

MISSING CPI DATA MAKES VICTORY LAP PREMATURE

December 18, 2025

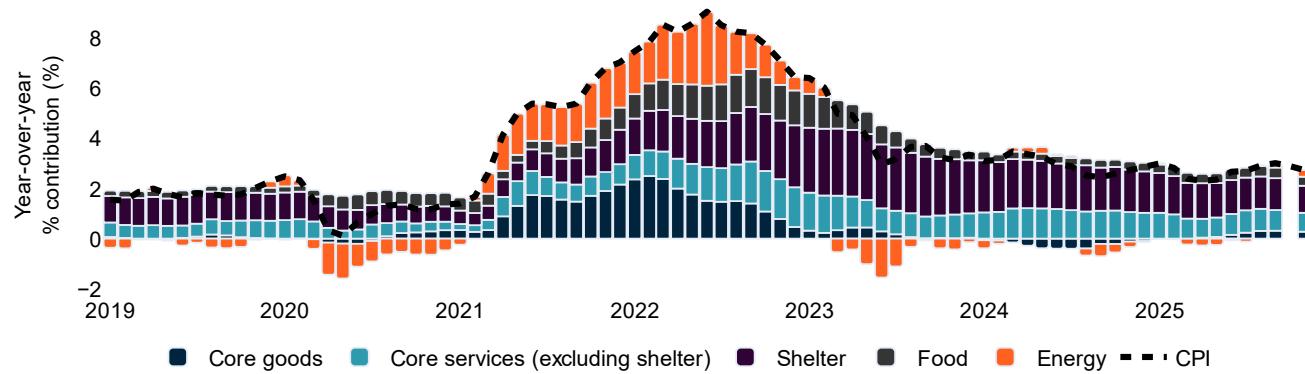
Headline and core consumer prices rose 0.2% over October and November. This took headline CPI from 3% to 2.7% (the slowest since June) and core CPI from 3% to 2.6% (the slowest since March 2021).

Due to the recent government shutdown, the Bureau of Labor Statistics was unable to collect most data for October leaving month-on-month data points missing for October and November.

Energy prices rebound, but other major sectors ease

Energy prices rose 1.1% over the two-month period to November, with notable gains year-over-year in fuel oil and electricity. Elsewhere, food inflation was modest, at 0.1% over the two months.

FIGURE 1: CPI EASES ACROSS THE BOARD, OUTSIDE OF ENERGY

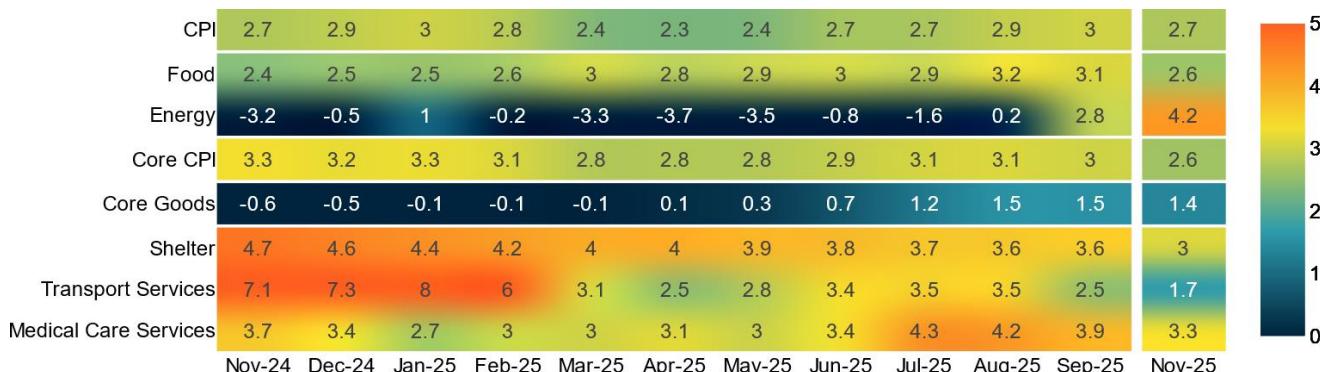


Source: Bureau of Labor Statistics, Macrobond, Insight Investment, December 2025. Charts are for illustrative purposes only.

Meanwhile, the “sticky” core services sectors continued to show improvement.

Shelter (the largest component of the CPI) reached 3% year-over-year in November, the lowest since August 2021. However, given disruptions to the housing surveys in October, we are cautious about over-interpreting the figure. Excluding shelter, CPI was 2.6%.

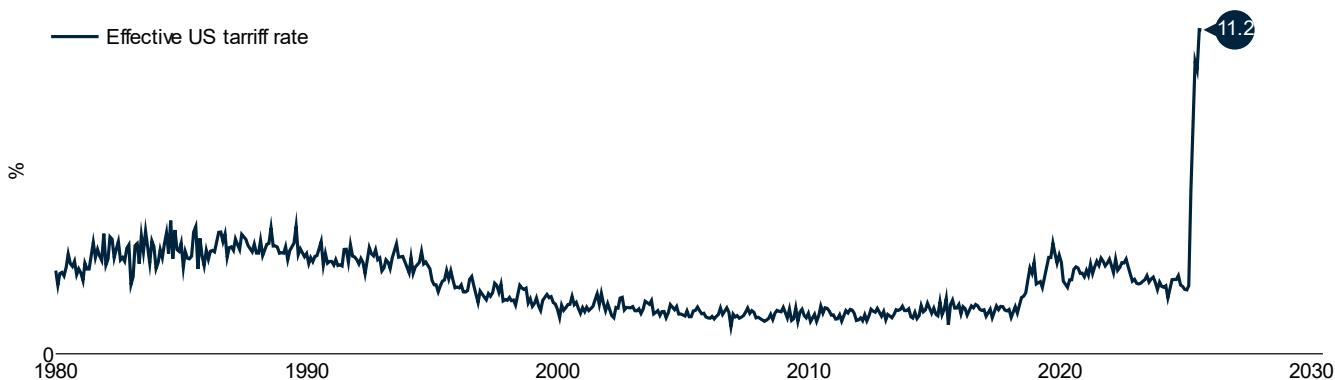
“Supercore” services (which exclude the rental component of shelter), eased from 3.2% year-over-year in September to 2.7% in October, with transportation and medical care services both easing year-over-year.

FIGURE 2: SHELTER CONTINUES TO EASE, BUT DATA QUALITY MAY BE AN ISSUE FOR NOW

Source: Bureau of Labor Statistics, Macrobond, Insight Investment, December 2025. Charts are for illustrative purposes only.

Tariff inflation proves mild, but may still be a factor over the coming months

Core goods inflation was 1.4% year-over-year, the slowest since July 2025. Most categories, including those that are tariff-sensitive, were largely contained on a year-over-year basis in November. We expect the tariff inflation will nonetheless peak over the coming months, reflecting the rising effective U.S. tariff rate.

FIGURE 3: THE EFFECTIVE TARIFF RATE MAY CONTINUE TO FEED THROUGH TO GOODS INFLATION FOR THE NEXT FEW MONTHS

Data quality concerns make it too early to take a victory lap

While the Federal Reserve (Fed) will likely be encouraged by the latest print, disruptions to the October CPI survey data mean it is too early to take a victory lap. It will likely take at least a couple of months before we can become more confident that disinflationary trends remain in place.

However, we expect core services will ultimately continue to show disinflation. Although the Fed will keep an eye on tariff inflation, we expect this will keep the central bank open to rate cuts in 2026 if the labor market shows signs of tipping into a contraction.

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The **Consumer Price Index (CPI)** measures the monthly change in prices paid by U.S. consumers. The Bureau of Labor Statistics (BLS) calculates the CPI as a weighted average of prices for a basket of goods and services representative of aggregate U.S. consumer spending. **Headline CPI** is the raw inflation figure reported through the Consumer Price Index (CPI) monthly. **Core CPI** excludes the more volatile food and energy categories. **Supercore** inflation equals the inflation of a basket of goods and services, minus the food and energy inflation, and minus the housing inflation. **Sticky inflation** refers to a persistent economic scenario where prices for goods and services do not adjust quickly to changes in supply and demand dynamics.

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