CIBC CAPITAL MARKETS

Economics

ECONOMIC FLASH!

economics.cibccm.com

December 18, 2025

US CPI (Nov): Cooling down during the shutdown

Andrew Grantham andrew.grantham@cibc.com

Consumer Price Index (monthly change, %)	Nov 2025	Oct 2025	Sep 2025	Aug 2025	July 2025	June 2025	Sep NSA YoY%
All items	N/A	N/A	0.3	0.4	0.2	0.3	2.7
Ex-food/energy	N/A	N/A	0.2	0.3	0.3	0.2	2.6
• Ex-food	N/A	N/A	0.3	0.4	0.2	0.3	2.7
• Ex-energy	N/A	N/A	0.2	0.4	0.3	0.2	2.6
Energy	N/A	N/A	1.5	0.7	-1.1	0.9	4.2
Services	N/A	N/A	0.2	0.3	0.3	0.3	3.2
Housing	N/A	N/A	0.2	0.4	0.2	0.3	3.5
Fuels & util.	N/A	N/A	-0.5	-0.1	-0.1	0.8	6.5
Food/beverages	N/A	N/A	0.2	0.5	0.0	0.3	2.6
• Food	N/A	N/A	0.2	0.5	0.0	0.3	2.6
Apparel	N/A	N/A	0.7	0.5	0.1	0.4	0.2
Transportation	N/A	N/A	0.8	0.9	0.0	0.1	1.6
Medical care	N/A	N/A	0.2	-0.2	0.7	0.5	2.9
Recreation	N/A	N/A	0.4	-0.1	0.4	0.4	1.8
Education, comm.	N/A	N/A	0.0	0.0	0.0	0.1	1.5
Other good, serv.	N/A	N/A	0.5	0.2	0.4	0.4	3.9
Commodities	N/A	N/A	0.5	0.5	0.0	0.3	1.8

Source: Haver Analytics.

- Latest CPI data suggests and inflationary pressures were colling down while the government was shut down. The weaker than expected inflation reading for November supports the case for further Fed cuts in the New Year, particularly given the deterioration in labour market conditions signalled by data released earlier this week. Following that data release we added one more 25bp cut to our 2026 Fed forecast, and today's inflation figures are supportive of that view.
- Headline inflation was 2.7% year-over-year, which was well below the 3.1% expected by the consensus and the lowest reading since July. Core inflation was similarly weaker than anticipated, with the 2.6% pace well below the 3.0% forecast and the lowest since mid-2021.
- Because data for October were not collected, there was no month-on-month change available for November. However, the BLS stated that seasonally adjusted headline and core CPI had both risen by only 0.2% over the two month period since September.
- Shelter prices rose, although the 0.2% increase over two months represented a pace well below what had generally been seen earlier in the year. The 3.0% y/y increase in primary rents, and the 3.4% rise in owners' equivalent rent,

were both the weakest since late 2021. A decline in hotel prices also weighed on the shelter component between September and November.

- Goods prices excluding food/energy continued to show some upward pressure from tariffs, but not large enough to offset disinflationary pressures elsewhere. Household furnishing prices rose in the two months between September and November, and the 2.6% year-over-year increase remains in contrast with the generally flat/deflationary trend seen prior to the pandemic. However, clothing prices declined over the two month period and were up only slightly on a year-over-year basis. Because price collection only restarted in mid-November, meaning a greater proportion of prices would have been collected during the Thanksgiving sales period, it's possible that goods price inflation was biased downwards slightly and may reaccelerate in December.
- Energy prices rose by 1.1% over two months, driven partly by gasoline prices which have fallen back again in December. Food price inflation appears to be cooling, with prices up only marginally between September and November and the year-over-year rate falling to 2.6%.

Implications & actions

Re: Economic forecast — While the lower weight of shelter in PCE prices may mean that the Fed's preferred measure of inflation doesn't decelerate quite as much as CPI, today's data still suggests that inflationary pressures aren't as strong as feared. That gives the Fed room to cut interest rates further to respond to the apparent weakening in labour market conditions, and we continue to expect two 25bp cuts in the first half of 2026.

Re: Markets — Bond yields and the broad US$ index were lower following today's release, as investors priced in slightly more interest rate cuts from the Federal Reserve during 2026.