

RCK ANALYTICS

MACROMATRIX

Payrolls Surge

Manufacturing Expands, CPI and Unemployment Ease, AI Imports Rise

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September's trade deficit eased to $105.0 billion as imports reached a record $426.6 billion

Executive Overview

US growth remains resilient, with factory activity at 55.5, payrolls up 165,000, and unemployment at 4.1%, but 0.3% core inflation and record $426.6 billion imports keep Federal Reserve rate-hike risk elevated.

October 2026 data points to an economy with expanding activity, sticky inflation, and a hawkish Federal Reserve backdrop. The ISM Manufacturing PMI rose to 55.5, a tenth straight month of expansion, while the Services PMI eased to 54.5 as New Orders slid to 55.9 from 59.8.

Consumer prices rose 0.4% after 0.6% in September, with core CPI at 0.3% for a third consecutive month. The latest annual headline rate, 3.7% for September, was not updated because October 2025 data are missing.

Labor markets surprised: payrolls grew 165,000, September was revised up to 60,000, and unemployment dipped to 4.1%, though involuntary part-time work rose 339,000 and U-6 reached 7.9%.

The September trade deficit stood at $105.0 billion, with record imports of $426.6 billion fueled by demand for AI-related capital goods. Following the jobs and CPI releases, markets now price in over 90% odds of a December 8–9 rate hike.

Investors should watch October trade data on December 8, November CPI on December 10, and whether manufacturing strength and elevated input prices keep core inflation firm.

Factories Lead as Services Cool

Manufacturing PMI hit 55.5 while services cooled to 54.5, confirming broad but divergent expansion

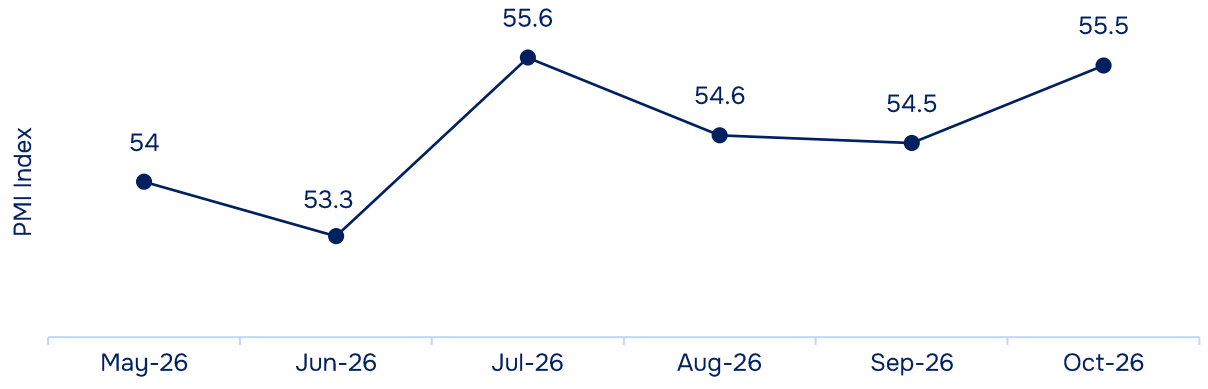
The ISM Manufacturing PMI, released November 2, 2026, climbed to 55.5 in October from 54.5 in September, marking a tenth consecutive month of expansion after ten months of contraction. The reading beat the 54.5 consensus, driven by broad gains across five of the six largest manufacturing industries.

New orders and production strengthened, echoing broader Q3 GDP data showing domestic demand at its strongest pace in over five years, supported by resilient consumer spending and AI-related capital investment. Meanwhile, the Employment Index eased slightly to 52.4 from 52.7, while the Prices Index fell to 75.2 from 77.9, reflecting persistent input cost pressures linked to the prolonged Iran war and elevated commodity prices.

S&P Global manufacturing PMI also remained solid at 54.9, though down from September's 52-month high of 55.9. In contrast, the ISM Services PMI, released November 4, 2026, eased to 54.5 from 54.9 as overall sector momentum moderated. Business Activity fell 2.7 points to 53.8 and New Orders dropped 3.9 points to 55.9 from 59.8.

However, Employment improved 1.3 points to 51.4, Backlog of Orders rose to 58.0 from 56.6, and the Prices Index slipped to 73.0 from 74.0. This divergence confirms manufacturing is taking cyclical leadership while services demand normalizes, sustaining inflation risks for Federal Reserve policymakers and global investors tracking US macroeconomic data.

Figure 1: US ISM Manufacturing PMI



Source: Institute for Supply Management

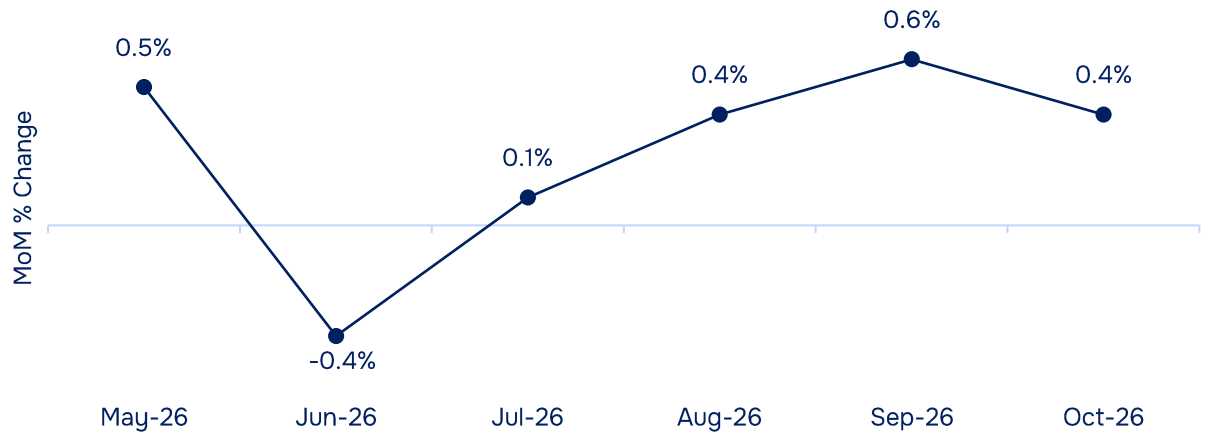
CPI Eases, Sticky Core Persists

Headline CPI 0.4% in October while core held at 0.3% for a third month

US consumer prices rose 0.4% month over month in October 2026, released November 10, versus a 0.3% forecast, following a 0.6% gain in September. Core CPI, excluding food and energy, rose 0.3% against a 0.2% forecast, matching August and September, the third straight month of firm underlying pressure. The index for shelter rose 0.3% and accounted for over 30% of the monthly increase, while food climbed 0.5%, with beef up 0.9%. Energy rose 0.7% after a 5.2% jump in September, with the gasoline index standing 37.4% above a year earlier. The Bureau of Labor Statistics did not publish an annual headline rate for October because October 2025 survey data were not collected during the federal appropriations lapse; the latest annual reading, September 2026, stands at 3.7%, up from 3.4% in August.

Monthly headline changes ran 0.9% in March, 0.6% in April, 0.5% in May, -0.4% in June, 0.1% in July, and 0.4% in August. Federal Reserve Governor Christopher Waller signaled support for a December rate hike and raised the possibility of a 50-basis-point move following the firm core reading while the next CPI release, covering November, is due December 10, 2026.

Figure 2: U.S. Headline CPI



Source: U.S. Bureau of Labor Statistics

Persistent services-driven core inflation keeps Treasury yields and Federal Reserve policy expectations highly sensitive heading into the December 8–9 policy meeting.

Payroll Surge Fuels Hike Odds

Payrolls grew by 165,000, and unemployment eased to 4.1%, lifting December rate-hike odds

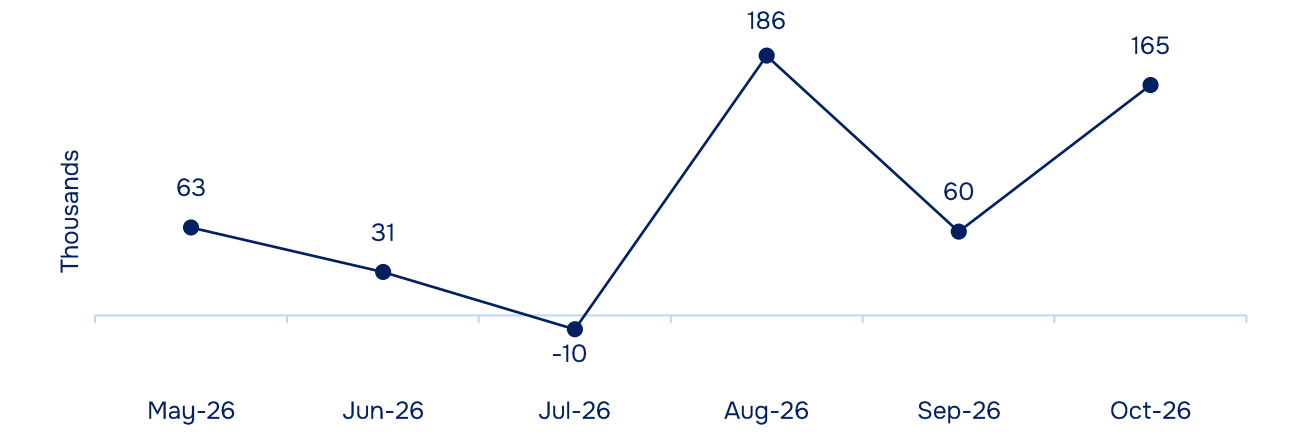
Total nonfarm payroll employment rose by 165,000 in October 2026, released November 6, versus a 65,000 forecast. Private payrolls added 159,000 jobs, and government added 6,000. September was revised up to 60,000 from 29,000, and revisions added 84,000 jobs across August and September.

The unemployment rate dipped to 4.1% from 4.2%, remaining within a 4.1%–4.3% range since March. Average hourly earnings rose $0.14, or 0.4%, to $38.00, a 3.1% annual gain. Transportation and warehousing added 25,000 jobs, including 17,000 among couriers and messengers, with professional and business services and healthcare leading gains. The prime-age employment-population ratio rose 0.02 percentage points to 80.70%.

Beneath the headline, involuntary part-time employment jumped by 339,000 and the broader U-6 rate rose to 7.9% from 7.6%, while the average private workweek held at 34.4 hours and the manufacturing workweek at 40.5 hours. Payrolls were more than three times the 12-month average.

Rate markets responded by lifting December 8–9 Federal Reserve rate-hike odds close to 80%, before the hotter November 10 CPI report pushed implied hike probabilities above 90%. For investors, resilient hiring, moderate wage growth, and rising underemployment complicate the Fed's path and keep US equities, Treasuries, and the dollar sensitive to rate-hike expectations.

Figure 3: U.S. Nonfarm Payrolls



Source: U.S. Bureau of Labor Statistics

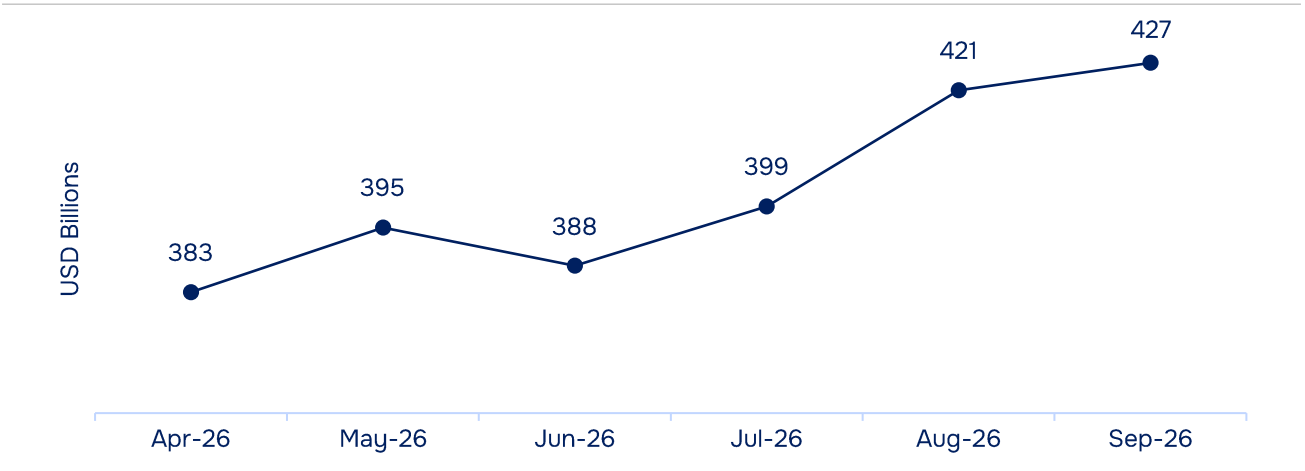
Record AI Imports Anchor Deficit

September's trade deficit eased to $105.0 billion as imports reached a record $426.6 billion

The US international trade deficit in goods and services narrowed 0.7% to $105.0 billion in September 2026 from $105.7 billion in August, in data released November 4. Total exports rose 1.9% to $321.5 billion, while total imports increased 1.2% to a record $426.6 billion, driven by goods imports reaching an all-time high of $346.9 billion. Goods exports increased 2.5% to $211.0 billion, outpacing the 1.3% rise in goods imports on a percentage basis. Meanwhile, services exports reached a record $110.5 billion and services imports hit a record $79.7 billion, yielding an official services surplus of $30.9 billion. Earlier advance goods data published October 28 showed a $134.9 billion goods deficit, reflecting a 7.5% surge in capital goods imports tied to rapid AI infrastructure buildout demand.

Over the three months ending September, the average deficit exceeded the year-earlier period by $36.5 billion, while average imports rose $12.7 billion to $417.2 billion. Remaining above $100 billion for a second consecutive month, the trade gap signals a notable drag on third-quarter GDP growth.

Figure 4: U.S. Total Imports



Source: U.S. Bureau of Economic Analysis

With October trade figures due December 8, 2026, strong domestic demand continues pulling in foreign capital equipment, keeping external imbalances wide for currency markets and global supply chains.

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RCK ANALYTICS

Website: www.rckanalytics.com

Email: info@rckanalytics.com

Phone: +91 9145339262

M-109, City Avenue Corporate Park, Wakad,
Mumbai-Bangalore Highway, Pune, India – 411 057

