded strongly by +0.4% in August (up from flat in July), confirming the more general lift in activity. Annual growth in total hours worked increased by +1.2% in August, the highest since early 2024. The average workweek increased to 34.4hrs/week.
- Average Hourly Earnings - growth remained moderate in August, increasing by +0.3% over the month (up from +0.2% in July) and +3.1% over the year. This measure has slowed consistently over the last several years, indicating that the impact of average hourly earnings on inflation likely remains contained.

Unemployment and Labor Slack Unchanged

The unemployment rate remained at a low 4.1% in August, little changed from 4.1% in July, and still well below the recent peak of 4.5% from November 2025. According to the most recent Fed communications, the unemployment rate of 4.1% is consistent with levels of full employment.

Technically, the unemployment rate did edge slightly higher in August by +0.05% points. Research from the St. Louis Fed notes that this was the result of fewer unemployed people leaving the labor force and instead continuing to look for work.

Recent signs of emerging slack have also continued to stabilize. The employment-to-population ratio for the broader 16-years group edged higher to 59.1% in August, from a recent low of 58.9% in July. Similarly, the employment-to-population ratio for the core working age group remained at 80.4%, having fallen to 80.2% (a near-term low) in June.

US Growth Backdrop Remains Resilient

Consistent with the upside surprise in payrolls this month, the growth backdrop has remained resilient so far in August.

The Fed's Beige Book provides anecdotes from regional Fed business contacts over the six-week period leading up to the next Fed meeting. In the last six weeks, growth was characterized as between slight and moderate among most districts, with only two districts recording no change. Prices, however, increased more moderately, with half of the Fed districts (Dallas, Cleveland, Richmond, Atlanta, Chicago, and St. Louis) noting prices were increasing either moderately or even robustly. Both Minneapolis and Kansas City Fed anecdotes noted "elevated price pressures". At the last Fed meeting, it was three regional Fed Presidents that dissented (Dallas, Cleveland, and Minneapolis), preferring to raise the FFR by 25bps – that by acting modestly now might avoid harsher tightening later.

Based on the latest US ISM surveys (Aug), construction spending (Jul), auto sales (Aug), factory orders and shipments (Jul), and trade balance (Jul), the Atlanta Fed GDP Nowcast early in Q3 lifted slightly to a +4.75% growth run rate.

The Policy Outlook

- Governor Waller's Assessment: After seeing some progress on disinflation, Governor Waller noted that the upcoming August CPI/PPI will "heavily" influence his decision on the appropriate policy stance. While he would be prepared to act on a "hot" inflation print, he views any potential rate increase as only a "small adjustment", or fine-tuning, to ensure progress toward 2% inflation resumes. He notes, however, that current policy settings are only slightly restricting aggregate demand.

- The FOMC Divide: Waller's speech aligns with the broader debate outlined in the latest Fed Minutes – where policymakers discussed whether conditions were restrictive enough to return inflation to the 2% target. Most members remained in the hold camp at that meeting, preferring more data before updating their inflation assessment.
- Market Pricing: Markets are currently pricing a 60% probability of a Fed hike next week (source: CME FedWatch).

The Week Ahead: What We Are Watching

With the FOMC now in the blackout period ahead of the meeting on 15-16 September, this week's US CPI and PPI for August carry some clear policy stakes for that decision outcome. Given that the Fed's previous decision to stay on hold was conditional on receiving clearer inflation signals, these inflation prints, and how they translate into PCE inflation, may determine whether the Fed maintains its stance or delivers a hike.

Note: The US PPI report will be released a day before the CPI report this week.

The ECB also meets this week.

Geopolitical volatility is again elevated. The continued disruption to energy flows amid the US-Iran conflict remains an important headwind for key global energy prices. This risks driving headline inflation higher and spilling over into broader inflation pressures the longer it persists.

US CPI & PPI for August

The August CPI and PPI reports will provide the key inputs into the Fed-preferred PCE inflation gauge for August.

- Headline CPI is expected to increase by +0.4% over the month in August, up from +0.1% in July. Annual headline CPI is expected to be unchanged at +3.3% in August.
- Core CPI is expected to increase by +0.2% over the month in August, unchanged from +0.2% in July. Based on this, annual core CPI is expected to ease to +2.4% in August from +2.5% in July.
- Headline PPI is expected to firm over the month to +0.4% in August, from 0% in July. The annual PPI rate is expected to increase to +5.3% in August, up from +4.7% in July.
- Core PPI (ex-food & energy) is expected to increase by +0.3% over the month in August, up from +0.2% in July. Based on this, core PPI is expected to increase by +4.7% over the year in August, from +4.2% in July.

According to the latest Cleveland Fed Inflation Nowcast, these CPI and PPI estimates are expected to translate into higher August PCE inflation readings – and likely firmer readings in September also:

- Annual headline PCE inflation is expected to increase to +3.8% in August, from +3.7% in July.
- Annual core PCE inflation is expected to increase to +3.4% from +3.3% in July.

ECB Meeting

The ECB will meet this week and is expected to hike by 25bps. After holding at the last meeting, uncertainty over the geopolitical situation and its effects on higher energy prices are likely to continue to weigh on policymakers and the inflation outlook. Headline CPI firmed to +3.3% for the Euro area in August, on the back of higher energy prices, while core inflation remained little changed at +2.4%. The full suite of updated projections will be released this week.

US Treasury Issuance: 7 - 11 September 2026

This week, the US Treasury will auction and settle approx. $493bn in T-Bills, with a paydown of -$37bn. The US Treasury will also auction the 3-year and 10-year Notes, and the 30-year Bond this week – all to settle on 15 Sep. Approx $33.7bn in T-Bills will mature on the Fed's balance sheet and will be reinvested.

WEEK	Auction Date	Settlement Date	Marketable Securities	Auction Amount $B (TBAC)	Amount Maturing $B	New Money $B		Prior Auction High Rate %
Labor Day Holiday 7 September								
7-11 Sep	03-Sep	08-Sep	4 week bill	90			Actual 3.700%	3.650%
	03-Sep	08-Sep	8 week bill	85			Actual 3.750%	3.670%
	02-Sep	08-Sep	17-week Bill	72			Actual 3.855%	3.750%
				247	271	-24		
	08-Sep	10-Sep	13 week bill	92			Announced	3.770%
	08-Sep	10-Sep	26 week bill	79			Announced	3.885%
	08-Sep	10-Sep	6-week Bill	75			Announced	3.735%
				246	259	-13		
			Total - securities settling this week	493	530	-37		
			QTR to date totals	**6,468**	**5,738**	**730**		
			Estimated Net Cash to be Raised Q3 ($ Bn)			*739*		
	Face value of US Federal Reserve SOMA securities maturing			**$B**				
		Maturing & reinvestment						
		08-Sep	T-Bills	14.8				
		10-Sep	T-Bills	18.9				
				33.7				
	Upcoming Auctions			**$B**				
	08-Sep	15-Sep	3yr Note	58				
	09-Sep	15-Sep	10yr Note (R)	39				
	10-Sep	15-Sep	30yr Bond (R)	22				
				119				

Reserve Management Purchase (RMP) Operations

Operations began on 12 Dec 2025. See announcement here. See operation details and announcements here and here.

SOMA Reinvestment – September 2026

The program of Quantitative Tightening (QT), or balance sheet roll-off, ended as of 1 December 2025. See note here. All principal payments from the Fed's holdings of Treasury securities will be rolled over, and all principal payments from the Fed's holdings of agency securities will be reinvested into Treasury Bills through secondary market purchases.

Recommended US Treasury Financing: Q3 2026

The latest update on US Treasury borrowing requirements for Q3 (final) and Q4 2026 (estimate) was released w/c 3 Aug and can be found on the US Treasury website here.

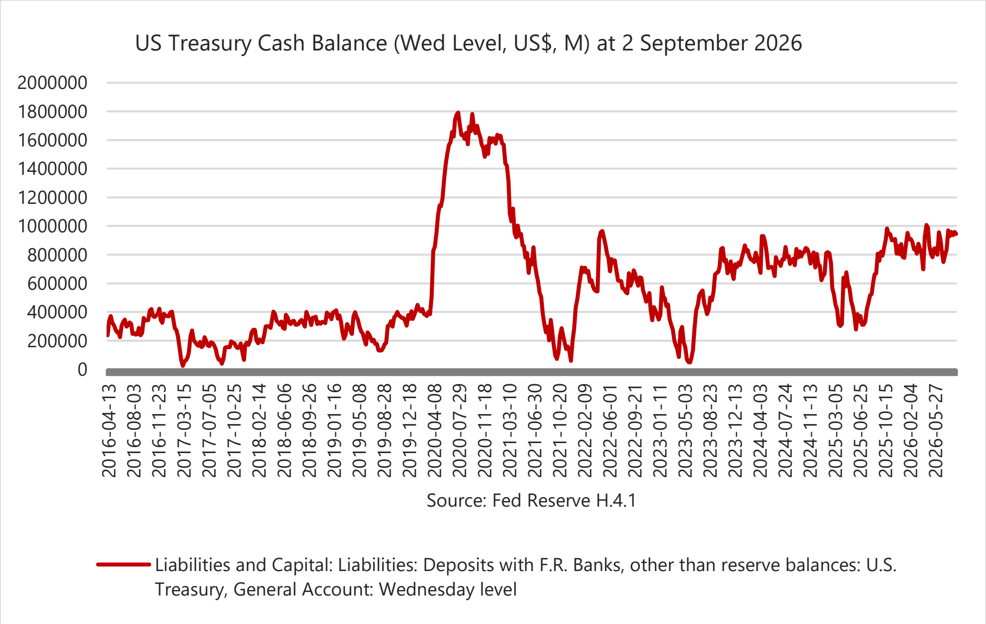
Updated Q3 2026 borrowing requirement: The US Treasury expects to borrow $739 billion in privately-held net marketable debt, assuming an end-of-September cash balance of $950 billion. The borrowing estimate for Q3 is $68 billion higher than announced in May 2026, primarily due to lower projected net cash flows, partially offset by the higher-than-assumed beginning-of-quarter cash balance.

Estimated Q4: Treasury expects to borrow $628 billion in privately-held net marketable debt, assuming an end-of-December cash balance of $850 billion.

Buybacks – A further change to the buyback schedule was announced on 19 August. The US Treasury announced it would increase the size of "liquidity support buyback operations" for longer-dated nominal coupon securities (the 10-year to 20-year sector and the 20-year to 30-year sector). The current maximum size of $2 billion per operation will be at least $4 billion per operation. This will come into effect on 9 September 2026.

US Treasury Cash Levels (TGA)

As of Wed 2 September 2026, the level of the TGA decreased to $944bn (-$15bn compared to the week prior). The TGA balance is now approx. $282bn *higher* than the same week a year ago. (Source: US Fed)



CALENDAR W/C 7 September 2026

MONDAY 7 SEPTEMBER (US Eastern Time, unless stated otherwise)	
Europe	Germany Industrial Production (Jul), Euro Area GDP – Final Q2
US	Labor Day Holiday
Japan	GDP – Final Q2
Australia	NAB Business Confidence & Conditions (Aug)

TUESDAY 8 SEPTEMBER	
US	CB Employment Trends Index (Aug), NY Fed Inflation Expectations (Aug), Consumer Credit Change (Jul)
China	Trade balance, Exports, and Imports (Aug), CPI & PPI (Aug)

WEDNESDAY 9 SEPTEMBER	
US	MBA Mortgage Applications wk ending 5 Sep

THURSDAY 10 SEPTEMBER	
Europe	**ECB Monetary Policy Meeting**
US	Initial Jobless Claims wk ending 5 Sep, **PPI (Aug)**, Existing Home Sales (Aug)
Japan	PPI (Aug)

FRIDAY 11 SEPTEMBER	
UK	Monthly GDP (Jul)
US	**CPI (Aug)**, Michigan Consumer Sentiment – Prelim (Sep)