

# U.S. Inflation Insight: October 2025

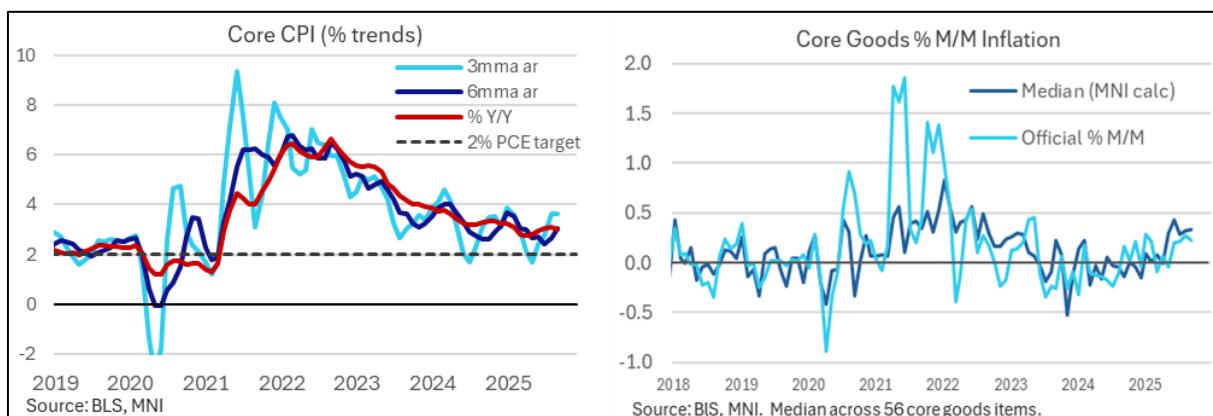
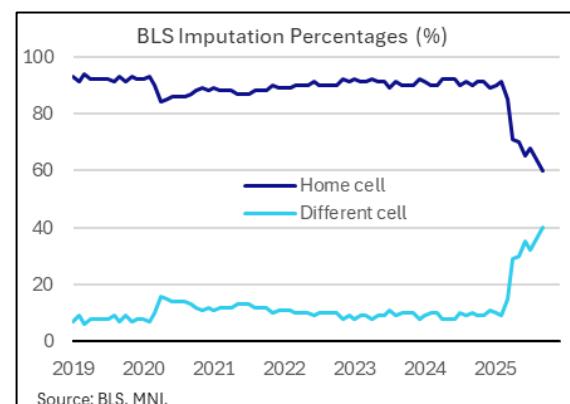
## MNI View: CPI Still Solid, But No Bar To Cuts

Oct 27, 2025 – By Chris Harrison and Tim Cooper

### Executive Summary

- The September CPI report was clearly softer than expected, with core inflation at 0.23% M/M (consensus of 0.32) after 0.35% in August, back to the pace seen in June after two 0.3% readings.
- Core goods were one notable relative weak point with markets still firmly on tariff passthrough watch, increasing 0.22% M/M (consensus 0.34) after 0.28% M/M in August, helped by a surprise decline in used car prices.
- Our look at broad price pressures within the core goods basket suggests September saw a very similar picture to August, with the peak coming back in June rather than seeing any additional acceleration in tariff passthrough.
- Rental inflation was surprisingly soft and included a sizeable reversal of OER inflation after a southern-based spike the prior month. Core services excluding housing were still firm however at 0.35% M/M and are now running at 4.7% annualized over three months or 3.3% over six months, but this metric has poor correlation with its PCE counterpart.
- Core CPI inflation surprisingly eased back a tenth to 3.0% Y/Y after two months at 3.1%, within a 2.8-3.3% range seen since mid-2024. Three-month core CPI stands at 3.6% annualized whilst the six-month is softer at 3.0% annualized.
- Data quality concerns increased again even before government shutdown collection issues, with a new recent high of 40% for different cell imputation in September – this peaked at 15% in the pandemic.
- There is still no release date for the September PPI report, with Fed officials still missing a sizeable piece for core PCE tracking ahead of Wednesday's FOMC decision.
- Post-CPI, we track core PCE estimates closer to 0.25% M/M for September than the 0.30% estimated pre-CPI. That would see a third month at 2.9% Y/Y but with similar recent run rates rather than ones point to a further acceleration, with the median FOMC forecast eying 3.1% Y/Y for 4Q25.
- The White House has indicated that there won't be an October CPI report.
- Markets currently fully price 25bp cuts both on Wednesday and then at the next meeting in December before a subsequent cut in March. A June cut is then seen as more likely than not but with less conviction behind it following weekend optimistic headlines concerning US-China trade tensions.

	Aug	September
Core	0.35%	0.227% (MNI unrounded Median 0.32%)
Headline	0.38%	0.310% (MNI unrounded Median 0.41%)
Core Y/Y	3.11%	3.02% (MNI median 3.1%, av 3.11%)
Headline Y/Y	2.92%	3.01% (MNI median 3.1%, av 3.07%)
(M/M taken only from unrounded, Y/Y more broadly)		



CPI Details*Headline CPI On Low Side, Food Away From Home Has Notable Deceleration*

Headline CPI came in on the lower side of expectations in September (headline 0.31% M/M vs 0.40% median expected, 0.38% prior), built largely on the miss in core categories.

- Among headline measures, food inflation decelerated a little less than expected (0.25% M/M vs 0.22% median, 0.46% prior).
- Of particular note though, food away from home printed 0.14% M/M after 0.29%. That marked the slowest inflation in this category in 19 months, and bears particular attention since it feeds into the PCE gauge.
- Food at home (ie grocery) price inflation slowed to 0.32%, still stubbornly high after August's outsized 0.58% rise, though some deceleration in key categories such as meats/poultry/fish/eggs and fruits and vegetables.
- Energy accelerated strongly but was more benign than anticipated though, rising 1.5% M/M vs 1.8% median, 0.7% prior, even though gasoline prices were a touch higher than anticipated. Electricity prices fell 0.5% M/M (+0.2% prior), with utility gas services -1.2% (-1.6% prior).

**Summary of Key Categories Vs Analyst Consensus (Red=Higher Than Avg Expectation, Green = Lower)**

mni	Headline			Core		Headline SA M/M	Core SA M/M	Supercore		Food		Energy			
	NSA		NSA	NSA				SA		M/M		M/M			
	Index		Y/Y	Y/Y	Y/Y			M/M	M/M	M/M	M/M	M/M	M/M		
<b>Sep (actual)</b>	<b>324.800</b>	<b>3.01</b>	<b>3.02</b>			<b>0.310</b>	<b>0.227</b>	<b>0.35</b>	<b>0.25</b>	<b>1.51</b>	<b>4.0</b>				
Sep (median)	325.035	3.10	3.10			0.40	0.32	0.39	0.22	1.78	3.5				
Sep (mean)	324.967	3.07	3.11			0.39	0.31	0.38	0.24	1.73	3.5				
Bbg consensus	325.010	3.1	3.1			0.4	0.3								
Aug (actual)	323.976	2.92	3.11			0.382	0.346	0.33	0.46	0.69	1.91				

*Core CPI Snapshot: Core Goods And Housing Miss, Supercore Within Estimates*

- Core Goods: 0.22% M/M in Sept (analyst av 0.34%) after 0.28%
- Core goods ex used cars: 0.31% M/M after 0.17%

## Housing inflation

- OER: 0.13 M/M vs analyst av 0.27 (range 0.21-0.31) after 0.38%
- Primary rents: 0.20 M/M vs analyst av 0.23% (range 0.14-0.26) after 0.30%

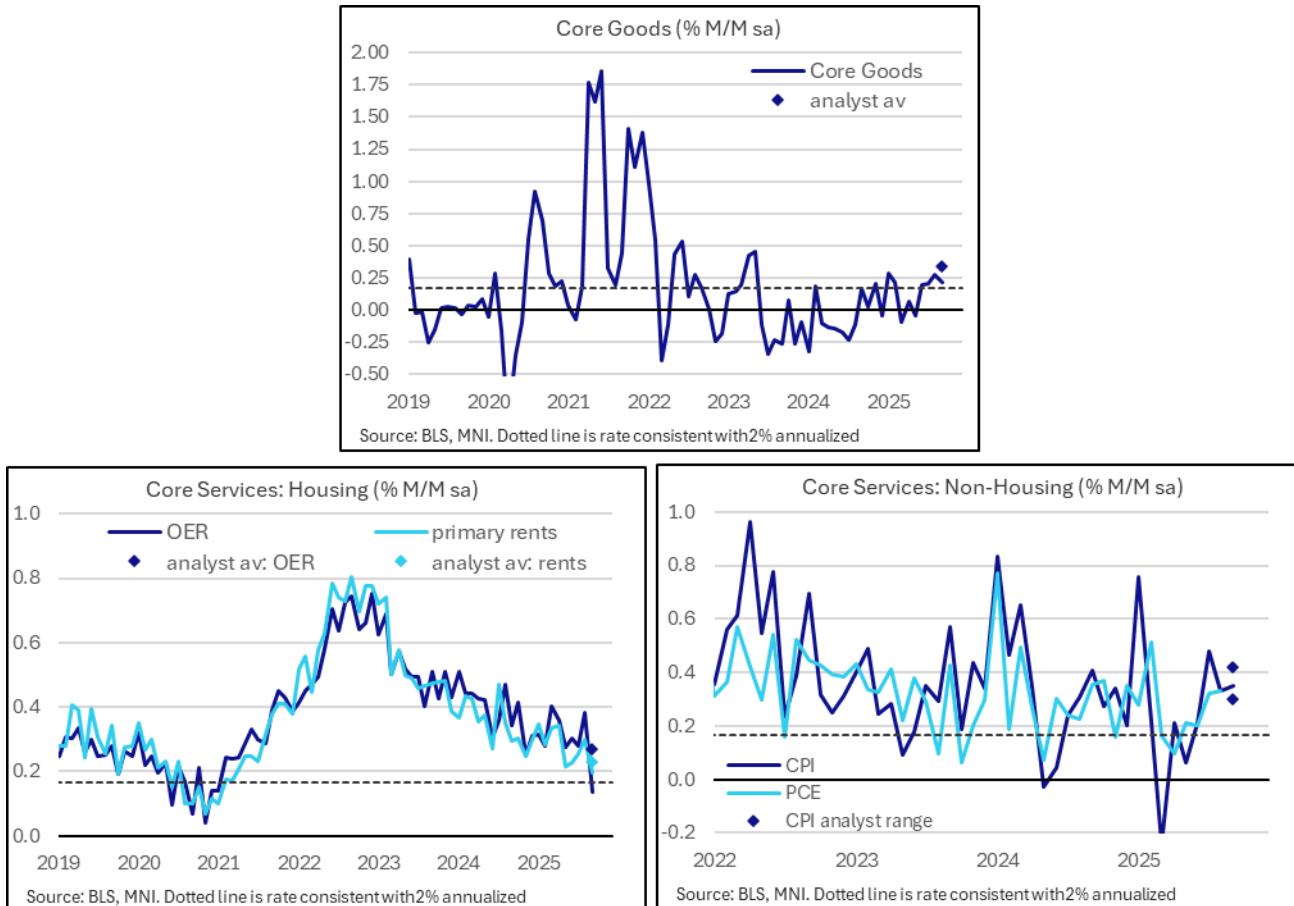
## Core services ex-housing

- Core services excl OER & primary rents ('supercore'): 0.351% M/M after 0.33%. Latest 3mth av of 0.387%
- Limited analyst estimates for ex OER & rents had averaged 0.38% M/M, ranging from 0.30 to 0.42

By specific categories, there were downside misses across most closely-watched aggregates in core CPI whilst apparel, lodging, and airfares (the latter of which is of course not a PCE input) came in on the upside.

**Summary of Key Core Categories Vs Analyst Consensus (Red=Higher Than Avg Expectation, Green = Lower)**

mni	Core SA M/M	Supercore Core goods				Core services					
		M/M	M/M	used cars	apparel	OER	rents	lodging	airfares	auto ins.	
	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	
<b>Sep (actual)</b>	<b>0.227</b>	<b>0.35</b>	<b>0.22</b>	<b>-0.41</b>	<b>0.73</b>	<b>0.24</b>	<b>0.13</b>	<b>0.20</b>	<b>1.35</b>	<b>2.72</b>	<b>-0.41</b>
Sep (median)	0.32	0.39	0.33	0.59	0.50	0.33	0.27	0.24	0.65	2.16	0.20
Sep (mean)	0.31	0.38	0.34	0.52	0.63	0.31	0.27	0.23	0.62	2.00	0.23
Bbg consensus	0.3										
Aug (actual)	0.346	0.33	0.28	1.04	0.50	0.35	0.38	0.30	2.29	5.87	-0.02



### Softer Housing Contribution Drives Lower Core CPI

Driving the deceleration in September M/M core inflation to 0.23% from 0.35% was housing, which contributed just 0.06pp to core CPI after 0.15pp in August (in turn due to the substantially larger than expected deceleration in OER).

- The other large downward drag vs August came from used cars, which saw a 0.04pp swing vs August (-0.01pp from +0.03pp contribution), helping offset a 0.03pp pickup in other goods' contribution (0.05pp).
- Elsewhere, progress was mixed. Volatile travel-related categories (lodging + airfares) saw a sequential deceleration totaling 0.05pp, offsetting a pickup in the contribution of medical services inflation (0.04pp higher).

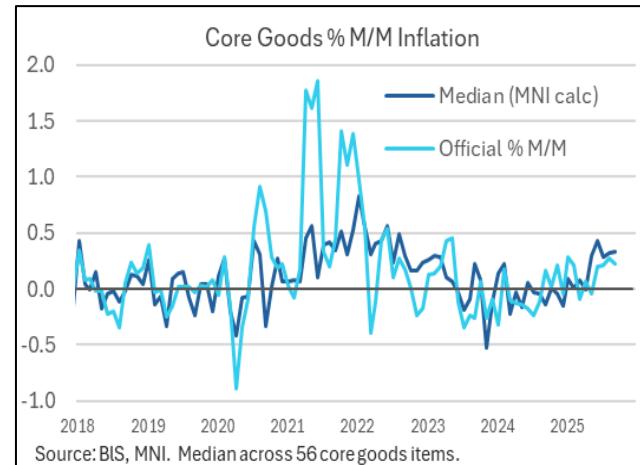
	Aug	Sep	chg
<b>Core CPI</b>	<b>0.35</b>	<b>0.23</b>	<b>-0.12</b>
core goods	0.07	0.05	-0.01
used cars	0.03	-0.01	-0.04
new cars	0.01	0.01	0.00
other goods	0.02	0.05	0.03
<b>core services</b>	<b>0.26</b>	<b>0.18</b>	<b>-0.08</b>
housing	0.15	0.06	-0.09
OER	0.13	0.04	-0.08
primary rents	0.03	0.02	-0.01
lodging	0.04	0.02	-0.02
medical serv	-0.01	0.02	0.04
car insurance	0.00	-0.01	-0.01
airfares	0.06	0.03	-0.03
other services	0.02	0.06	0.03

Source: Bloomberg Finance L.P., BLS, MNI.  
Figures don't always add exactly due to rounding

**Core Goods Inflation Breadth Very Similar To Prior Month**

Our look at broad price pressures within the core goods basket suggests September saw a very similar picture to August, with the peak coming back in June rather than seeing any additional acceleration from tariff passthrough. It continues to run a little hotter than the official core goods series but with a smaller gap than in May and June.

- The MNI estimate of median inflation across 56 core goods items came in at 0.33% M/M in September after 0.32% in Aug, 0.28% in Jul, 0.44% in Jun and 0.29% in May.
- Those were marked increases from the 0.04% M/M averaged in Jan-Apr and -0.03% M/M through 2024 as a whole, but clearly show a similar passthrough from tariffs – and one that peaked in June – rather than a recent acceleration.
- It again points to a stronger rate, along with less moderation this month, than the official core goods series which surprisingly eased back to 0.22% M/M in September (analyst av 0.34%) after the 0.28% in August was its strongest since January.
- Used car prices played a large role in the undershoot of the overall category relative to this median, surprisingly falling -0.4% M/M (analyst av 0.5%) after 1.0% M/M in Aug.

**Core CPI Trends: Shorter-Term Run Rates Somewhat Higher Than Y/Y**

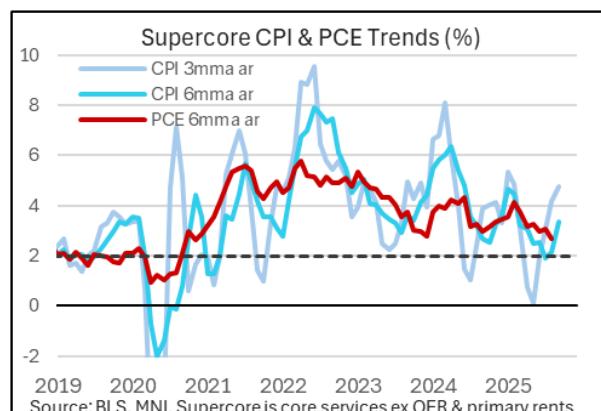
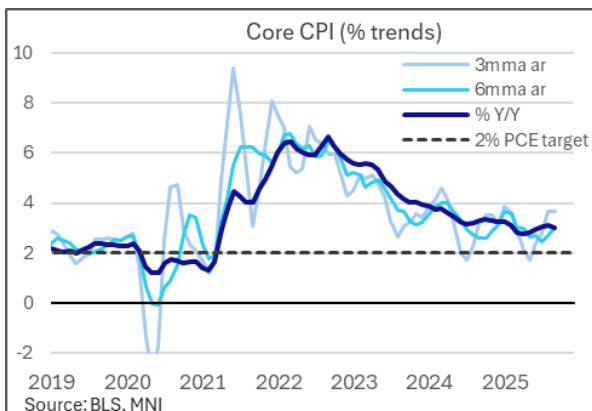
- Core CPI was clearly softer than expected in September, rising a seasonally adjusted 0.23% M/M (median unrounded expectation of 0.32) and with the miss translating into the non-seasonally adjusted Y/Y rate at 3.02% (cons 3.1) after two months at 3.1%. The Y/Y has been within a 2.8-3.3% range since mid-2024.
- The three-month run rate held above this Y/Y at 3.6% annualized (unchanged) whilst the six-month met it as it lifted to 3.0% after 2.7% in August.
- Supercore CPI inflation meanwhile was closer to expectations in September at a solid 0.35% M/M (analyst range 0.30-0.42) which saw three- and six-month rates accelerate to 4.7% and 3.3% respectively. This category is however the most prone to deviations from its PCE counterpart - see the below chart.

**Core CPI (SA)**

- % M/M: 0.227 in Sep'25 after 0.346 in Aug'25
- % 3mth ar: 3.6 in Sep'25 after 3.6 in Aug'25
- % 6mth ar: 3.0 in Sep'25 after 2.7 in Aug'25
- % Y/Y (NSA): 3.02 in Sep'25 after 3.11 in Aug'25

**CPI Core Services Non-Housing (SA)**

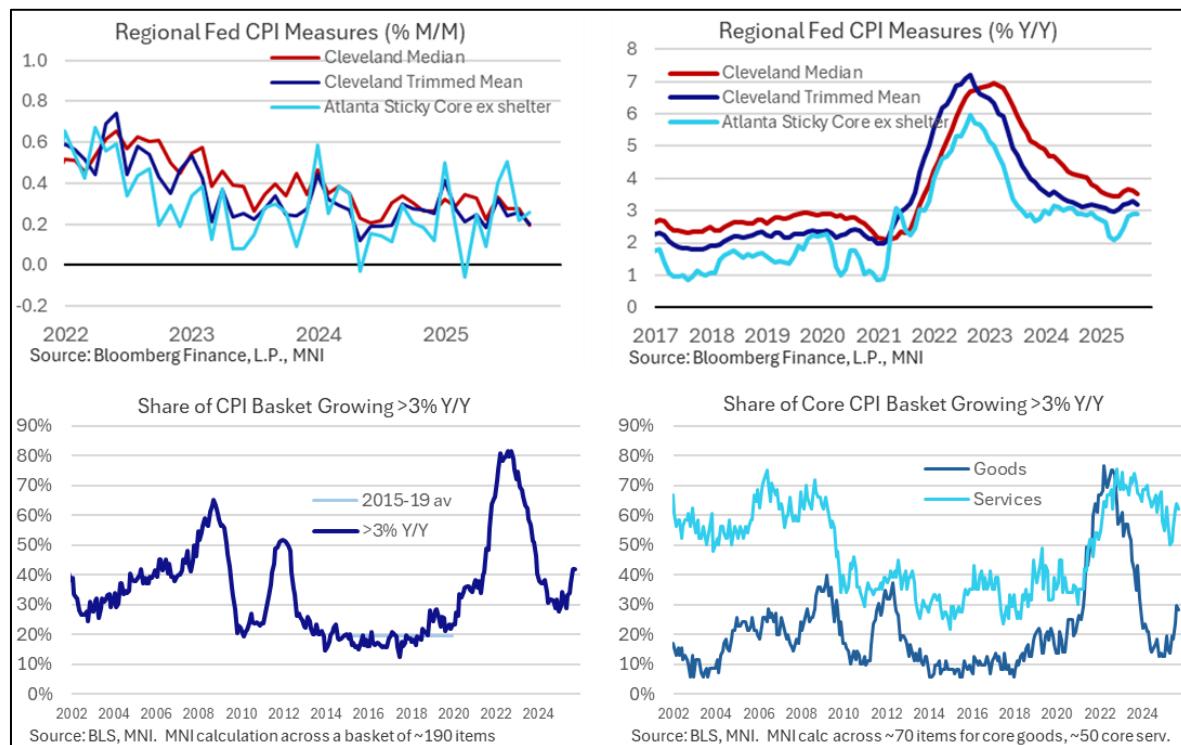
- % M/M: 0.351 in Sep'25 after 0.33 in Aug'25
- % 3mth ar: 4.7 in Sep'25 after 4.2 in Aug'25
- % 6mth ar: 3.3 in Sep'25 after 2.2 in Aug'25



### A Pause In The Push Higher Of Alternate CPI Y/Y Metrics

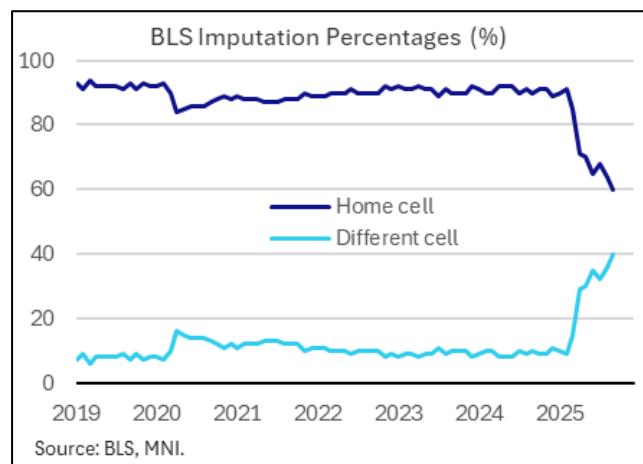
Regional Fed metrics and our dispersion estimates suggest recent increases in underlying Y/Y inflation slowed in September.

- Cleveland Fed median: 3.50% Y/Y (-0.1pp), lowest since May vs a most recent peak of 3.65% in July.
- Cleveland Fed trimmed mean eased 0.1pp to 3.20% Y/Y, its lowest since June after the 3.29% in August was its highest since mid-2024.
- The Atlanta Fed sticky core dipped 0.1pp to 3.33% Y/Y whilst the ex-shelter equivalent was unchanged at 2.90% Y/Y, a joint high since late 2024.
- The lack of additional inflationary pressures on a Y/Y basis echoes with our dispersion estimates:
  - 42% of the entire CPI basket increased by more than 3% Y/Y in September for a second month running, its joint highest since Nov 2023.
  - 28% of core goods increased by more than 3% Y/Y, down from 30% in Aug at was the highest since late 2023. This averaged 18.5% in 2019 or 12% through 2015-19.
  - 62% of core services increased by more than 3% Y/Y, down from 64% in Aug at was the highest since late 2024. This averaged 38% in 2019 or 34% through 2015-19.



### Further CPI Data Quality Concerns

- 40% of the commodities and services price survey source data for today's CPI report was based on a "different cell" rather than its "home cell" in September, a new high after 36% in August.
- This September CPI report shouldn't have been affected by the government shutdown, with its collection period coming earlier enough, and it instead extends what had already been a marked increase in different cell imputation this year reportedly owing in large part to budget and staff cuts.
- A historical average is closer to 10%, although it jumped to circa 30% from April where it then saw a range of 29-



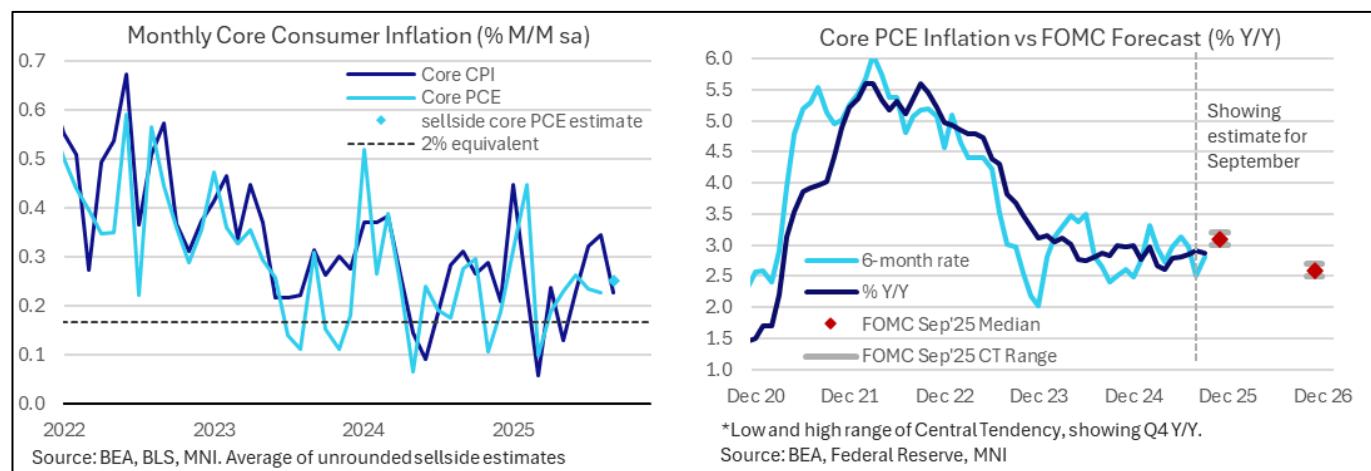
36% until August before the latest push higher to 40% in latest data.

- For context, it peaked at 15% in the pandemic when in-person surveys weren't possible.
- As reported on Friday, the White House's Rapid Response account on X.com suggests that the BLS may not release an October inflation report because it was unable to conduct the in-person surveys as normal during October, on account of the shutdown.
- That in turn will presumably complicate relative changes for the November report, due in December, to cloud what were likely two important reports for understanding continued tariff passthrough. It's increasingly likely that the next non-shutdown impacted report won't be until the new year.

#### Core PCE Estimates Soften After CPI But Missing A Sizeable PPI Puzzle Piece

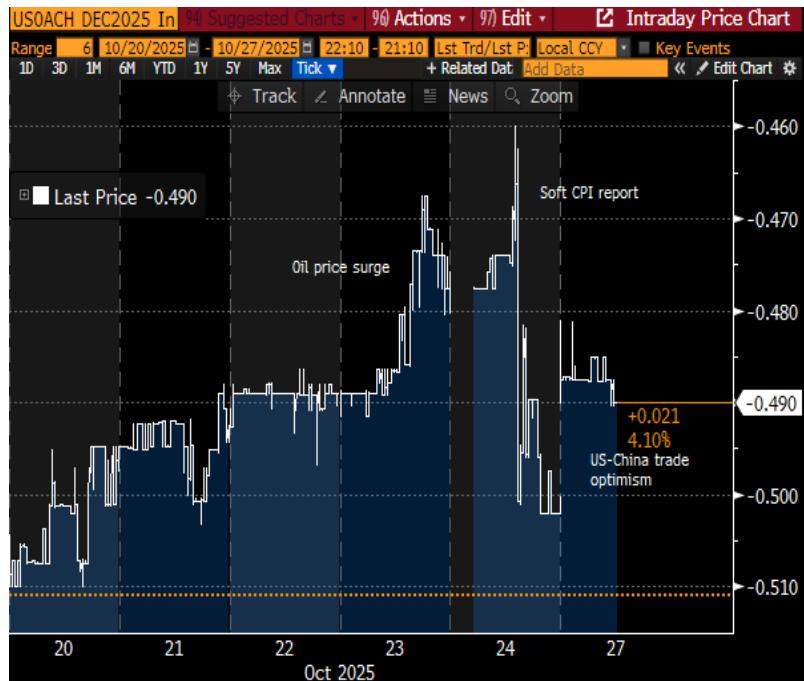
These data quality concerns will further complicate the Fed's underlying of latest inflation trends, with a lack of PPI report this month (so far at typing) leaves approximately 65% of inputs for PCE inflation in September.

- With that in mind, we have seen analyst core PCE estimates for September trimmed from ~0.30% M/M prior to CPI to closer to an average ~0.25% M/M since then, albeit from only a limited sample.
- The latter covers 0.23% M/M for Nomura (revised down from 0.30% pre-CPI), 0.26% M/M for Barclays (revised down from 0.31% pre-CPI), 0.26% M/M for Deutsche Bank (revised down from 0.32% pre-CPI) and 0.26% M/M for TD Securities.
- If accurate, it points to near enough the same monthly pace as the 0.23% M/M in August and 0.24% M/M in July, as usual barring typical monthly revisions.
- A 0.25% M/M print and no revisions would see core PCE inflation at 2.9% Y/Y for a third consecutive month (2.88% Y/Y). Similar three- and six-month run rates of 2.9% and 2.8% annualized respectively would suggest there is still some acceleration needed to be seen to meet the median FOMC forecast of 3.1% Y/Y in 4Q25.



## Market Reaction: Dovish Reaction Pared/Reversed By US-China Optimism

- The September CPI report unwound a hawkish shift in rates the day before the CPI report, driven by a surge in crude oil futures on US sanctions on Russian oil producers.
- The CPI report specifically saw a shift back to pricing 25bp cuts at both the Oct 29 decision and the following meeting in December before a quarterly pace to cuts thereafter in March and June with SEP meetings.
- The dovish impact has been pared for near-term meetings and fully reversed beyond mid-2026 on US-China trade optimism grounds after encouraging headlines and agreements surrounding working meetings in Malaysia over the weekend ahead of this week's Trump-Xi meeting.
- Whilst that optimism sees a little less conviction in a cut out in June, the pattern of 25bp cuts this week and in December before a next cut in March still holds.



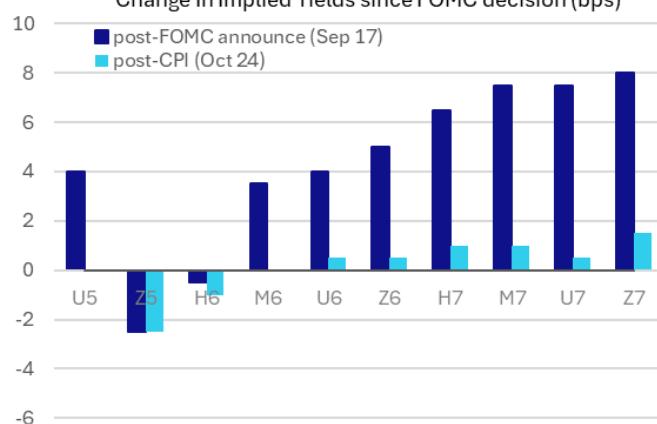
Source: Bloomberg Finance L.P. Dec 2025 FOMC implied cuts from current effective

## FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre CPI (Oct 24)			chg in rate bp	pre U.Mich (Oct 10) & China tension			chg in rate bp
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)		%	step (bp)	cum. (bp)	
Effective	4.11			4.11				4.10			
Oct'25	3.86	-24.8	-24.8	3.86	-25	-24.8	0.0	3.86	-24	-24	0.0
Dec'25	3.61	-24.8	-49.6	3.64	-22	-47.0	-2.6	3.65	-21	-45	-3.4
Jan'26	3.48	-13.1	-62.7	3.51	-13	-60.3	-2.4	3.54	-11	-56	-6.0
Mar'26	3.37	-11.3	-74.0	3.38	-13	-73.2	-0.8	3.44	-10	-66	-7.1
Apr'26	3.31	-6.3	-80.3	3.32	-6	-79.2	-1.1	3.38	-6	-72	-7.1
Jun'26	3.18	-12.8	-93.1	3.18	-14	-93.2	0.1	3.24	-14	-86	-5.9

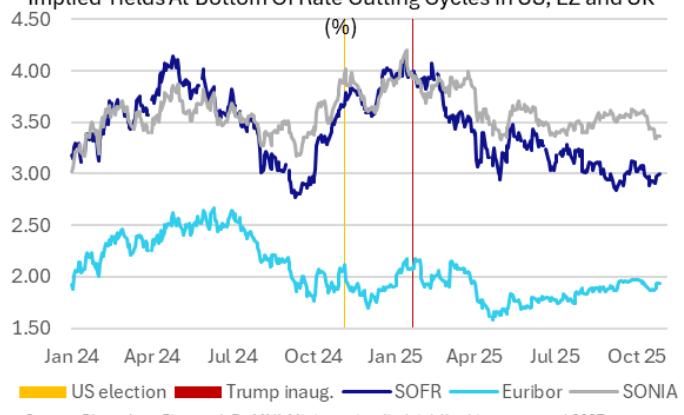
Source: Bloomberg Finance L.P., MNI..

## Change In Implied Yields since FOMC decision (bps)

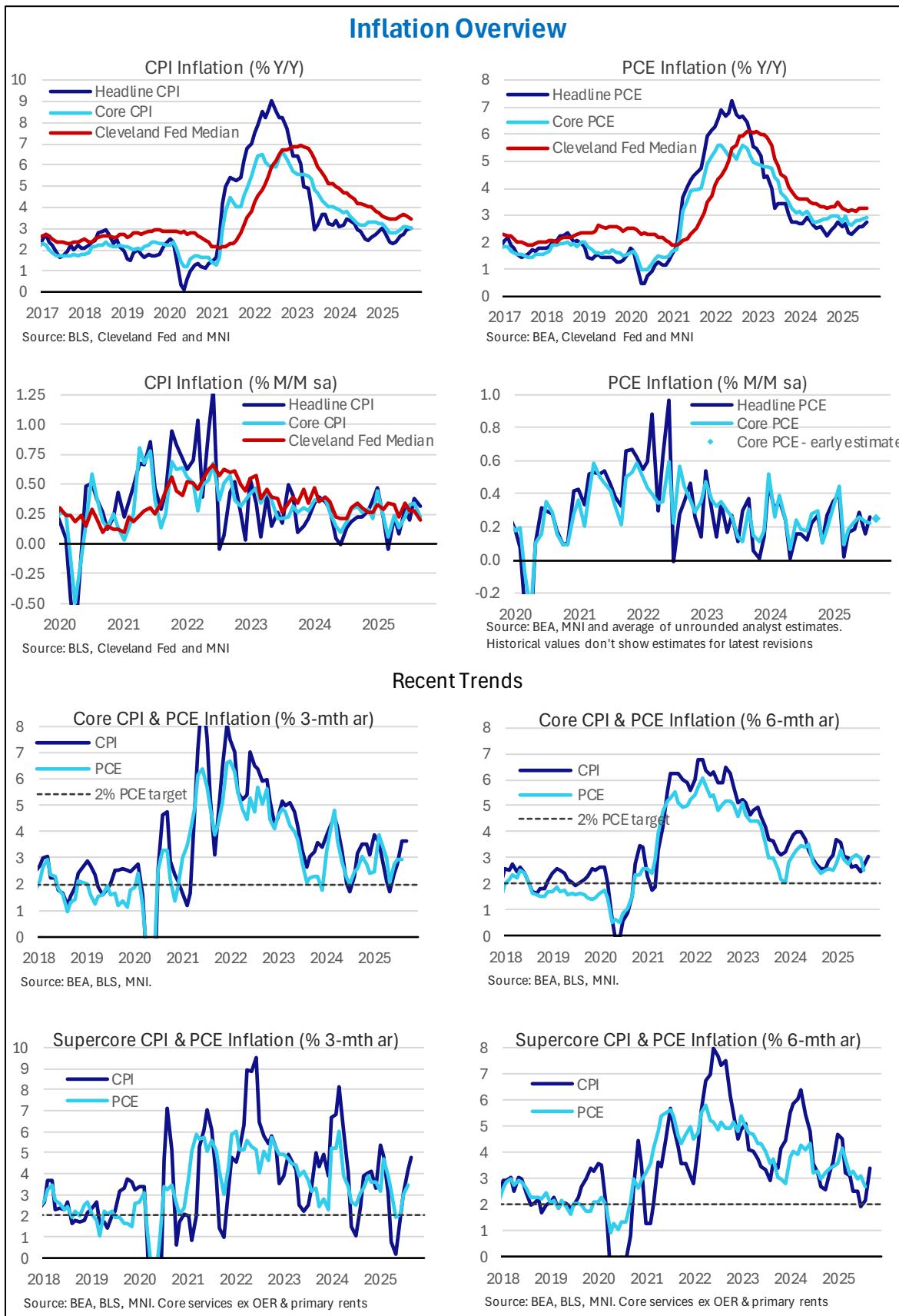


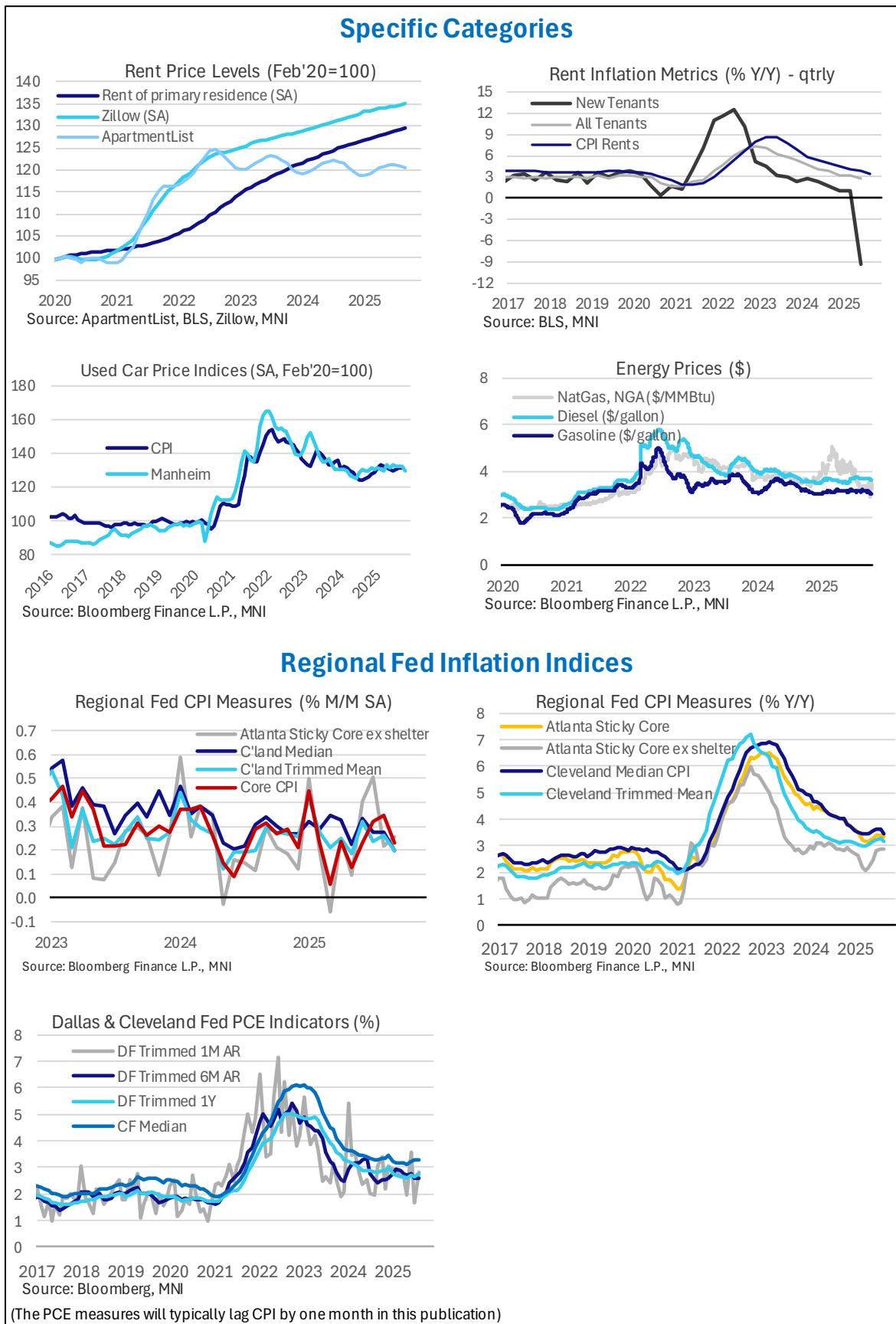
Source: Bloomberg Finance L.P., MNI

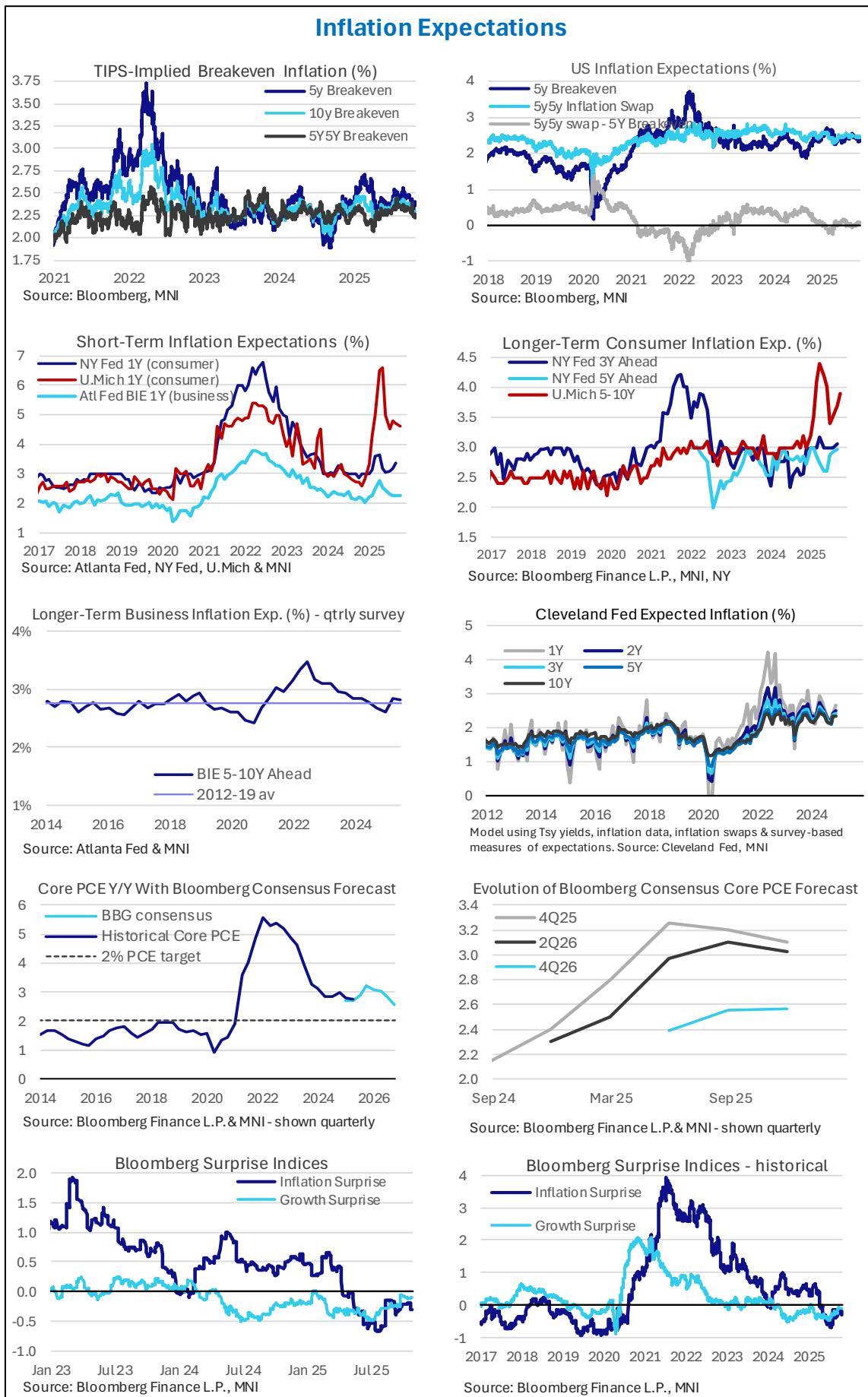
## Implied Yields At Bottom Of Rate Cutting Cycles in US, EZ and UK



Source: Bloomberg Finance L.P., MNI. Minimum implied yield looking out to end-2027







## MNI Policy Team Insights

### MNI POLICY: Lingering Inflation Unease Tempers Fed Easing Push

By Jean Yung, Pedro Nicolaci da Costa and Evan Ryser (Oct 20, 2025)

WASHINGTON - The Federal Reserve is set to cut interest rates for a second straight meeting next week, but the easing trajectory will be tempered by caution due to persistent inflation pressures.

Most Fed policymakers are willing to trust the idea tariffs will be a one-time move in the price level, comforted by solidly anchored long-run inflation expectations. Yet the process by which trade-driven cost increases are passed through to consumers has been gradual, contributing to stickier inflation. Escalating tensions between the United States and China in recent days also threaten to reignite fears of inflation persistence.

Hawks like Kansas City Fed President Jeff Schmid point out price pressures are broadening in spite of the relatively muted effect of tariffs. And even some officials who are penciling in a third rate cut this year are waiting to see whether inflation will peak around 3% before supporting further cuts next year. (See MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn)

That the neutral rate is uncertain and thought to be only a percentage point or so below where the fed funds rate currently sits adds to policymakers reservations about the pace of future cuts. It suggests that after the current phase of risk-management cuts, the Fed's path forward may not match the aggressive downward trajectory markets are pricing.

"If we move too quickly, then we may leave the inflation job unfinished and have to come back later and finish it. If we move too slowly, there may be unnecessary losses – painful losses – in the employment market. So we're in the difficult situation of balancing those two things," Fed Chair Jerome Powell said last week.

#### NOT SO RELAXED

The Fed's own trend inflation gauges suggest more sustained upward pressure, while businesses continue to tell the Fed they intend to pass along cost increases eventually.

Trimmed-mean PCE inflation has been 2.7% for the three months through August, while the Cleveland Fed's median PCE inflation reading has been above 3% since 2021, and was at 3.3% in July and August. The NY Fed's multivariate core trend measure jumped to 3.1% in August from 2.8% in July, primarily driven by increases in services ex-housing and core goods, the bank said.

Firms in the Atlanta Fed district "warned that price passthrough resulting from tariffs has just begun and expect to see prices rise into 2026," according to the October Beige Book. Retailers in the Chicago Fed district said they were "trying to hold off passing tariff-related cost increases on to consumers for as long as possible."

Governor Chris Waller, who has argued from the start that tariffs won't have a lasting impact on inflation, last week cited a different reason to be vigilant: stronger-than-expected growth stands in conflict with a weakening labor market.

If growth holds up or accelerates and the labor market recovers, it might be an indication that policy is less restrictive than thought and cuts need to be slower than he had expected, he said, also noting that the government shutdown has delayed economic data, complicating the Fed's analysis.

"What I would want to avoid is rekindling inflationary pressure by moving too quickly and squandering the significant progress we have made taming inflation," he said.

## 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, as 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 2pp 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 5.1pp 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. "It's 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.