

Economic Landscape

November 2025

MANUFACTURING

- The U.S. manufacturing sector weakened further in October, with the ISM Manufacturing PMI slipping 0.4 points to 48.7, reflecting deeper contractions in production and inventories. While new orders and export orders, and backlogs all improved slightly, they remained in contraction territory suggesting a continuation of softer demand and broader economic uncertainty. Employment also contracted – albeit at a slower pace – with businesses more inclined to maintain their headcount rather than hire. On the input side, supplier delivery times lengthened, and prices trended moderately higher.

LABOR MARKETS

- September's employment report reflected a modest gain of 119,000 jobs with growth concentrated in health care (+43,000), food and drink services (+37,000), and social assistance (+14,000). Most other major industries showed little change on the month, apart from further declines in both transportation and warehousing and federal government employment. Wage growth remained steady, with average hourly earnings up 0.2% for the month and 3.8% year over year. The official unemployment rate rose to 4.4% for September, marking the highest rate since October 2021.

PRICES

- The September Consumer Price Index (CPI) report showed a slightly inflation slightly softer than expected, with the headline index up 0.3%. Food prices rose 0.2% with groceries up 0.3% and the cost of dining out up 0.1%. Energy prices increased 1.5% led by a 4.1% gain in gasoline prices. Core CPI rose 0.2% with some notable moderation in owners' equivalent rent, up 0.1% representing the smallest 1-month increase since January 2021. For the twelve months ending in September, both headline CPI and core CPI rose 3.0%.
- After edging lower in August, producer prices (PPI) rose 0.3% in September. The gain was driven almost exclusively to a 0.9% surge in goods prices, with most of that attributed to energy prices. The index for service prices was unchanged.

SALES

- Prior to the government shutdown, retail sales rose a lukewarm 0.2%, falling somewhat short of expectations. Auto sector sales declined (-0.3%) while gas station sales advanced (+2.0%), leaving sales ex auto and gas up 0.1% in September. Discretionary spending appeared particular weak with declines at electronics and appliance stores (-0.5%), clothing stores (-0.7%), department stores (-0.7%), and even online retailers (-0.7%). September sales were solid at furniture stores (+0.6%), health and personal care stores (+1.1%), and at bars and restaurants (+0.7%).

AS THE FOG BEGINS TO LIFT

Tepid September jobs gains, softer September retail sales, and the economic drag from the recent federal shutdown make the near-term outlook weaker than it was earlier this year. Fresher data will slowly start to trickle out again, but the next employment report and CPI release won't be available until after the December 9th–10th Fed meeting. The Fed has some outspoken hawks as well as doves, so the next move is far from obvious. Probabilities based on futures pricing have seen some wide swings over the past few weeks but currently suggest another quarter point cut in December is likely.