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All Signal, No Noise

MARKET ANALYSIS

U.S. Employment Report: Oct 2025

MNI View: Labor Market Stays Soft

October 15, 2025 - By Chris Harrison and Tim Cooper

Executive Summary

- *With the BLS's nonfarm payrolls report for September delayed indefinitely, MNI has compiled a "Shadow" Employment Report that assesses latest developments via the data we do have for the month.*
- *Alternative private sector indicators of jobs growth paint a mixed picture on the extent of the latest additional softening beyond that seen in latest BLS payrolls data to August.*
- *With ratios keenly watched by FOMC members, various unemployment rate metrics point to further increases including to new recent highs in the Chicago Fed's final indicators report.*
- *State-level jobless claims data look contained though, with the labor market still best characterized as in a low fire, low hire state.*
- *Fed Chair Powell at Tuesday's NABE appearance: "it is fair to say that the outlook for employment and inflation does not appear to have changed much since our September meeting four weeks ago […] Available evidence suggests that both layoffs and hiring remain low, and that both households' perceptions of job availability and firms' perceptions of hiring difficulty continue their downward trajectories."*

Markets are having to increasingly turn to alternate indicators to gauge the latest developments in the economy, with the lack of government data under the shutdown. First and foremost is September's BLS employment report which has been postponed until after the shutdown ends. With the labor market watched most acutely, we will run through a series of useful indicators as the FOMC increasingly looks at broader metrics of labor market balance.

Last week's FOMC Minutes provided a helpful checklist of indicators in lieu of / in addition to the headline nonfarm payroll change figure: "the unemployment rate, the ratio of job vacancies to unemployed workers, wage growth, the percentage of unemployed workers who find a job, the quits rate among employed workers, and the layoff rate." A majority of these tend to primarily be looked at via government releases and are therefore unavailable currently although various private sector releases offer clues.

Fed Chair Powell on Tuesday eyes some of these other sources (link): "While official employment data for September are delayed, available evidence suggests that both layoffs and hiring remain low, and that both households' perceptions of job availability and firms' perceptions of hiring difficulty continue their downward trajectories." A footnote specified: "*State-level data on unemployment insurance claims during September remain available, as do some non-governmental statistics on job openings and hiring. September results regarding perceptions of employment conditions by firms and households are also available from recurring surveys, such as the National Federation of Independent Business's Jobs Report and the Conference Board's Consumer Confidence Survey*."

Powell more broadly: "based on the data that we do have, it is fair to say that the outlook for employment and inflation does not appear to have changed much since our September meeting four weeks ago" when of course they cut rates 25bp eyeing "rising downside risks to employment". Though in a slightly less dovish note, "data available prior to the shutdown, however, show that growth in economic activity may be on a somewhat firmer trajectory than expected." Warning signs are still there though - he pointed to the Beveridge Curve to suggest that "further declines in job openings might very well start to show up in unemployment."

Original Sep 2025 Payrolls Preview

Primary Dealers Largely Agreed On Steady U/E, AHE

	Payrolls	U/E (%)	AHE (M/M)
Scotiabank	-20	4.2	0.3
BMO	30	4.3	0.3
NatWest	35	4.3	0.2
Mizuho	40	4.3	0.3
Wells Fargo	45	4.3	0.3
Barclays	50	4.3	0.3
J.P.Morgan	50	4.3	0.3
Morgan Stanley	50	4.3	0.3
RBC	51	4.2	0.1
Societe Generale	58	4.3	0.3
BNP Paribas	60	4.3	0.3
HSBC	60	4.3	0.3
BofA	65	4.3	0.3
Jefferies	65	4.3	0.3
Nomura	65	4.3	0.2
Santander	75	4.3	0.2
Goldman Sachs	80	4.3	0.2
Deutsche Bank	85	4.3	0.3
UBS	95	4.3	0.3
TD Securities	100	4.3	0.2
Citi	105	4.3	0.2
Median	**60**	**4.3**	**0.3**
Prior	*22*	*4.32*	*0.3*

Entered in Bloomberg Finance L.P. survey or seen by MNI.
Red denotes tighter than consensus, blue looser

The Median Primary Dealer Analyst Had Payrolls Growth Of 60k

Whilst now of course delayed, the September nonfarm payrolls report had seen a primary dealer analyst median estimate of a 60k increase in nonfarm payrolls (range -20k to 105k). These estimates came with the usual analyst forecast round ahead of the release, including before a weak ADP release. It's possible that these will be revised down ahead of the actual release, whenever that may be.

Mixed Picture On Extent Of Latest Additional Softening In Jobs Growth

Two indicators that have recently been un-paywalled in response to the government shutdown offer alternative tracking estimates for jobs growth. The Revelio estimate implies no further softening than recent trends in the latest BLS payrolls data published to August (3mth average 29k, 6mth 64k or private sector averages of 29k and 67k) whilst others are weaker.

ADP Weaker Than Non-Paywalled Revelio Labs And Carlyle

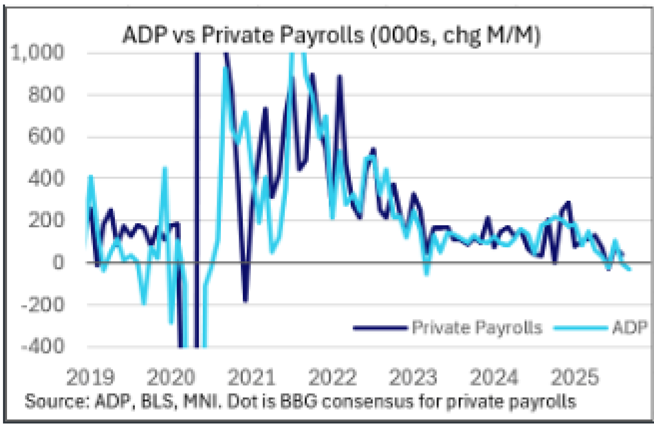
Revelio Labs estimate jobs growth of 60k in September with growth driven by education and health services, an area that has been a major driver of nonfarm payrolls growth in the BLS report for some time now. See their range of labor-related releases here.

Carlyle Group comes up with a more pessimistic estimate, eyeing a 17k increase in September. This is based on operational data from its portfolio companies which employ more than 700k people globally (see more, here). From the linked interview with Bloomberg: "What's so interesting about the moment we're in is the discrepancy between payrolls and the other economic indicators we're looking at," said Jason Thomas, Carlyle's head of global research and investment management. "If you looked at the employment data, you'd think it's an economy that's on the cusp of or in a recession. That is nowhere else in the data."

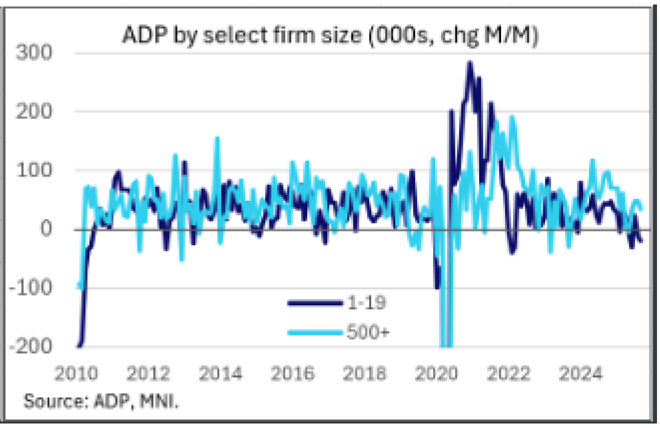
Whilst both soft, and likely close to or below payrolls breakeven estimates, both are tracking stronger than the widely known and publicly available **ADP** release. The latter saw its biggest private payrolls drop (-32k) since March 2023 and before that, Jun 2020. And the prior 54k was revised down to -3k, so the first back-to-back drops since the pandemic. We touch more on this below.

ADP Rebenchmarking Aside, Weak Private Payrolls Trends Continue [1/2] (updated Oct 1)

The ADP release for September was weak, showing the biggest private payrolls drop (-32k) since March 2023 and before that, Jun 2020. And the prior 54k was revised down to -3k, so the first back-to-back drops since the pandemic.



Source: ADP, BLS, MNI. Dot is BBG consensus for private payrolls



Source: ADP, MNI.

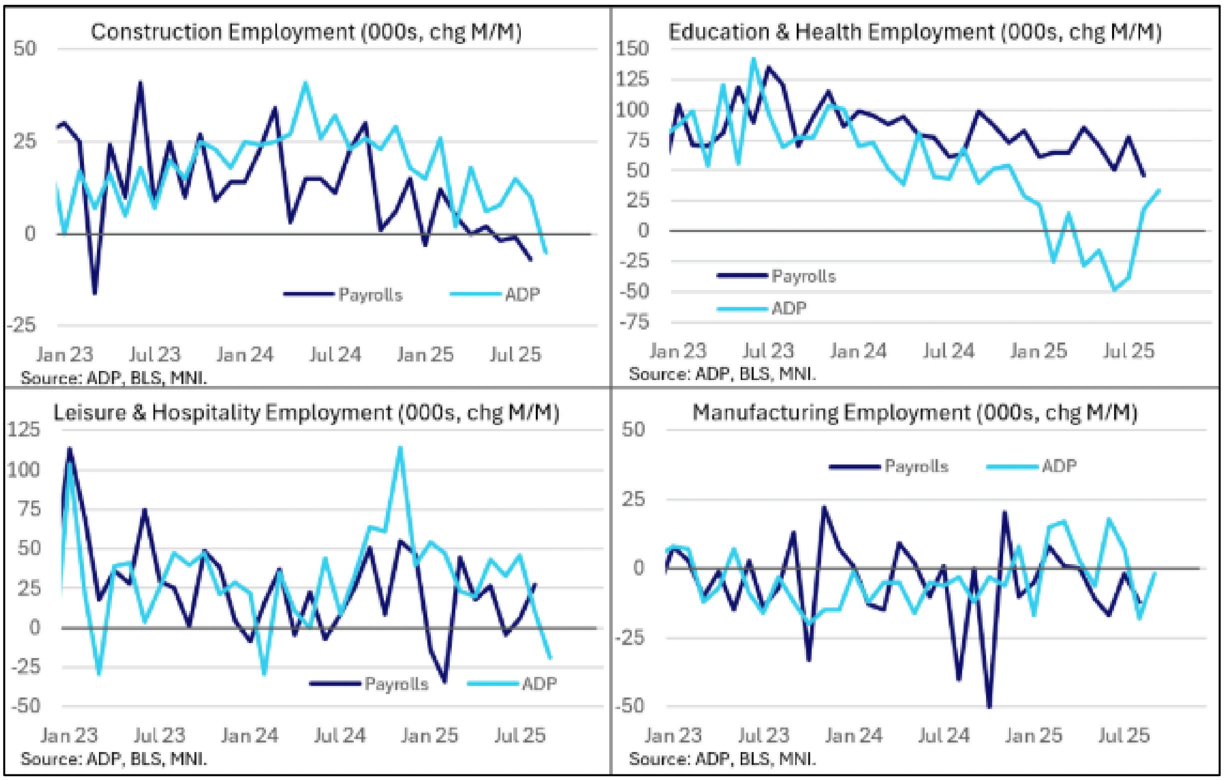
- This was a significant miss for private payrolls versus +51k expected. HOWEVER, this should be taken with caution since the ADP rebenchmarked in line with the BLS's QCEW rebenchmarking: "ADP conducted its annual preliminary rebenchmarking of the National Employment Report in September based on the full-year 2024 results of the Quarterly Census of Employment and Wages. This recalibration resulted in a reduction of 43,000 jobs in September compared to pre-benchmarked data. The trend was unchanged; job creation continued to lose momentum across most sectors."

- Months prior to August were not revised - so while the September ADP numbers would have "missed" even with 43k additional jobs, it wouldn't have been quite as bad.
- And the rebenchmarking does make September slightly hard to compare to recent months.
- That being said, the slowdown in payrolls growth continues, with the 3-month moving average of growth at 23k, and under 40k for 4 consecutive months now (ADP Chief Economist Nela Richardson: "Despite the strong economic growth we saw in the second quarter, this month's release further validates what we've been seeing in the labor market, that U.S. employers have been cautious with hiring."
- The ADP report is taking on outsized importance this month due to the very likely postponement of the Census Bureau's September Employment Report due to a federal government shutdown - there is no clean readthrough to what it means for private NFP payrolls consensus but we would expect a downward reconsideration from the 65k expected coming into this release.

ADP Shows Pay, Cyclical Sector Employment Deteriorating [2/2] (published Oct 1)

While we take the magnitude of the drop in September's ADP payrolls with a grain of salt given the rebenchmarking impact on the overall sequential change, the data showed widespread weakness across multiple sectors.

- Goods payrolls fell 3k for the first contraction in 4 months, with services down 28k, worst in 3 months and now marking a third drop in 4. Of 10 covered sectors, just three (natural resources +4k, info tech +3k, education and health +33k) were positive.
- The education and health gain was particularly interesting given a long streak of large underperformance vs the BLS series- it's now appearing to catch back up (see chart). But this is a non-cyclical sector so its recent improvement may flatter the broader perspective.
- Payrolls in leisure and hospitality a classic cyclical sector that was red hot during the pandemic reopening - were down for the first time since February 2024 (weakness that was echoed in the latest JOLTS data too), while construction employment is looking increasingly precarious with the first contraction since July 2021 in a sector beleaguered by weak activity.
- Large businesses continued to hire (+33k for companies with 500+ employees), but contractions were seen across the four categories of businesses sized smaller than that.
- The associated September Pay Insights also showed weakness outside of the raw number and it's unlikely to have been impacted by the numerical rebenchmarking. Job changers saw just 6.6% wage growth, joint-



lowest since February 2021 (7.1% prior), led by "leisure and hospitality and financial activities", though for job stayers it ticked up 0.1pp to 4.5%.

Payrolls Breakeven Estimates Within Standard of Error, Possibly Even Negative

Of course, these figures should be seen in light of the sharp reduction in breakeven payrolls estimates amidst large changes in labor supply on the back of immigration curbs under the second Trump administration. Fed Chair Powell at the NABE event on Tuesday: “I'm not going to try to give you a pinpoint number, but... the standard error around these things is, you know, 50,000 plus or minus, something like that... I think the range of plausible numbers... probably does go below zero... it's clearly come down a great deal."

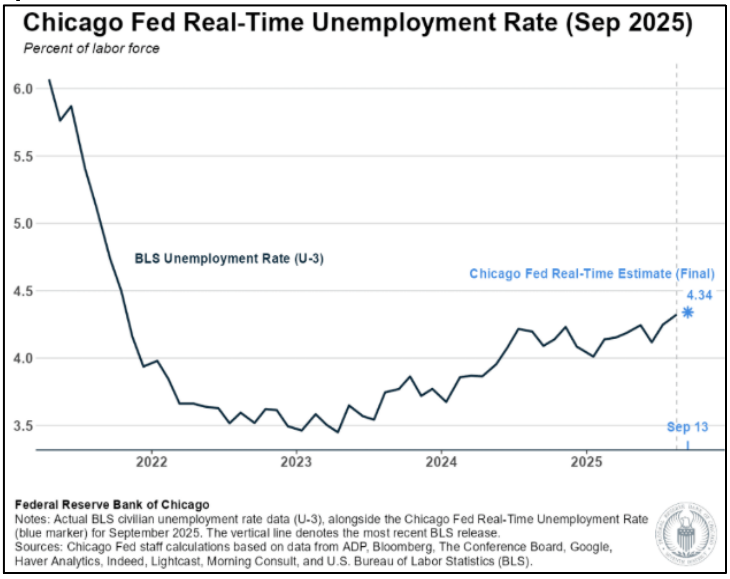
Sticking with other recent Fed color on matter, Philly Fed’s Paulson (’26 voter) said last week that the NABE survey estimate of breakeven payroll employment of 75,000 nonfarm payroll jobs "sounds really reasonable... I would suspect that it's lower than 75,000". "I know it's [the breakeven rate] lower than it was before... it's going to be within the standard of error. That includes some things that are negative. And so I think that's going to that's another reason why I think it's really important to look at ratios rather than those job flow numbers. Because when you've got supply and demand changing at the same time, it's really hard to assess...we've got structural things going on, at the same time that cyclical things are going on. And so that's why I'm going to be looking at at some of those ratios."

Unemployment Rate Indicators Point To Further Increases

Chicago Fed Indicators Show Tick-Up In Unemployment Rate In Sept

The Chicago Fed's Final Labor Market Indicators report for September estimates a 4.34% unemployment rate for the month, which would be an uptick from the 4.32% unrounded in August (and also the Chicago Fed's Advance estimate). That would mark the highest unrounded unemployment rate since October 2021 (albeit in line with expectations for the September nonfarm payrolls report which will be postponed due to the federal government shutdown).

- The unemployment rate forecast includes a combination of job-finding and job separations rates, based on real-time data. That data includes: initial and continuing jobless claims, Google Trends unemployment topic index, Bloomberg consensus for unemployment, Morning Consult's indices, JOLTS, the Conference Board's labor market differential, and Indeed / ADP / Lightcast-based job openings rates.
- Per the Chicago Fed, the model then relates changes in the flow-consistent unemployment rate (the ratio of the job separations rate to the sum of the job finding and job separations rates) to changes in the BLS's unemployment rate to produce a BLS unemployment rate forecast.
- Based on the real-time data above, the Chicago Fed sees layoffs and other separations at 2.10% (up from 2.09% in the advance report) and the hiring rate for unemployed workers falling to 45.22 (was 45.61% in the advance, and 45.61% in August), combining for a higher unemployment rate.
- It reports probabilities of possible values to be published in the upcoming Employment report: it shows a roughly one-in-four chance that the unemployment rate will fall from 4.3%, with 28% prob of no change and ~45% of an increase of 0.1pp or more, likely on account of the potential for the 4.34% estimated to round up to 4.4%.
- The October release will see a preliminary report on Oct 27 before a final report on Nov 6.



Morning Consult Unemployment Index At Highest Since June (published Sep 29)

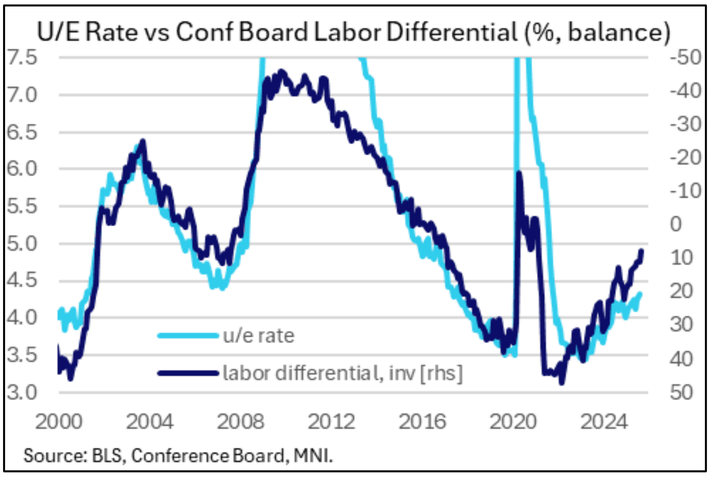
The Morning Consult unemployment index is at "its highest point since June, as weak spots in the labor market may be starting to spread", as of the Sep 29 release. However, "the overall level of joblessness is still relatively low, below the 100.0 threshold designated as "neutral" — but it has been trending in the wrong direction for most of the past month." See the full note on it [here](#).

- *"The recent increase in unemployment has largely been driven by prime-age female workers. Slower jobs growth in industries that disproportionately employ women, such as education and health services, may be leaving more job-seekers on the sidelines for longer periods of time, driving up female unemployment.*
- *Job searches have eased somewhat in September, with a notable contraction among high-income employed adults. Decreased enthusiasm for seeking greener pastures among this cohort aligns with a general downturn in sentiment for high earners recently; this group may be feeling more cautious about the economy overall and more eager to sit tight with current employers."*
- This survey is conducted daily and typically reported as a four-week moving average, with updates made twice a month. It covers over 5,000 adults per day in the United States.

Conference Board Labor Differential Hits Fresh Cycle Low (written Sep 30)

Standing out in a broadly weak Conference Board consumer confidence survey for September, the "labor differential" (jobs "plentiful" minus "hard to get") fell to 7.8 from 11.1 in August (rev from 9.7). That's the weakest since 2017 when excluding the 2020-21 pandemic period.

- While the percentage of those seeing jobs as "hard to get" was steady at 19.1%, the proportion seeing jobs as "plentiful" (26.9%) was the lowest since February 2021, but excluding the April 2020-Feb 2021 pandemic period, it was the lowest since February 2017.
- This is a closely-watched indicator for broader labor market conditions. It's historically correlated with the unemployment rate and having come down from over 22 at the end of last year, this has shown a decisive cooling which points to a continued rise in joblessness. A similar reading in 2017 was consistent with unemployment around 5.0%, vs 4.3% as of August.
- The October report will be released Oct 28.



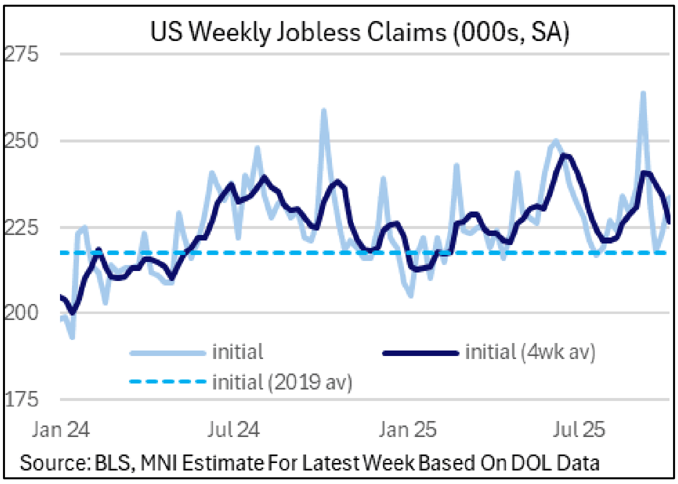
But State Level Jobless Claims Data Look Contained, Off Earlier Highs

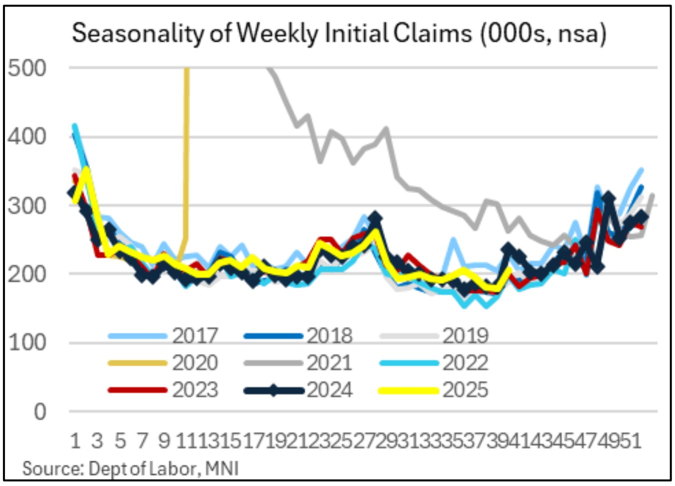
Initial Claims Tick Up For A Second Week To 233-234k, Per MNI Estimates (written Oct 9)

MNI estimates based on state-by-state data that initial jobless claims in the Oct 4 week of 233-234k (unrounded 233.5k) on a seasonally adjusted basis, a notable rise from 224k (estimated) the prior week.

- If confirmed that would mark a second (unofficial) consecutive weekly increase and the largest rise in a month, as well as the the highest number of claims in 4 weeks.
- However, the higher claims weeks of late August/early September mean that the 4-week moving average continues to descend, to 227k in the latest week vs 234k prior, for a 7-week low.
- Also, there is likely to be a downward revision to those early September readings due to the identified Texas claims fraud that will very likely be revised at some point.
- As such excluding that Texas effect, overall claims have been hovering in a 217-237k range for the last 16 weeks, suggestive of a "low firing" labor market.

- MNI had estimated 223-225k initial claims in the prior week, dependent on the outcomes of Arizona, Massachusetts and US Virgin Islands claims which hadn't been published. While the Virgin Islands is still outstanding, the AZ and MA numbers were close enough to our estimates.
- This week, Hawaii (a relatively small state) and Massachusetts haven't reported. We assume the prior week's uptick was the usual seasonal norm for MA, and in the Oct 4 week it leveled off; however that assumption likely means that risks to our estimate are tilted slightly to the upside.
- One standout in the current week was Missouri whish saw a 3.9k uptick in claims (NSA), the largest rise since January and outside of the seasonal norms, though (obviously) no explanation was provided.
- The overall national NSA rise was 27.1k (to 206k), most since early June, though this was not outside of the seasonal norm.
- Note that these recent estimates are calculated from state-level claims data released later on Thursday along with already known BLS seasonal factors for national jobless claims.





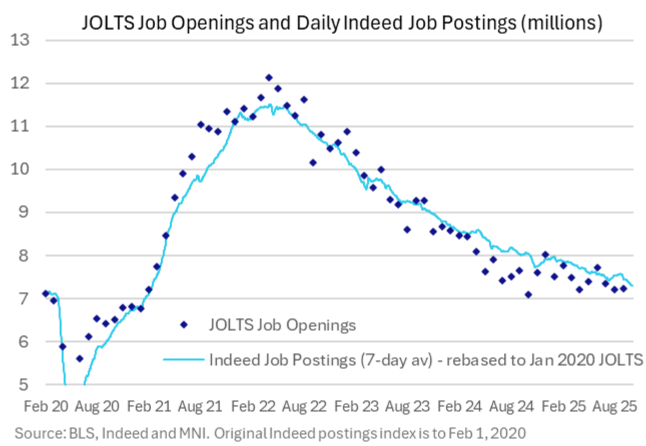
Continuing Claims Look To Have Increased Only Modestly Last Week (written Oct 9)

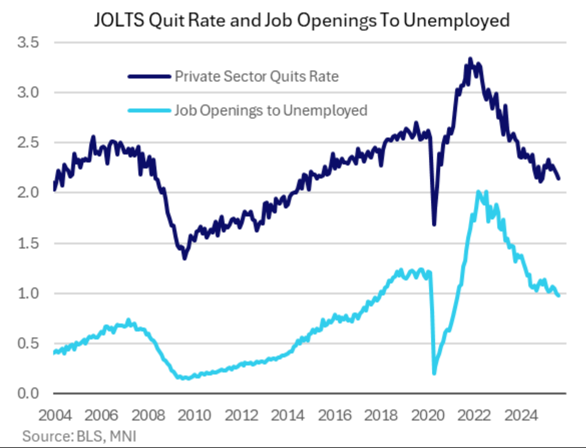
- Adding to our earlier comments on initial jobless claims, MNI estimates that continuing claims stood at a seasonally adjusted 1923k in the week to Sep 27.
- That's crudely using a four-week moving average for some missing states, whilst GS (1924k) and JPM (1927k) are a little higher.
- We tentatively estimate this to have been a second weekly increase in continuing claims from ~1909k two weeks prior in the week to Sep 13. If accurate, the latter would be its lowest since May (and a downward revision from 1926k in the last official data), holding off recent cycle highs in the 1960k's.
- Combined with still healthy initial jobless claims figures when allowing for Texas fraud, and these releases broadly point to a continuation of a low fire, low hire labor market.

Indeed Job Postings Point To Further Modest Decline In Vacancies (written Oct 9)

- The ratio of job vacancies to unemployed workers is a metric that has been referred to by FOMC members for some time, although the vacancies data are taken from the BLS JOLTS report and the unemployment rate from the BLS payrolls report, both of which aren't being released under the government shutdown.
- To give an idea on more timely changes in vacancies, we note that Indeed job postings have recently seen a renewed softening in daily data up until Oct 3, falling to fresh lows since early 2021.
- These postings are ~2.5% lower than end-Aug – the latest period we have from the more comprehensive JOLTS report, in a figure that was roughly as expected at 7.2mln openings for little change from July.
- In the JOLTS data up until August, a trend decline in job openings coupled with a push higher in unemployment had seen the two move back in line, with a ratio of 1.0 in both July and August. This ratio peaked at a historically high 2.0 in Mar/Jul 2022 before moderating thereafter. The pace of moderation had been much slower since mid-2024 however, with an average 1.1% through Jun 2024-2025, having returned to a range seen pre-pandemic (0.9 in 2017, 1.1 in 2018 and 1.2 in 2019).

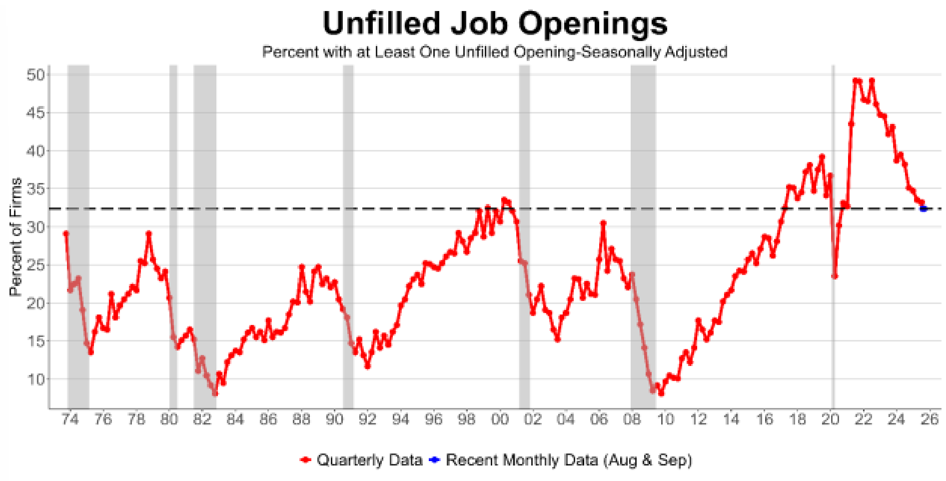
- With the ratio now at the low end of this range, there will be some concern that Indeed job postings have pushed lower since then, although as you can see from the chart below, it looks within ranges if basing off JOLTS levels in early 2020 when the Indeed postings data are first available.



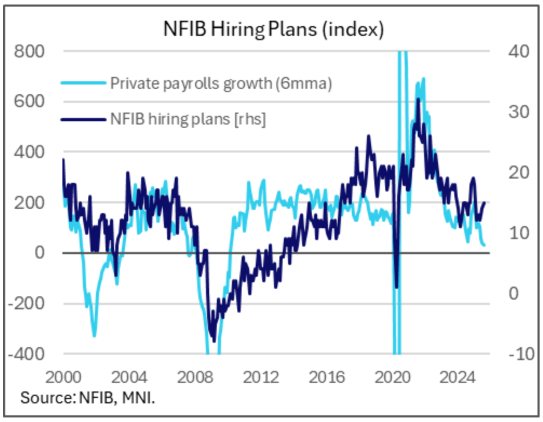


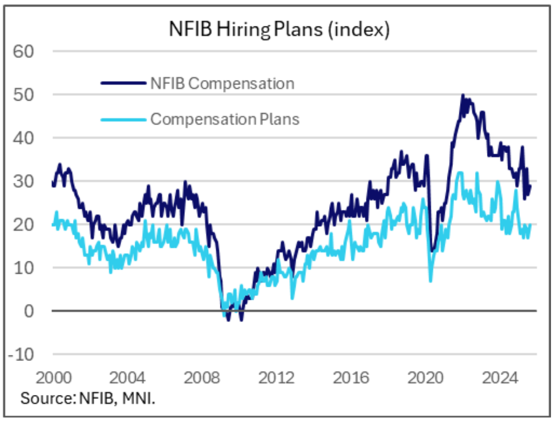
NFIB Reports Easiest Filling On Job Openings Since 2020 But Highest Hiring Plans Since January (Oct 2)

- The NFIB jobs report (link) noted that “a seasonally adjusted 32% of all small business owners reported job openings they could not fill in September, unchanged from August.” That’s still elevated on a long-term historical basis (see chart below) but not for the years shortly before the pandemic and “the last time unfiled job openings fell below 32% was in July 2020”, highlighting its relative weakness for recent years.
- Hiring plans are at least holding above recent lows, in September hitting their highest since January. “A seasonally adjusted net 16% of owners plan to create new jobs in the next three months, up 1 point from August and the fourth consecutive monthly increase.”



Source: NFIB Jobs Report





MNI Policy Team Insights

MNI POLICY: Fed Set To Keep Cutting Rates Despite Missing Data

By Jean Yung, Pedro Nicolaci da Costa and Evan Ryser (Oct 9, 2025)

WASHINGTON - The U.S. government data blackout will not prevent the Federal Reserve from continuing to lower interest rates as soon as this month and possibly again in December in response to signs of weakening in the labor market and inflation that is less acute than officials had feared.

Growing risks to the employment outlook following sharp downward revisions to payrolls data have been a central justification for the resumption of interest rate cuts after a year-long hiatus.

While the September jobs report has been delayed by the shutdown, private sector data showing signs of weakness continue to accumulate. ADP projected a 32,000 loss of private-sector jobs last month after a 3,000 decline the prior month, while the Conference Board's labor market differential of jobs "plentiful" minus jobs "hard to get" was at its lowest level in over a year.

Inflation remains too high for both goods and services, but policymakers are also coming around to the idea that the most prominent upside risks from tariffs — via second-round effects, retaliatory actions from trading partners or supply chain disruptions — have subsided. This leaves a fairly high bar for officials to halt their easing campaign, even in the face of still-elevated inflation readings.

At 4.0%-4.25% after the September move, the fed funds rate remains a point above the median FOMC estimate of neutral, leaving further room to cut while keeping policy modestly restrictive.

"Most (FOMC members) judged that it likely would be appropriate to ease policy further over the remainder of this year," the minutes of the September Fed meeting published Wednesday said.

CONTINUED DETERIORATION

Further evidence of labor market weakness will be key to how far and how quickly the FOMC will lower borrowing costs. A sharp slowdown in job growth since April has been tempered by a simultaneous fall in the supply of workers due to immigration restrictions, lifting the unemployment rate only gradually and keeping the labor market largely in balance. (See: MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn)

Evidence from private sector data show those trends have likely continued, an Fed Governor Chris Waller cited the downbeat ADP data as pointing to "continued deterioration" through August. At the same time, officials find some comfort in growth numbers suggesting the economy picked up steam in the second half of the year, which would be inconsistent with a sudden sharp round of layoffs.

A new real-time tracker of the jobless rate from the Federal Reserve Bank of Chicago using private and public data estimates the September jobless rate to be 4.3%, unchanged from August and allaying fears of a more abrupt uptick. But the details of the report show the hiring rate fell slightly while the rate of layoffs and quits rose, meaning a slightly higher probability that the jobless rate could rise a tenth.

The high frequency measures on which the Chicago Fed estimate relies, including ADP, Google Trends and Morning Consult survey data are unaffected by the lack of official statistics, which are used primarily for benchmarking.

INFLATION CONFIDENCE

By contrast, there's less private sector coverage of price data, and the Fed may be flying blind on inflation until the next CPI report is published.

Tariff effects are clearly present in the latest data, contributing four-tenths to core inflation, but there's little evidence of factors that could amplify these effects, and cooling wage growth removes another source of potential price pressures.

The mere surprise factor that the widely-expected tariff inflation has not materialized is giving many FOMC members comfort that the worst of the economy's inflation troubles are over — indicated also by consistently anchored long-term inflation expectations in both market and survey measures.

MNI INTERVIEW: ISM Services Chair Sees Depressed Growth Ahead

By Evan Ryser (Oct 3, 2025)

WASHINGTON - Activity in the U.S. service sector stagnated in September and is likely to remain sluggish despite Federal Reserve interest rate cuts, Institute for Supply Management services chair Steve Miller told MNI Friday.

"There's no impetus so far that I see that says we're going to start expanding again. It's been a very gradual, consistent trend, once you filter out the noise of a specific month or two," Miller said.

The ISM composite decreased 2ppts to 50.0 last month, below market expectations and meeting the neutral threshold of 50 for the first time since January 2010. The business activity index slumped 5.1ppts to 49.9, and employment edged up 0.7pt to 47.2. The U.S. job market contracted for a fourth straight month in September, according to the ISM data.

Still-high mortgage rates mean little bounce in construction, real estate and rental activity, Miller said. That suggests the service sector growth may not get a boost from expected Fed rate cuts as previously expected, he said.

SUPPLY AND DEMAND

The ISM new orders index fell from 56.0 to 50.4, returning to where it was in July. "Its not a good trajectory," Miller said.

"There's nothing indicating strength there. It's all slow growth," he said of new orders. "I would expect we're going to hover around 50 to 50.5, unless there's some big tariff announcement" that could again spur a front-loading of orders.

While the demand side of the economy is tepid at the moment, the supply side is struggling as well. The supplier deliveries gauge increased to 52.6, the highest reading since February, signaling that firms are seeing more delays.

Slowness in supplier deliveries is being caused in part by wholesalers' reluctance to bring in additional inventory without a clearer underlying sense of demand, Miller said.

The prices paid ISM measure increased two tenths to 69.4, the fourth straight reading above 69 and the second highest since October 2022.

"We're talking to supply managers and there isn't any commentary around how retail prices or prices to consumers are sticking. It looks like inflation numbers are still pretty well under control." (See: MNI INTERVIEW: Fed Can Cut Gradually If Jobs Stay Strong- Kohn)

NO FIRE, NO HIRE

The employment component rose to 47.2 from 46.5, suggesting that the pace of job losses slowed last month.

Still, "even though we're not getting anything that's saying reductions in force or significant downsizing, it looks like there's a high reluctance to add staff," Miller said.

The employment contraction is driven by tariff policy uncertainty but at the same time ISM survey respondents are holding to an anticipation that something is going to happen that enables services growth to return, he said.

MNI INTERVIEW: US Factories Suffer Until Trade Fog Lifts - ISM

By Evan Ryser (Oct 1, 2025)

WASHINGTON - U.S. manufacturing is giving signs it will keep contracting and the longer trade uncertainty remains the greater the risk businesses start losing foreign orders, Institute for Supply Management manufacturing chair Susan Spence told MNI.

"Would really love to have a bright spot here but I'm just not seeing it until there's some certainty," she. "They want this tariff issue to be settled, and now we've got a [government] shutdown on top of it, which I think could affect some industries more than others."

Manufacturing is mired by low customer orders and higher input costs. The ISM manufacturing index increased 0.4pt to 49.1 in September, roughly in line with expectations, but the sector contracted for the seventh consecutive month in September.

New orders fell 2.5pt to 48.9, production increased 3.2pt to 51.0, and employment increased 1.5pt to 45.3. The new export orders component declined 4.6pt to 43.0, while the imports index declined by 1.3pt to 44.7. The prices paid measure declined 1.8pt to 61.9.

PYTHON EATING A RAT

"The production number is up. It is in expansion, but I don't think it's going to hold," Spence said. "There's nothing that shows me that there are more things knocking at the door."

The ISM chair suggested August's new orders jump was a blip, and demand will remain in contraction in coming months. "I've used a really bad analogy of a Python eating a rat. It's starting and it's flowing through, but there's no more rats."

Businesses "may be ordering just what they need to because these customers are not wanting to pay the increase, and so it's really not helping" overall demand, Spence said.

She also expressed concern customers outside the U.S. are seeking new relationships with producers in other countries. "The longer this goes on, the more time international customers have to develop other sources," Spence said.

FED CUTS LITTLE BOOST

The prices index fell to the lowest level since January, but the 61.9 reading is elevated. "If you take all the commentary on tariffs, every positive comment had two negatives saying the tariffs continue to kill us."

Spence said it looks like the Federal Reserve will cut interest rates further this year but repeated lower rates appear less likely to spur investment. (See: MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn)

"If you still have all that uncertainty about what the cost of your product is going to be because of the tariffs, I don't know if it's going to be enough in general to move these sectors to go ahead and spend that money because it's cheaper to borrow," she said.