

Weekly Economic Brief

Collaboration with The Investing Group (TIG)

by Saied Toossi | Week of October 5, 2026

Last week's data presented a more complex macroeconomic landscape. Second-quarter GDP growth was revised upwards with ISM manufacturing PMI continuing to signal expansion, while nonfarm payroll growth surprised to the downside and inflationary pressures persist.

Nonfarm payrolls added 29,000 jobs in September, falling well short of consensus expectations, with 60,000 fewer jobs created in July and August than preliminary prints suggested. Wage growth also slowed, with the year-over-year growth in average hourly earnings continuing its descent to 3%. The unemployment rate edged upward to 4.2% as the labor force participation rate also rose.

Nevertheless, broader activity indicators continue to signal economic resilience. Real GDP for Q2 was revised up to an annualized 2.2%, led by upward changes to investment, consumer spending, and government expenditures. The September ISM Manufacturing PMI printed at 54.5, extending its expansionary run to nine consecutive months.

On the inflation front, the personal consumption expenditures price index, used to calculate the Federal Reserve's preferred measure of price growth, underwent methodological changes (affecting price measurements for portfolio management, software, and legal services) that lowered the headline pace to 3.4% and the core rate to 3.0%. The revisions did not alter underlying trends, however, which still show no progress towards the 2% target. The ISM Prices Paid Index surged to 77.9, its highest reading in months, with broad-based price increases across manufacturing industries.

The weaker payrolls data trimmed the likelihood of another rate hike in October, with expectations shifting to December. Statements from New York Fed President John Williams and Fed Vice Chair Philip Jefferson reinforced the shift, suggesting no urgency for further action after the September hike.

Week ahead for economic data: Attention will focus on the upcoming FOMC meeting minutes for deeper insight into policymakers' perspectives on the interest rate outlook. Economic momentum and household expectations will be further evaluated through the ISM Services PMI and the preliminary University of Michigan Consumer Sentiment survey. Developments in the bond market will also be monitored as yields remain elevated across the curve.

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