WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economics Research Group | November 21, 2025

THE WEEK'S ECONOMY AT A GLANCE

Mind the gap: Data dribbles back, Fed stays guarded

This week's update reflects an economy sending mixed but generally reassuring signals as official data slowly returns after the shutdown. The more than six-week delayed September jobs report delivered a welcome rebound in payrolls, yet the broader labor market remains tepid, with unemployment edging higher and weekly jobless claims still pointing to a 'low-hire, low-fire' dynamic rather than robust labor demand. Meanwhile, the latest Federal Open Market Committee (FOMC) minutes reveal a divided Fed leaning toward caution, with December's policy decision likely hinging on incomplete data. Private-sector surveys, including S&P Global's Purchasing Managers' Index (PMI), reinforce a picture of resilient growth despite cost pressures.

What this means for business: *For businesses, the takeaway is clear: conditions remain uneven but not collapsing, and policy uncertainty persists. Firms should plan for slowing demand and maintain flexibility, as the Fed could move to ease policy again as early as mid-December – depending on how labor slack evolves.*

Quote of the week

September's jobs rebound is encouraging but rising unemployment and uneven hiring remind us that the labor market is still vulnerable.

Beth Ann Bovino*, Chief Economist, U.S. Bank*

ECONOMIC DATA OF THE WEEK

119,000

September marked an encouraging and broad rebound in payroll employment, with nonfarm payrolls rising by 119,000 – more than double the consensus expectation of +50,000 and the strongest monthly gain since April. While small downward revisions to prior months took August negative, the three-month average lifted to +62,000 (from just +18,000 previously) – albeit still far below early-year norms above 200,000. Gains were widespread across sectors: private payrolls added 97,000, led by healthcare and leisure & hospitality, while construction posted its best reading since last year. Goods-producing industries showed modest improvement despite ongoing tariff uncertainty.

All told, while downward revisions to prior months tempered the headline strength, the breadth of September's gains suggests the summer slowdown in job growth may have overstated labor market weakness. Hours worked held steady and wage growth was subdued – but only after the prior month was revised up. Taken together, the payroll survey points to stabilization rather than a sharp deterioration in labor demand.

ECONOMIC REPORT OF THE WEEK

September jobs report

The other side of the September Employment Report – the household survey – painted a more nuanced picture. The unemployment rate ticked up to 4.4%, its highest since mid-2023, but the increase was driven by stronger labor force participation rather than layoffs. More people entered the job market than found jobs, pushing participation up to 62.4%. Without this uptick, the jobless rate would have instead declined. Employment-to-population ratios edged higher, and flows data show no surge in job losses, reinforcing the 'no-hire, no-fire' dynamic. In short, the rise in unemployment reflects more workers seeking jobs – not a collapse in hiring. Still, the steady climb in the jobless rate since June underscores emerging slack.

This September report carries outsized importance because it is the last official employment report the Fed will see before its December 9–10 meeting.

With October and November payrolls delayed until December 16, policymakers will have to lean on these mixed signals: a welcome rebound in payrolls suggesting stabilization, alongside a gradually rising unemployment rate. For the Fed, this combination keeps a December cut on the table but far from certain – hawks will emphasize the breadth of job gains and steady labor demand while doves will point to the steady climb in joblessness and subdued wage growth.

U.S. Bank Economics Research Group

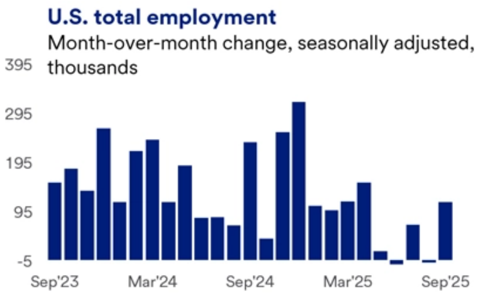
Beth Ann Bovino, Chief Economist

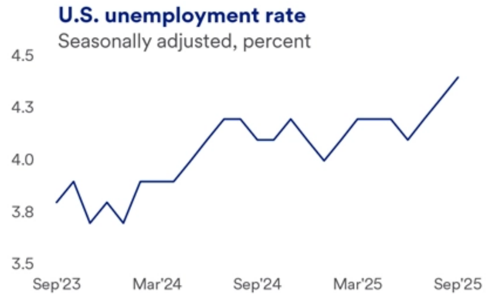
Ana Luisa Araujo, Senior Economist

Matt Schoeppner, Senior Economist

Adam Check, Economist

Andrea Sorensen, Economist





: Source: U.S. Bank Economics, Bloomberg, Bureau of Labor Statistics (BLS)

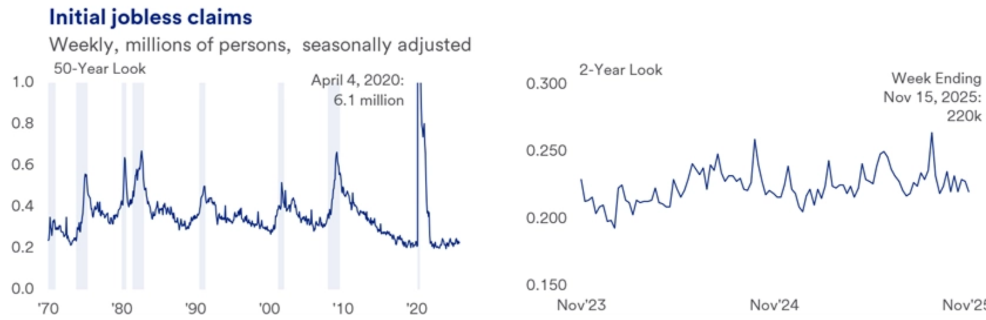
ECONOMIC TRENDS: LABOR LANDSCAPE

Labor market: 'Low-hire, low-fire' dynamic persists

The latest jobless claims data reinforce the narrative of a labor market that is cooling gradually rather than full-on cracking. Initial claims totaled 220,000 in the week ending November 15, after filings during the government shutdown period stayed consistently within a moderate range of 220,000–235,000. These figures suggest that broad-based layoffs remain limited, even as headlines about large corporate job cuts have risen in number. In our view, the disconnect reflects the concentration of these reductions in specific sectors and their operational or strategic nature, rather than widespread weakness or wholesale displacement. Many of these announcements also involve phased cuts or redeployments, meaning they do not immediately translate into unemployment insurance filings.

Continuing claims tell a bit of a different story. At 1.974 million in the week ended November 8 – the highest since late 2021 – they point to a labor market where hiring remains slow and job seekers are staying unemployed longer. This trend aligns with our 'low-hire, low-fire' framework: employers are reluctant to shed workers aggressively, but they are equally cautious about adding staff. The result is a labor market that feels stable on the surface yet is gradually softening underneath, as reduced churn limits opportunities for displaced workers.

The risk now is asymmetrical. If layoffs begin to accelerate meaningfully, the lack of hiring momentum could amplify the impact on unemployment. For the moment, however, claims data continue to signal stability rather than stress. We expect this pattern to persist near term, with continuing claims drifting higher as hiring remains subdued, while initial claims stay contained unless corporate announcements broaden beyond concentrated pockets of activity.



Source: U.S. Bank Economics, Bloomberg, Bureau of Labor Statistics (BLS)

ECONOMIC TRENDS: MONETARY POLICY

FOMC minutes: Caution and division define October meeting

The October 28–29 FOMC minutes underscore a committee navigating a delicate balance between supporting growth and guarding against inflation risks. While policymakers delivered a 25-basis point (bp) rate cut – bringing the target range to 3.75%–4.00% – the tone of the discussion was far from uniformly 'dovish.' Participants broadly agreed that policy remains restrictive, but diverged sharply on whether additional easing is warranted this year. The minutes reveal a strong preference among "many" members to hold rates steady in December, even as "several" acknowledged that another cut could be appropriate if labor market conditions deteriorate further. This lack of consensus reinforces the Fed's data-dependent posture at a time when official economic indicators remain incomplete due to the prolonged government shutdown.

ECONOMIC TRENDS: MONETARY POLICY

FOMC minutes: Caution and division define October meeting *continued*

Inflation concerns remain central to the debate. Headline price pressures have moved up since earlier in the year and remained 'somewhat' above the 2% target. Disinflation in housing services has been more than offset by tariff-related increases in goods prices. Some participants argued that excluding tariffs, inflation is near the Fed's objective, but others stressed that progress toward 2% has stalled and warned against assuming a quick return to target. These dynamics have kept the committee cautious, with hawkish voices emphasizing upside risks to inflation and questioning whether policy is sufficiently restrictive even after October's cut.

Labor market conditions were another focal point. The minutes note a gradual cooling in employment, with weaker job gains and a slight uptick in unemployment, but views on the severity of the slowdown varied. Dovish members highlighted downside risks to hiring and wage growth, while hawks pointed to relatively stable jobless claims data and argued that the labor market remains resilient. With October and November payroll reports delayed until after the December meeting, policymakers will be forced to rely on alternative indicators – raising the bar for any near-term policy change.

Beyond rates, the committee agreed to end balance sheet runoff by December 1, citing recent funding pressures and a desire to stabilize liquidity conditions. While this step adds another layer of accommodation, it does not alter the broader message: the Fed retains an easing bias, but the path forward is uncertain and likely contingent on clearer signals from the labor market. For now, the minutes suggest that a December cut is possible but far from assured, and the odds of staying on hold have risen notably.

ECONOMIC TRENDS: BUSINESS CYCLE INDICATORS

Private sector resilience: PMI signals continued business expansion

With official data still catching up after the shutdown, private-sector surveys remain a key gauge of economic momentum. S&P Global's November Flash Composite PMI came in at 54.8, a four-month high and indicating continued expansion in U.S. business activity. Both manufacturing and services sectors contributed to November's improvement, though services remain the stronger driver. Importantly, S&P Global notes that its survey data are consistent with GDP growth running near a 2.5% annualized pace early in Q4 – underscoring resilience despite lingering uncertainty. We still do not have official Q3 GDP figures, and the Bureau of Economic Analysis (BEA) has yet to provide firm guidance on when those will be released, making this PMI reading an even more valuable proxy for underlying growth.

The report also highlighted steady demand and ongoing job creation, though hiring remains constrained by a "sustained reluctance to take on additional staff due to cost related budget cuts and the need to focus on efficiency improvements." Input costs accelerated, suggesting tariff-induced inflation risks haven't receded, but selling prices remain contained by competitive pressures. In our view, this mix – firm activity, cautious hiring, and sticky costs – reinforces the narrative of an economy adapting to persistent uncertainty rather than stalling.

Source: U.S. Bank Economics, Bloomberg, S&P Global

ECONOMIC TRENDS: THE WEEK AHEAD

Data and reports we're watching this week: Filling the gaps...slowly

The flow of delayed data is picking up, but it's more of a trickle than a flood. On Tuesday, two key September releases that were sidelined during the shutdown – **Retail Sales** and **Producer Prices** – will arrive. Both will matter for gauging how Q3 ended and Q4 began. Our expectation: consumer spending likely held firm while wholesale inflation pressures remained modestly elevated. Also on Tuesday: the November **Consumer Confidence** report. We'll be watching whether sentiment continues to soften as households grow more cautious about job prospects amid a cooling labor market.

On Wednesday, attention will turn back to the latest **Jobless Claims** figures, following last week's catch-up on backlogged data. We'll also get the preliminary September **Durable Goods Orders**, a key read on business investment appetite. Rounding out the day, the **Fed's Beige Book** drops in the afternoon. With official statistics still catching up, policymakers have leaned heavily on this anecdotal survey to fill the gaps. Its take on labor conditions, pricing pressures, and regional activity could offer clues about where the Fed sees risks tilting as we get closer to the December meeting.

ECONOMIC DATA CALENDAR THIS WEEK

What we're watching this week, including release dates and projections from the U.S. Bank Economics Research Group.

U.S. economic calendar - November 24 through November 28

Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
11/25/2025	7:30 a.m.	**Retail sales (MoM)**	Sep	**0.3**	0.5	0.6
		Retail sales ex-auto (MoM)	Sep	**0.3**	0.4	0.7
		Retail sales control group (MoM)	Sep	**0.2**	-	0.7
		PPI (MoM)	Sep	**0.3**	0.3	-0.1
		PPI (YoY)	Sep	**-**	-	2.6
		PPI (ex-food & energy) (MoM)	Sep	**0.3**	0.3	-0.1
		PPI (ex-food & energy) (YoY)	Sep	**-**	-	2.8
	8 a.m.	**S&P/Case-Shiller home prices (MoM)**	Sep	**-**	-	0.2
		FHFA home prices (MoM)	Sep	**-**	-	0.4
	9 a.m.	**Business inventories (MoM)**	Aug	**-**	-	0.2
		Consumer confidence	Nov	**94.0**	93.3	94.6
		Pending home sales (MoM)	Oct	**-**	-	0.0
11/26/2025	7:30 a.m.	**Initial Jobless Claims**	22-Nov	**225**	230	220
		Durable goods orders (MoM)	Sep P	**1.0**	1.1	2.9
		Durable goods ex Transportation (MoM)	Sep P	**0.0**	0.4	0.3
		Capital goods orders nondefense ex. Aircraft	Sep P	**0.1**	-	0.4
	8:45 a.m.	**Chicago PMI**	Nov	**-**	44.5	43.8
	1 p.m.	**Fed Beige Book**	-	**-**	-	

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 11/21/2025.

Disclosures

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