WEEKLY ECONOMIC OUTLOOK

Data-driven insights from the U.S. Bank Economic Research Group | November 6, 2026

THE WEEK'S ECONOMY AT A GLANCE

New checks, same balancing act

The U.S. economy keeps clearing the hurdles in front of it. Hiring strengthened in October, layoffs remain unusually low, productivity growth is solid, and business surveys continue to point to healthy activity. Taken together, the data suggest an economy that is still expanding efficiently, without clear signs that the labor market itself is overheating. Meanwhile, this week's midterm elections changed the policy backdrop more than the near-term economic outlook. Divided government may constrain additional fiscal expansion, but it does little to resolve existing fiscal pressures or other risks, including tariffs. That leaves inflation as the next test. With growth resilient and the labor market stable, next week's Consumer Price Index (CPI) report will help determine whether the Fed raises rates again in December and whether additional tightening may ultimately be needed in 2027.

What this means for business: *Stronger productivity and resilient demand provide a favorable backdrop for business activity, even as persistent inflation and elevated borrowing costs warrant continued selectivity around hiring and investment decisions.*



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ECONOMIC DATA OF THE WEEK

165,000

U.S. employers added 165,000 jobs in October, considerably more expected and a notable acceleration from September. The improvement was reinforced by upward revisions totaling 84,000 jobs for August and September, lifting the three-month average pace of hiring to 137,000. Private employers accounted for nearly all the October increase, led by professional and business services, healthcare, transportation and warehousing, and manufacturing, although employment changed little across most other major industries.

The household survey offered a similarly encouraging picture. The unemployment rate edged down to 4.1% even as labor-force participation increased, indicating that unemployment fell as employment expanded rather than because workers left the labor force. Wage growth also firmed to 0.4% in October, though the 3.1% year-over-year pace remains broadly consistent with prepandemic norms. Broader measures were somewhat less favorable, with underemployment rising to 7.9% as more people worked part time for economic reasons.

ECONOMIC REPORT OF THE WEEK

Midterm elections

Tuesday's "Democratic sweep" shifts Washington from unified Republican control to divided government. We see the election as changing the policy environment more than the near-term growth outlook, limiting the administration's ability to advance additional large partisan legislation while increasing congressional oversight. It may also reduce the risk of another sizable fiscal expansion, although divided government does little to address the nation's already-large deficits and borrowing needs.

For now, we see little reason to alter the underlying economic outlook. Consumer spending remains resilient, business investment continues to benefit from AI-related activity, and this week's labor-market data point to continued stability. Rather than the election itself, any economic effects are more likely to come through financial markets, business uncertainty, and the increased potential for budget or debt-ceiling confrontations. We expect those effects to be temporary rather than enough to materially weaken underlying growth.

Divided government also does not constrain every policy lever. The executive branch retains substantial authority over trade policy, leaving tariffs as an important source of economic risk. A renewed escalation could increase costs and inflation, potentially prompting tighter monetary policy and weighing on private investment. The election therefore changes some of the policy arithmetic, but it does not fundamentally change the economic balancing act.

U.S. Bank Economic Research Group

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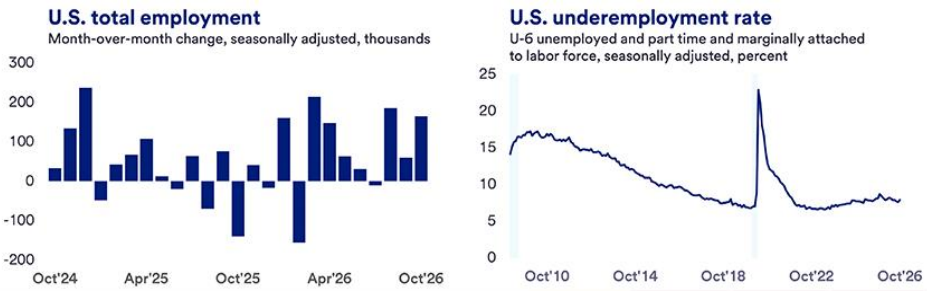
Adam Check, Economist

Andrea Sorensen, Economist

Chief economist quote of the week

"The jobs report showed solid hiring, firmer wages, and fewer unemployed workers. But underemployment rose, while many recent college graduates remain in jobs that do not require a degree. More people are working, but not all are finding the hours or opportunities they want."

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



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

Economic trends: Labor landscape

Low hire, low fire, with a hint of reacceleration

October's stronger employment reading does not overturn the 'low-hire, low-fire' characterization of the labor market, but it does make the 'low-hire' side look somewhat less entrenched. Other labor market indicators released this week reinforced that picture. September's Job Openings and Labor Turnover Survey (JOLTS), for example, showed job openings rising to 7.5 million, while hires edged up again and continued to slightly exceed total separations – with voluntary quits also picking up noticeably. Payroll processor ADP also reported a second consecutive 86,000 increase in private employment, with gains spread across businesses of different sizes. Together, the data suggest labor demand has firmed after a prolonged period of restrained hiring. For businesses, a gradual improvement in hiring could signal stronger economic activity but, with a shrinking labor force, could also intensify competition for workers, with potential implications for wages and labor costs.



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

Stability, however, remains the better description than acceleration. JOLTS layoffs and discharges fell to an 18-month low in September, while initial unemployment claims subsequently declined to 189,000, matching the lowest reading in more than a decade and reinforcing that employers remain reluctant to reduce headcount. Still, beneath the 4.1% unemployment rate, broader measures point to some persistent challenges for job seekers. U-6 underemployment rose to 7.9% in October as the number of people working part time for economic reasons increased, while separate Federal Reserve Bank of New York data show that roughly 43% of recent college graduates are working in jobs that typically do not require a degree. The result is a labor market that remains favorable for people who already have jobs, but less so for those seeking more hours or opportunities better matched to their skills.

For the Federal Reserve, we think the latest data reduce concerns about an imminent labor market downturn without providing serious evidence of overheating. Unemployment has remained in the low-4% range since March, while annual wage growth near-3% is broadly consistent with its prepandemic pace. Strong productivity growth and declining unit labor costs provide additional evidence that firmer employment need not translate directly into greater inflation pressure. The labor market therefore gives policymakers room to raise rates again in December, although next week's CPI report will be more important in determining whether tightening ultimately needs to extend beyond the two additional hikes we currently expect by March.

Productivity: Doing more with less

U.S. labor productivity remained robust in the third quarter, rising at a 3.6% annualized rate as businesses increased output by 3.7% with almost no increase in hours worked. Unit labor costs consequently fell 0.7%, helping explain how the economy has continued to expand without comparable growth in labor input or employment. Productivity has now advanced at a 2.6% annualized rate since late 2022, roughly coinciding with the launch of ChatGPT and accelerating adoption of artificial intelligence (AI), and well above the pace recorded during the 2010s.

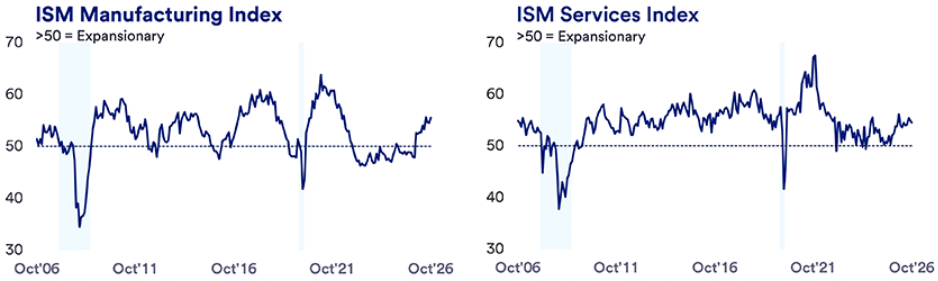
While it is too early to isolate AI's contribution, strong investment in computing equipment, software, and data center infrastructure suggests it may be playing a role. More importantly, if stronger productivity persists, it could help offset slower labor force growth, raise the economy's potential growth rate, and allow wages to rise without generating equivalent inflation pressure. That possibility has attracted the Fed's attention, with Chair Kevin Warsh highlighting productivity and capital investment as important sources of economic resilience.

Productivity growth has historically supported rising living standards, but its benefits are greatest when broadly shared. Labor compensation fell to 53% of nonfarm business output in the third quarter, its lowest share since records began in the late 1940s, suggesting workers have yet to capture a proportionate share of the recent gains. Capital ownership is more widespread than in previous decades, with nearly 60% of households owning equities directly or indirectly, allowing more families to benefit through retirement and investment accounts. Still, those holdings remain unevenly distributed, making the longer-term payoff dependent not only on whether productivity gains persist, but also on whether they spread more broadly across the economy and ultimately translate into stronger real compensation.

Economic trends: Business activity

Growth comes with a cost

The October Institute of Supply Management (ISM) surveys of business activity pointed to continued expansion across both sides of the economy. The Manufacturing Purchasing Managers' Index (PMI) rose to 55.5, marking its 10th consecutive month above 50, as production reached its strongest level since late 2021 and new orders remained healthy. Activity in the larger services sector moderated slightly but remained solid, with the Services PMI at 54.5 and most industries continuing to report growth. Taken together, the surveys indicate that business activity remains resilient, even if it is not accelerating broadly.



Sources: U.S. Bank Economics, Bloomberg, Institute of Supply Management (ISM)

Hiring conditions also continued to improve. Manufacturing employment remained in expansion for a fourth consecutive month, while the services employment index strengthened for a second month. The improvement is consistent with October's stronger payroll gain, although employment growth still appears measured relative to the pace of production and demand. Coming alongside stronger productivity, the results suggest businesses are increasingly able to expand output efficiently, while gradually adding workers where demand warrants it.

The more significant challenge remains on the cost and supply side. Prices paid eased slightly in both surveys but remained elevated, while supplier delivery times lengthened across both manufacturing and services. Respondents continued to cite tariffs, fuel and freight expenses, geopolitical uncertainty, and constraints on equipment and materials. Particularly in services, some businesses indicated that higher costs have not yet been fully passed through to customers, creating continued pressure on margins and the risk of additional price increases.

For the broader outlook, the surveys reinforce the view that economic growth remains on solid footing but is not surging at a far-above-trend pace. Healthy orders, production, and employment reduce concerns about an imminent slowdown, while elevated input costs and renewed supply chain pressure suggest inflation risks have not faded. That combination gives the Fed little reason to step back from a December rate hike and places even greater importance on next week's inflation data.

Data and reports we're watching this week: Another inflation checkpoint

Inflation data take center stage this week, with the **October Consumer Price Index (CPI) due Tuesday and Producer Price Index (PPI) on Friday**. The reports will provide an important update on price pressures as the Federal Reserve weighs the need for additional policy tightening. The week will also feature several Fed speakers, including Governors Waller and Bowman on Tuesday, whose updated economic outlooks could provide additional insight into policymakers' thinking ahead of the December Federal Open Market Committee (FOMC) meeting.

Tuesday's CPI report is expected to show some moderation in monthly inflation following September's sharp increase. We expect headline CPI to rise 0.4% month-over-month (MoM) in October, down from 0.6% in September but still elevated, while core CPI is expected to increase 0.3% for a second consecutive month. Softer auto prices and some moderation in shelter inflation could help restrain the core reading. Importantly, the Bureau of Labor Statistics (BLS) will not publish year-over-year inflation rates for October because price data were not collected in October 2025 during the federal government shutdown. As a result, the monthly readings and underlying composition of price changes will be particularly important for assessing the inflation trend.

Friday's PPI report is also expected to show producer price pressures remaining firm. We forecast headline PPI to rise 0.4% MoM in October following September's 1.3% jump, lifting the year-over-year rate to 6.6% (from 6.3%). Core PPI is expected to increase 0.3% MoM, down from 0.7% in September, leaving the annual rate at 5.0%. September's increase was heavily influenced by energy, with final-demand energy prices rising almost 11% MoM, while transportation and warehousing services increased 3.4%. Continued strength in commodity and transportation-related costs would suggest that pipeline inflation pressures remain elevated even as monthly price growth moderates.

Fed communications will also be closely watched following the Committee's decision to leave rates unchanged in October. Remarks from Waller, Bowman, and other officials this week could provide additional insight into whether policymakers continue to favor patience or see sufficient evidence of persistent inflation to support another 25 basis point hike in December.

Economic data calendar this week

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

U.S. economic calendar - November 9 through November 13						
Date	Time (CT)	Release	For	USB Econ	Consensus	Previous
11/9/2026	9 a.m.	**Wholesale inventories (MoM)**	Sep F	**0.6**	0.6	0.6
	10 a.m.	**NFIB Small Business Optimism Index**	Oct	**97.8**	97.7	97.9
11/10/2026	7:30 a.m.	**CPI (MoM)**	Oct	**0.4**	0.3	0.6
		CPI (ex-food and energy, MoM)	Oct	**0.3**	0.2	0.3
11/12/2026	7:30 a.m.	**Initial jobless claims**	7-Nov	**193.0**	195.0	189.0
	9 a.m.	**Existing home sales (millions)**	Oct	**3.9**	3.9	4.0
	1 p.m.	**U.S. budget deficit ($ billions)**	Oct			-26.9
11/13/2026	7:30 a.m.	**PPI (MoM)**	Oct	**0.4**	0.4	1.3
		PPI (YoY)	Oct	**6.6**	6.6	6.3
		PPI (ex-food and energy, MoM)	Oct	**0.3**	0.3	0.7
		PPI (ex-food and energy, YoY)	Oct	**5.0**	5.0	5.0

Sources: Bloomberg, U.S. Bank Economics. Consensus estimates as of Friday, 11/06/2026.

Federal Open Market Committee (FOMC) Speaker Calendar

Nov. 9, 7:40 a.m.: Bowman (Board of Governors/Voter)
Nov. 9, 9 a.m.: Goolsbee (Chicago Fed/Non-Voter)
Nov. 9, 11:15 a.m.: Barkin (Richmond Fed/Non-Voter)
Nov. 10, 3 a.m.: Waller (Board of Governors/Voter)
Nov. 10, 12:30 p.m.: Schmid (Kansas Fed/Non-Voter)
Nov. 10, 2:30 p.m.: Bowman (Board of Governors/Voter)
Nov. 10, 5:30 p.m.: Paulson (Philadelphia Fed/Voter)
Nov. 10, 5:30 p.m.: Bowman (Board of Governors/Voter)
Nov. 12, 8 a.m.: Hammack (Cleveland Fed/Voter)
Nov. 12, 9 a.m.: Barr (Board of Governors/Voter)
Nov. 12, 10:30 a.m.: Goolsbee (Chicago Fed/Non-Voter)
Nov. 12, 12:10 p.m.: Daly (San Francisco Fed/Non-Voter)
Nov. 12, 5:30 p.m.: Williams (New York Fed/Voter)
Nov. 13, 9:50 a.m.: Bowman (Board of Governors/Voter)
Nov. 13, 11 a.m.: Daly (San Francisco Fed/Non-Voter)
Nov. 13, 6 p.m.: Jefferson (Board of Governors/Voter)

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