The following offers a succinct look at the main macroeconomic developments across inflation, the labor market and activity indicators since the last FOMC meeting. It's part of the MNI US Fed Preview (here) although we have updated the labor section for Tuesday's weekly ADP and two months of JOLTS data from what appears in the main preview.

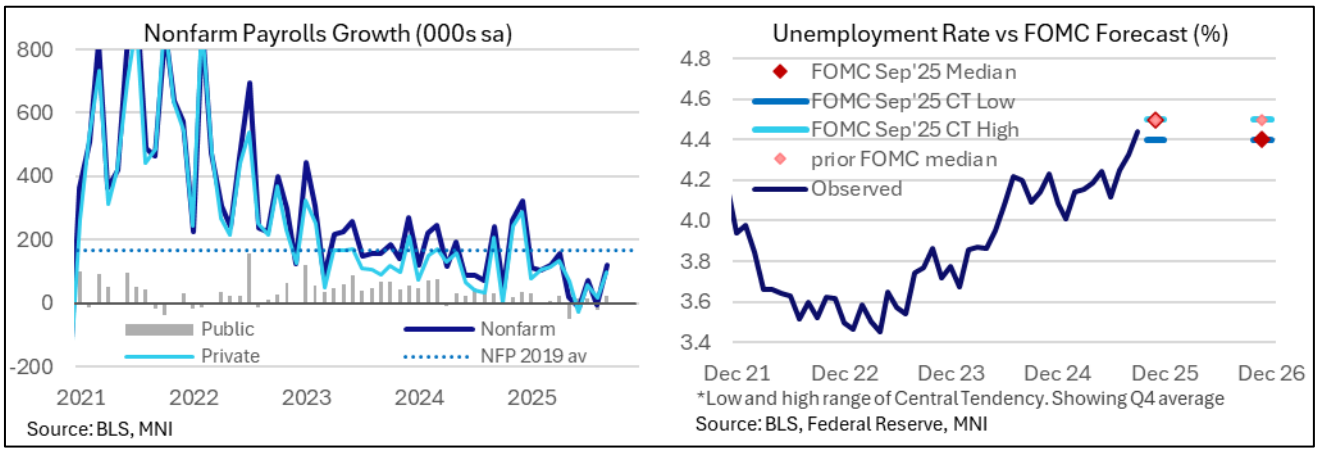
Macro Developments Since The October 28-29 FOMC Decision

By Chris Harrison (Dec 9, 2025)

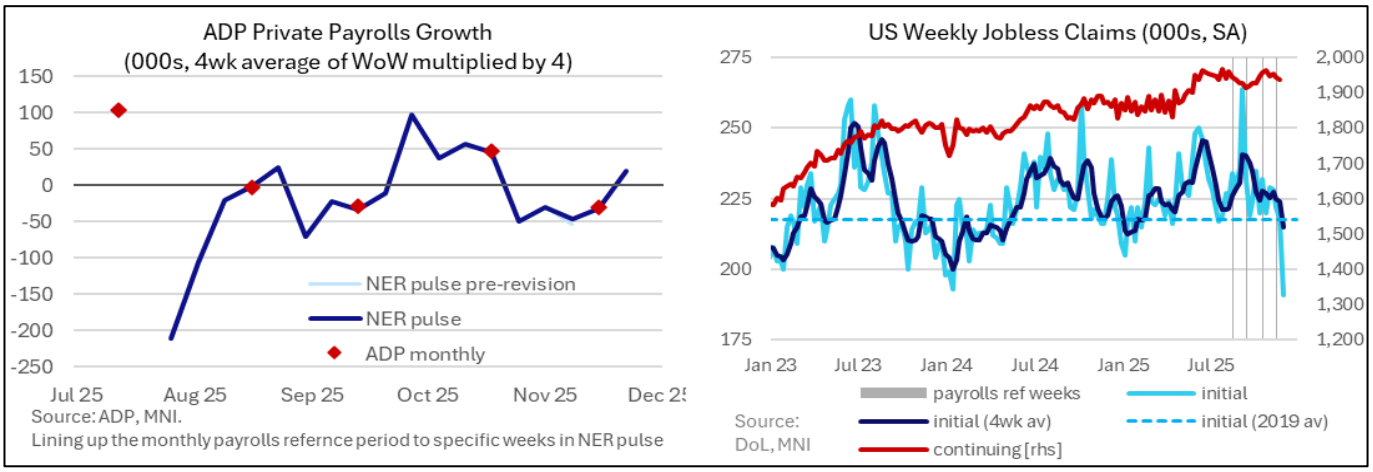
The government shutdown may have concluded but the knock-on effects still cast a long shadow on data updates. The most consequential release since the last FOMC meeting was the September nonfarm payrolls report with surprisingly strong payrolls growth but more notably another push higher in the unemployment rate. GDP tracking meanwhile remains particularly robust in Q3 and into Q4 as well (the latter using more anecdotal evidence) but Q3 BEA data will only be released on Dec 23. Inflation data have also been lacking, only receiving September updates for PPI and PCE inflation since the last meeting. They suggest a high likelihood the FOMC will undershoot its 4Q25 core inflation forecast but equally it's at a still elevated rate and sees stubbornly high services inflation.

Labor Market: Higher Unemployment Rate Causes Worry On FOMC

The last BLS nonfarm payrolls report the FOMC will have seen going into this meeting is the delayed September report released on Nov 20 (originally scheduled Oct 3). The next update will be the full November release set for Dec 16 which will include the establishment survey results for October (i.e. payrolls, hours worked and earnings) but won't include the household survey (i.e. unemployment rate) as it wasn't able to conduct the interview-heavy survey during the government shutdown. The payrolls data were surprisingly solid, with gains of 119k following a downward revised -4k for August and 72k in July. It meant trend job growth rates were at the lower end of the range of "breakeven" estimates, rather than pushing more materially below, and a very strong response rate to the survey should give more confidence that September's gains won't be revised away. However, the weaker household survey broadly leaned to a conclusion that the labor market is loosening or at least not showing material improvement in demand. The 4.44% unemployment rate in September is the highest since October 2021 (4.32% prior) and was above the consensus expectation of 4.3%. While it could be argued this represented a "healthy" rise, given that it came with a rise in participation, we didn't see it as unambiguously so as other metrics continued to point to continued soft labor demand. Philly Fed's Paulson, who has a voting role next year, noted that she still sees this unemployment rate as being in the "neighborhood of full employment". Other more hawkish members still cite inflation risks as their primary concern but then on the flip side members such as SF Fed's Daly warn on the potential for a non-linear deterioration in the labor market from here.

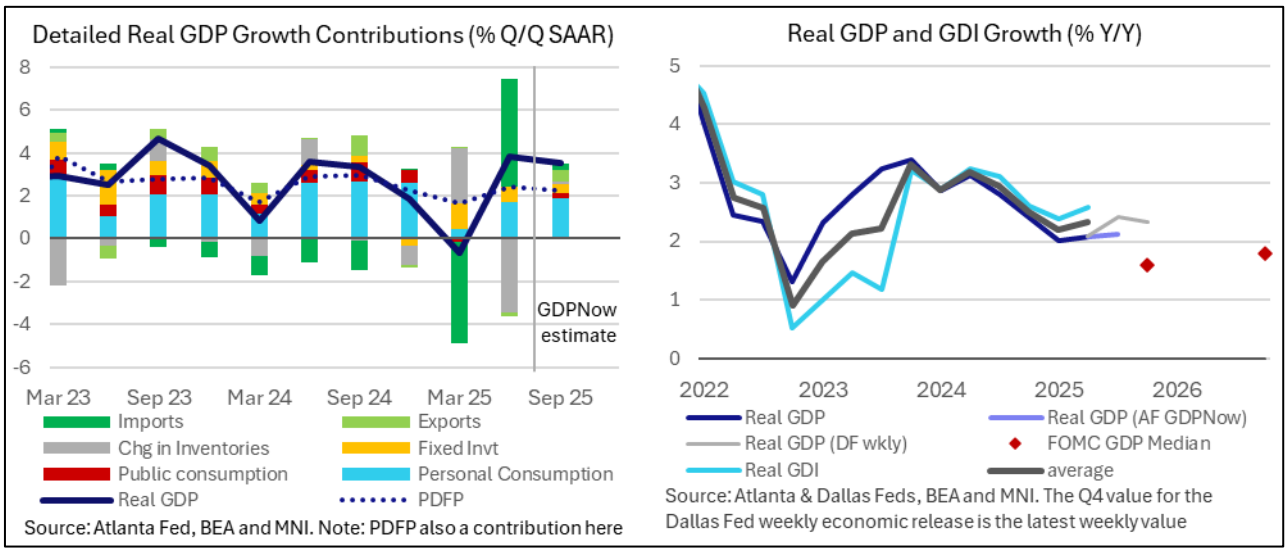


Since then, ADP employment has sent mixed signals – it surprisingly firmed in October after declining in September, returned to declining with a -32k drop in the main November report for a third monthly decline in the space of four months before some stabilization in latest weekly data. However, some unemployment rate trackers such as the Chicago Fed's nowcast point to no further deterioration in the labor market ahead, with this nowcast tracking at the same 4.44% in November after 4.46% in October. Granted, the surprise increase in the BLS unemployment rate in September has clearly appeared sufficient to sway Williams and seemingly other core FOMC members to the need for another cut in what might be viewed as a further insurance cut. Certainly, hawks will point to weekly jobless claims data not showing any additional deterioration in the labor market, with initial claims at very low levels even when looking through the latest slide to its lowest in three years in what looks like a Thanksgiving adjustment distortion. Granted, re-hiring conditions are softer as evidenced by continuing claims but they roughly remain at levels seen in payrolls reference periods from earlier in the year. In an addition to what we wrote in the Fed preview, the double JOLTS report for September and October on day one of the two-day FOMC meeting saw much higher than expected job openings but with quit and hire rates casting a more dovish light. Higher frequency Indeed job openings data had suggested stabilization before a recent increase into November.



Growth: Robust GDP Tracking But Still In The Dark On Official Data

Real GDP growth has likely been the main area where the FOMC has been surprised to the upside, especially since the last economic forecasts with the September SEP but also since the late October decision. The Atlanta Fed's GDPNow extended estimate eyes real GDP growth of 3.5% annualized in Q3, a useful tracker having now missed two official releases for Q3 originally scheduled for Oct 30 and Nov 26. Instead, the BEA is going to combine these two reports with an "initial" release that will include the alternate Gross Domestic Income series on Dec 23. Assuming the Atlanta Fed estimate is accurate – and it has tended to outperform analysts in recent quarters – it paints a only a slightly softer picture than the 3.84% in Q2, with a similar story for private domestic final purchases estimated at ~2.6% annualized after 2.86% in Q2. As for a more timely update, the Dallas Fed weekly economic index currently points to further robust GDP growth into Q4, tracking a little above 2% Y/Y in late November estimates. Whilst that implies more of the same since the 2.1% Y/Y back in Q2, the median FOMC forecast from September had this cooling to 1.6% Y/Y in Q4.



Various major business surveys, an important data source having not been disrupted by the government shutdown, also continue to point to generally robust activity. The November ISM services was stronger than expected in November as it surprisingly inched higher to 52.6 (+0.2pts) for its highest since February. The S&P Global US services PMI at 54.1 again offers a more optimistic assessment of current activity despite being revised down in its final November release, albeit with its smallest overshoot since April. More forward-looking implications are mixed though, with ISM services new orders slipping in November (but within a particularly volatile period that makes it hard to get a sense of trend) in contrast to the services PMI noting that activity was "supported by the firmest rise in new work of 2025 so far". Somewhat countering this services resilience, the ISM manufacturing index was lower than expected in November as it fell to 48.2 (-0.5pts) vs expectations of some stabilization. It's back at the low end a narrow range of 48.0-49.1 since March, having eased since Jan and Feb saw the first expansionary months above 50 since late 2022. Alternate anecdotal evidence points to more tepid activity, however. The Beige Book reported economic activity "was little changed since the previous report, according to most of the twelve Federal Reserve Districts, though two Districts noted a modest decline and one reported modest growth." The breadth of district responses did at least see a small improvement compared to the mid-October report.

Inflation: In The Dark But Core PCE Likely Softer Than FOMC Forecast

The Fed has the least clarity on inflationary pressures, with very little official data to further the FOMC's understanding since the late October meeting. It had already seen the September CPI report after the BLS made an exception and released it on Oct 24 during the government shutdown on social security payment grounds. Since then, all we've seen are PPI and PCE reports for September which saw slightly more dovish outcomes compared to post-CPI tracking. The November CPI report will be published on Dec 18 whilst the October release has been cancelled save a few details for non-survey-based variables.
Core PPI inflation was softer than expected back in September and broadly chimes with underlying core goods CPI inflation, with a peak for post-tariff M/M inflation pressures having come earlier in the summer (June for our median estimate on the CPI side, July for core PPI). Core PCE inflation meanwhile came in on the soft side of already trimmed expectations at 0.20% M/M after 0.22% in Aug and an average 0.24% through May-Jul, with the peak monthly rate for the post-tariff period being 0.26% M/M back in June. Higher monthly core goods inflation was offset by softer core services. It saw core PCE inflation ease to 2.83% Y/Y after the 2.90% in August was its highest since February, and more recent run rates eye some further moderation with both the three- and six-month averages at 2.7% annualized. With services an area of increased concern recently in previous signs of tariff spillover, we note that market-based services inflation eased to 3.2% Y/Y after five consecutive months at 3.4%. Highlighting its still elevated nature, this series averaged 2.2% in 2017-19. Core inflation therefore is still stubbornly above the 2% inflation target but it still looks increasingly likely we'll see downward revisions to the FOMC median core PCE forecast of 3.1% Y/Y in 4Q25 with next week's SEP.