



US CPI inflation slows sharply in November, but data quality is uncertain.

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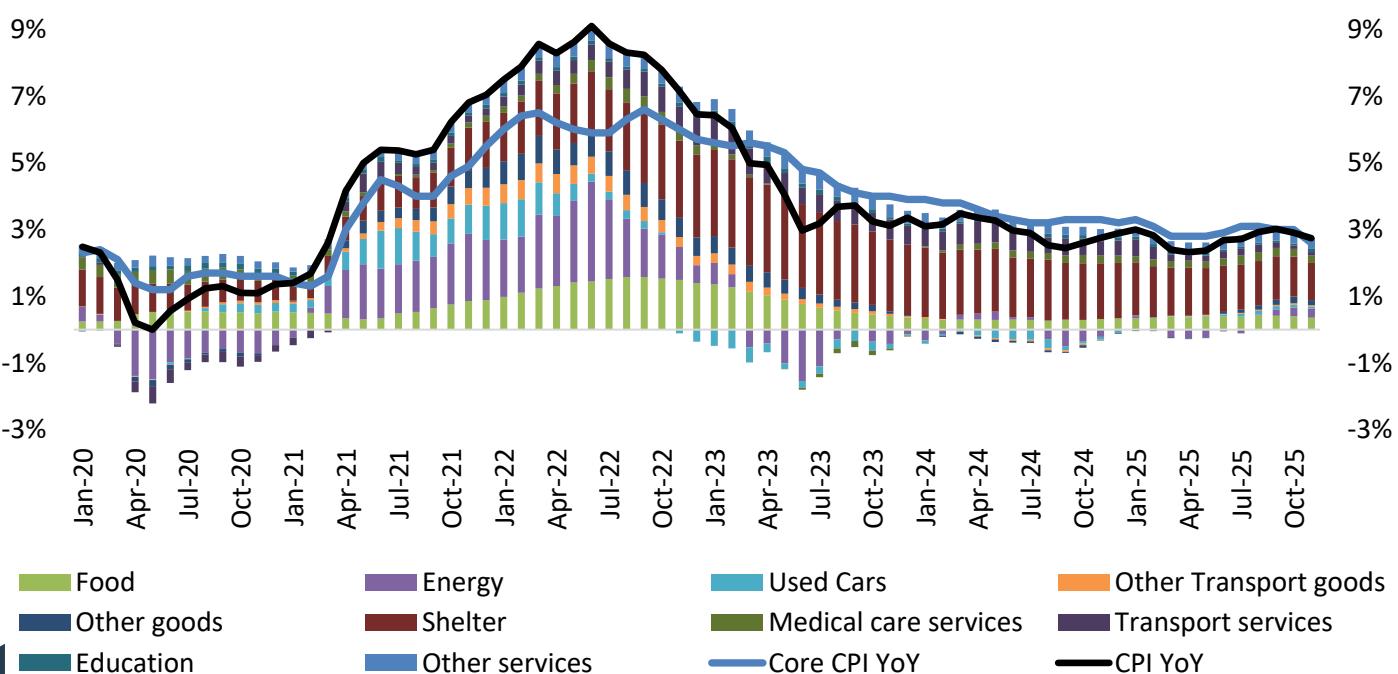
2025

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US CPI inflation data for November came in at a surprisingly low 2.7% YoY with the Core (excluding food and energy) at 2.6% YoY. This compares to 3% for both the headline and Core in September and market expectations of around 3% for November. Due to the US government shutdown in October and into November, October inflation data has been skipped, and we believe the quality of the November data can also be questioned. If the details of the November data are correct, it would imply a significant deceleration in US inflation over the past few months and would open the possibility of the Fed cutting rates more aggressively in 2026. However, even Fed Chairman Powell stated at the last Fed meeting on December 10 that the Fed would look at this report with a skeptical eye due to possible technical distortions. This means the Fed and financial markets will likely wait for the December CPI inflation data, to be released on January 13, to determine if the November release was distorted due to the shutdown or if inflation has truly slowed.

On a year-on-year basis, the deceleration to 2.7% was driven by food inflation falling to 2.6% YoY from 3.1% in September, and services inflation falling to 3% from 3.5% in September. In addition, goods inflation was expected to rise slightly due to tariff price increases but instead decelerated to 1.4% YoY from 1.5% in September. This may have been due to timing of the November data collection so the December data will be important in confirming or not the slowdown. The deceleration in services inflation was due to a slowdown in many of the key segments including shelter, medical care services, transportation services, and recreation services. However, the deceleration in services would imply shelter inflation falling to an average monthly inflation below 0.1% in October and November, medical care falling towards 0% and transportation and recreation services showing negative inflation during the past 2 months. This just highlights the potential unreliability of the November data and again indicates investors and the Fed will focus on the December data to determine the true pace of inflation.

CPI inflation falls to 2.7% YoY, Core at 2.6%, but data reliability in question



Source: Bloomberg/Bradesco/BLS

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