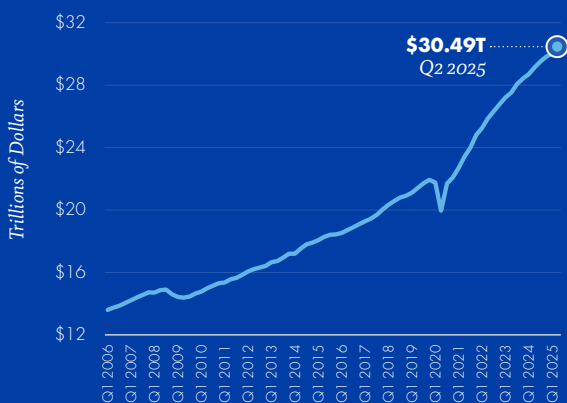


Economic Commentary:

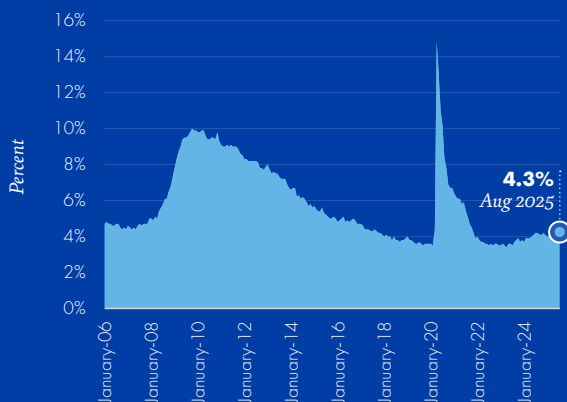
Evaluating the Economy in
a Limited Data Environment

November 2025

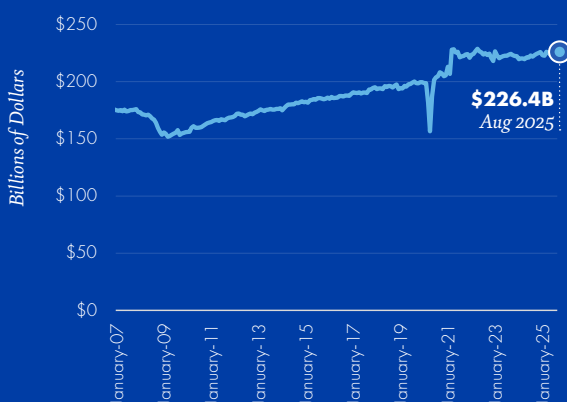
GROSS DOMESTIC PRODUCT (GDP)



UNEMPLOYMENT RATE



RETAIL / FOOD SERVICE SALES



November 2025

The longest government shutdown in U.S. history is delaying the release of key federal data that the Federal Reserve and business leaders rely on to assess economic conditions. Reports on income, spending, savings, GDP, inflation and employment remain suspended. For the Federal Reserve – whose policy decisions are explicitly data-dependent – these gaps make its job significantly more difficult, particularly at a time when its two mandates, price stability and maximum employment, may be pointing toward different policy responses. Private surveys and alternative data sources are attempting to fill the void, but none match the scope or long-term context provided by official government data.

Softer Inflation Despite Tariff Pressures

One major exception has been the release of the September Consumer Price Index (CPI), which was issued so the Social Security Administration could meet the statutory deadline for determining 2026 cost-of-living adjustments. The headline CPI rose 0.3% in September (3.0% year-over-year), while core CPI increased 0.2% (also 3.0% year-over-year). Both monthly readings came in below market expectations, and the core figure was the softest since June.

Tariffs continue to push core goods prices higher, which rose 0.2% in the month. With most firms having worked through their lower-priced, pre-tariff inventories, these increases now appear to be broadening. Private estimates suggest that roughly two-thirds of tariff costs are currently being passed through to consumers.

Shelter inflation – which accounts for 35.5% of headline CPI and 44.4% of core – has been a persistent driver of overall inflation but has now declined for 14 consecutive months.

After peaking at 8.2% year-over-year in March 2023, shelter inflation has eased to 3.6% and is expected to continue trending lower into 2026. Combined with the anticipated fading of tariff effects next year, these trends point toward moderating inflation pressures.

Consumer Credit Growth Slows

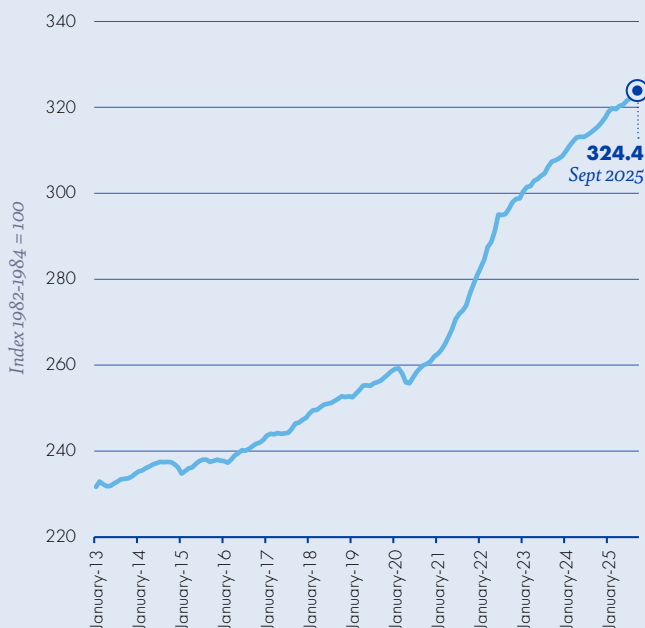
Although personal income, spending and savings data remain unavailable, the Federal Reserve did release updated figures on consumer credit. Total consumer credit rose at a 2.7% seasonally adjusted annual rate in the third quarter. Revolving credit grew at a 2.0% rate, while non-revolving credit rose 2.9%. Year-over-year growth in revolving credit has slowed significantly from its 2022 peak of 27.4%, reflecting the impact of higher interest rates – particularly on middle- and lower-income households that typically carry month-to-month balances.

Manufacturing Contracts, Services Stabilize

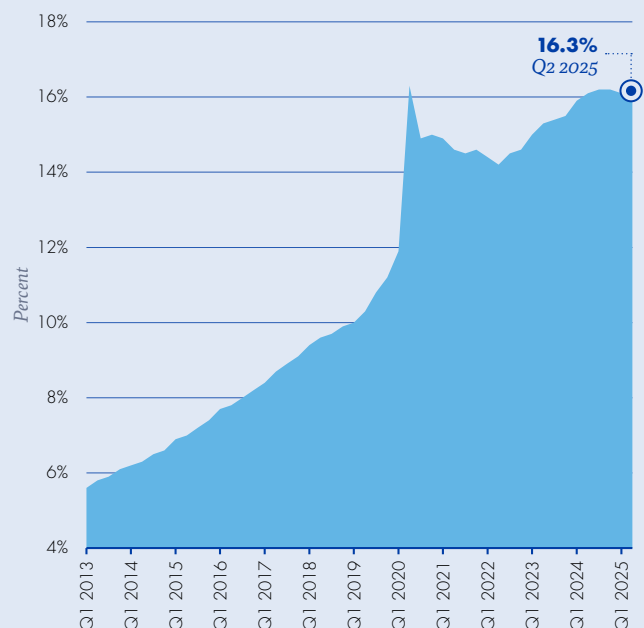
Manufacturing continued to contract in October. The ISM Manufacturing Index slipped to 48.7 from 49.1 in September, remaining below the neutral 50 threshold for an eighth straight month. Weak demand led to lower production and reduced employment, and respondents noted a shift from relying primarily on attrition to more active layoffs.

The ISM Services Index rose to 52.4 in October. Gains in the Business Activity and New Orders sub-indices point to continued improvement in the services sector. However, the Employment sub-index remained in contraction at 48.2 for the fifth consecutive month, indicating firms are doing more with fewer workers. Tariff pressures were visible in the Prices Paid sub-index, which rose to a three-year high of 70.0.

CONSUMER PRICE INDEX (CPI)



E-COMMERCE RETAIL SALES (% OF TOTAL SALES)



Labor Demand Cools Amid Layoffs

Employment indicators also reflected a loss of momentum. The ADP report showed a modest increase of 42,000 private-sector jobs in October, following a 29,000 decline in September and well below the 221,000 gain reported one year earlier. Large firms added 73,000 jobs, offset by a 31,000 decline among small businesses.

The Challenger, Gray & Christmas report reinforced signs of weakening labor demand. October saw 153,074 announced job cuts – the highest for any October since 2003 – driven largely by the technology and warehousing sectors. Year-to-date, employers have announced 1,099,500 job cuts – a 65% increase over the same period in 2024 and the highest total since 2020. Companies cited AI adoption, softer consumer and corporate spending, and rising costs as major drivers of cutbacks. Hiring plans were also the weakest since 2011.

Overall, the labor market remains characterized by low layoffs but slowing hiring. While supply is being constrained by lower net immigration, demand for labor is softening as well.

Fed Cuts Rates a Second Time

The Federal Open Market Committee (FOMC) met on October 28–29 and, as expected, lowered the target range for the Federal Funds rate by 25 basis points to 3.75%–4.00%. Chair Powell described the move as another “risk-management” cut aimed at mitigating downside risks to the labor market. With most official labor data unavailable, the Committee saw little reason to shift from its September assessment.

Powell noted that, excluding the effects of tariffs, inflation is approaching the Fed’s 2.0% target. He added that a sustained rise in inflation would require a very tight labor market and/or rising inflation expectations – neither of which is currently evident.

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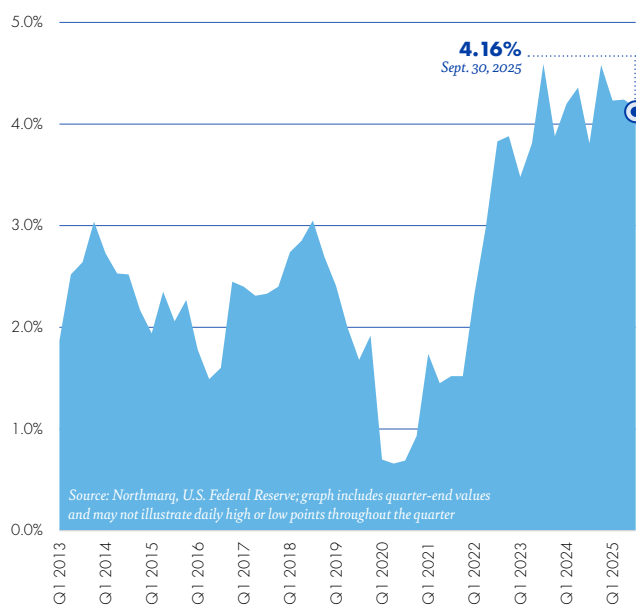
John Beuerlein
Chief Economist, Pohlads Companies



Regarding the possibility of another cut at the December meeting, Powell emphasized that it is “not a foregone conclusion, in fact, far from it.” In response, market-implied odds of a December rate cut have fallen from 90% to 60%.

The Federal Funds rate is now near the upper end of what officials view as neutral. Policy remains mildly restrictive, but with both sides of the Fed’s mandate (price stability and maximum employment) pointing in different directions, the risks around policy are becoming better balanced. The Committee remains divided on which side of its mandate to prioritize and will depend heavily on incoming data, if available, to guide its December decision.

10-YEAR TREASURY RATE



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