U.S. CPI Preview: Dec 2025

MNI View: Handle With Care

Dec 16, 2025 – By Chris Harrison and Tim Cooper

SUMMARY

- The latest delayed CPI update from the Bureau of Labor Statistics (Thursday Dec 18, 0830ET) threatens to be messy in several regards, muddying the signal for markets and for monetary policy.
- The government shutdown precluded October data collection, meaning overall CPI aggregates will not be available for the month, and the inflation recorded for November is on a 2-month change basis from Sept.
- While the M/M data will never be officially available, MNI's usual aggregation of sell-side analyst expectations points to expectations of an average of 0.24% M/M core CPI monthly across October and November. This would mark a basically steady pace from September's 0.23% M/M.
- The BLS will provide data for a "small" number of subcomponents for October, potentially including several key components of core CPI that could be derived from internet and private data sources, but it's not clear which ones will be published and how this will be presented in the report.
- Consensus is for core goods to accelerate slightly vs September, partly reflecting expected continued tariff passthrough, with an MNI median of 0.25% M/M average for Oct and Nov (Sep: 0.22%).
- Core services prices are conversely expected to moderate very slightly, at an average 0.22% M/M (Sep: 0.24%), with softer travel-related prices seen offsetting a pickup in rents/OER (leaving Supercore softer).
- On top of this, data quality concerns had been deteriorating even prior to the shutdown, and some are concerned that the collection period for this report could downwardly bias November core goods CPI.
- We already have a sense of how markets may react erratically to a disjointed report: the delayed nonfarm payrolls release for November (which like CPI, also saw partial data for October) out Tuesday saw an initial dovish reaction on an elevated unemployment rate but with many complexities within the report, and some clear caveats, limiting the reaction.
- Fed rate pricing comes into the release showing the next cut only fully priced for the June meeting. We suspect the December CPI report will be more pivotal, with the BLS prioritizing its production and getting back to its original release schedule for Jan 13.

CONTENTS

Headline and Core CPI Median Of 0.24% M/M Across Oct & Nov

	Sep *actual*	Oct/Nov average *MNI consensus*
Core	0.23%	Median 0.24%
Headline	0.31%	Median 0.24%
Core Y/Y	3.02%	Median 2.98%
Headline Y/Y	3.01%	Median 3.05%
(M/M and Y/Y taken only from unrounded)		

In a highly unusual release, the BLS will be publishing November CPI details but with the October release cancelled, barring some select metrics that rely on third-party sources which Barclays for instance estimate to be 11-15% of the basket. In short, we know the BLS won't report % M/M figures but we don't know whether it will initially publish two-month changes from the September levels provided during the government shutdown on social security grounds, stick to just % Y/Y rates or perhaps even only provide the index numbers with end-users then running their own calculations.

With that in mind, we see a median of 0.24% M/M for ten unrounded analyst estimates for both headline and core CPI when averaging across October and November (a majority reported as an average over the two months with some preferring cumulative changes). For a better sense of trend, headline CPI is seen firming marginally to 3.05% Y/Y in November vs 3.01% in Sept, whilst core CPI is seen easing a touch to 2.98% Y/Y in Nov vs 3.02% in Sept. This would be a four-month low for core CPI Y/Y inflation although it would remain above the 2.8% it recently troughed at through Mar-May.

Summary of Detailed Analyst October/November 2025 Inflation Expectations

mni	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Supercore M/M	Core goods M/M	used cars M/M	apparel M/M	Core services M/M	OER M/M	rents M/M	lodging M/M	airfares M/M	auto ins. M/M	Food M/M	Energy M/M	gasoline M/M
Sep	324.800	3.01	3.02	0.31	0.23	0.351	0.22	-0.4	0.7	0.24	0.13	0.20	1.3	2.7	-0.4	0.2	1.5	4.1
Oct/Nov Avg (median)	325.043	3.05	2.98	0.24	0.24	0.20	0.25	0.5	0.5	0.22	0.24	0.24	0.8	0.2	0.1	0.3	0.1	0.1
Oct/Nov Avg (mean)	325.078	3.05	2.97	0.25	0.24	0.21	0.29	0.4	0.5	0.23	0.23	0.21	0.9	0.1	0.1	0.3	0.3	0.1
Bbg consensus (Nov)	325.200	3.1	3.0															

Where analyst provided 2-month change, MNI has divided by 2 for the monthly average.
Source: Analyst previews, Bloomberg (consensus), MNI

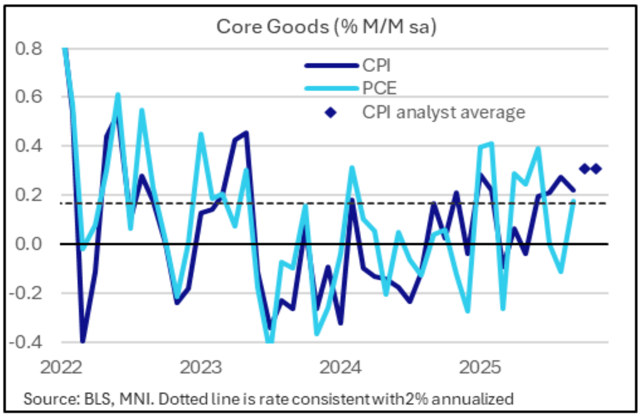
Analyst Expectations Of Key Sequential Drivers: Core Goods Acceleration vs Steady Core Services

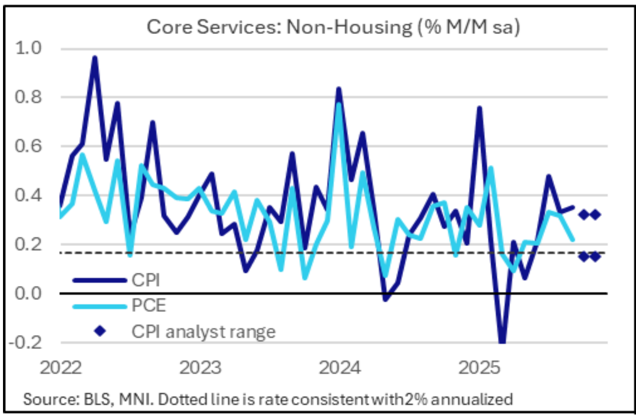
Broadly keeping to our usual format, we look at what analysts expect to see for some of the more important M/M categories or those that typically move most month-to-month. Out of necessity we have to compare expectations over two months with September's M/M figures, even though the BLS won't be publishing M/M figures. For clarity: where an analyst provided estimates for October and November individually, we have averaged them; where they provided a % total change over 2 months (Nov vs Sep), MNI has divided by 2 for the monthly average. In broad-brush terms, core goods inflation is expected to have firmed since September, helped by used cars, whilst core services inflation should be similar. Note also two expected sizeable contributions, to both upside and downside, from CPI-specific categories that won't feed through to core PCE and could further distort market reaction.

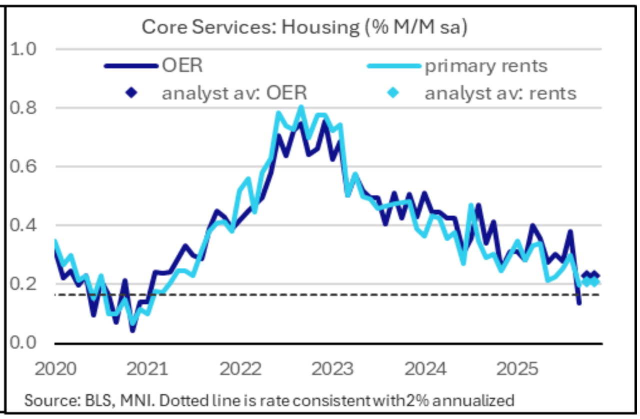
- **Used cars (+ve)**: We see an average increase of 0.4% M/M for Oct and Nov across six analysts (range -0.2% to 1.0%) after the -0.4% in September.
- **Vehicle insurance* (+ve)**: We see an average increase of 0.1% M/M for Oct and Nov admittedly across just four analysts (range -0.1% to 0.2%) after a surprisingly weak -0.4% in September.
- **Rents (+ve)**: OER and rent inflation is expected to have modestly accelerated after a surprisingly soft September. We see an average increase of 0.23% M/M for Oct for OER (range 0.12-0.30) in Oct and Nov after 0.13% in September, and 0.21% for rents (range 0.08-0.25) after 0.20% in September.
- **Airfares* (large -ve)**: We see an average increase of 0.1% M/M for Oct and Nov across six analysts (range -0.7 to 1.0) after the 2.7% in September beat already high expectations of 2.0%.
- **Lodging away from home (-ve)**: We see an average increase of 0.95% M/M for Oct and Nov across six analysts (range 0.2% to 2.0%) after a surprisingly strong 1.35% M/M in September.
- **Apparel (-ve)**: We see an average increase of 0.5% M/M for Oct and Nov across six analysts (range 0.0% to 1.1%) after a strong 0.7% in September and 0.5% in August. A third consecutive strong month would mark a break from a pattern that has tended to oscillate from month-to-month.

* denotes a PPI-equivalent feeds into core PCE instead, with any surprises likely to be ultimately downplayed

- **Non-core: Food (neutral)**: Seen with an average increase at a 'low' 0.3% M/M in Oct and Nov after 0.25% in September. As always, it's worth watching food away from home within this after it eased to 0.14% M/M in September for its second lowest since early 2021 (an input that feeds into core PCE but not core CPI).
- **Energy (-ve)**: Seen with a small average increase of around 0.3% M/M in Oct and Nov after a solid 1.5% in September.







Many Known Unknowns Heading Into This Release

We won't get aggregate CPI levels for October, but as part of the November report's unprecedented format, the BLS will include data for some but not all subcomponents for October. The vast majority of price data collection are collected by BLS employees in person or by phone, which obviously wasn't possible in October due to the federal government shutdown. However over 20% of the basket is taken from a variety of sources that don't entirely require personal collection, relying instead on online prices and private data providers.

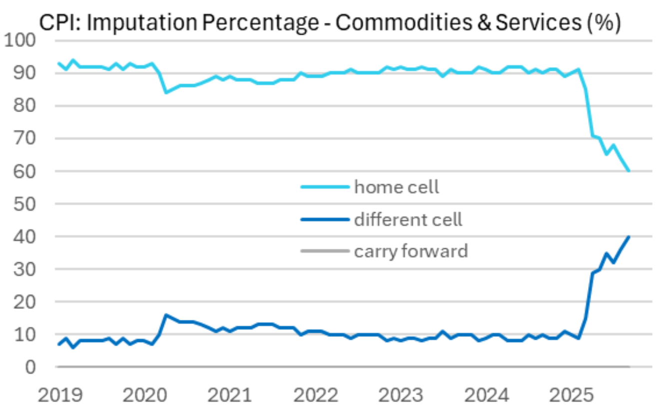
The BLS hasn't announced which components this will include for October but it could include several of the major categories that we include in our Core CPI consensus tables: used cars and trucks and new vehicles; airfares; lodging away from home; and various communications and medical prices (for headline CPI, gasoline data could be published). At least one analyst (Nomura) speculates that the BLS could estimate rents and OER as well as rent data are collected through the Housing Survey and not the Commodities and Services Price survey. The BLS previously noted that it "expects the number of publishable indexes to be small".

We don't know how the BLS will present such data either, as while it could simply publish the usual tables with % changes for both October and November (they advised "news release and database update will not include 1-month percent changes for November 2025 where the October 2025 data are missing"), this could clash with most items which would only have the November data (potentially with just the indices published and the 2-month changes noted).

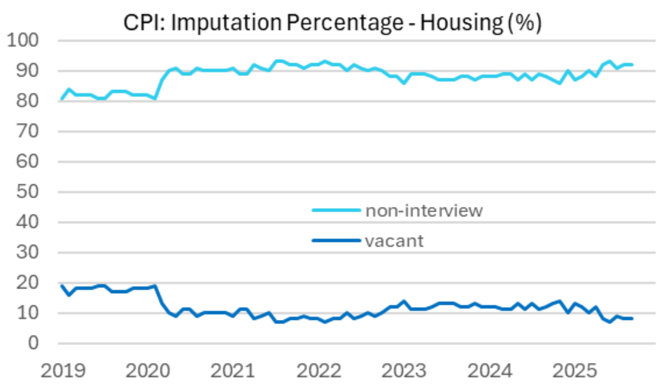
Data Quality Starting From A Weak Base Even Prior To Shutdown Collection Disruption

With data quality concerns and data dissemination uncertainty particularly elevated for this week's CPI release, it's important to remember that we're starting from a poor base for quality in particular. 40% of the commodities and services price survey source data for the September CPI report was based on a "different cell" rather than its "home cell" in September, a new high after 36% in August. This September CPI report shouldn't have been affected by the government shutdown, with its collection period coming earlier enough, and it instead extended what had already been a marked increase in different cell imputation since the start of this year reportedly owing in large part to budget and staff cuts. A historical average is closer to 10%, although it jumped to circa 30% from April where it then saw a range of 29-36% until August before the latest push higher to 40% in latest data. For context, it peaked at 15% in the pandemic when in-person surveys weren't possible.

On top of this, some are concerned that the collection period for this week's report, covering the second half of November and therefore Black Friday promotions, could have biased some core goods readings lower in particular.



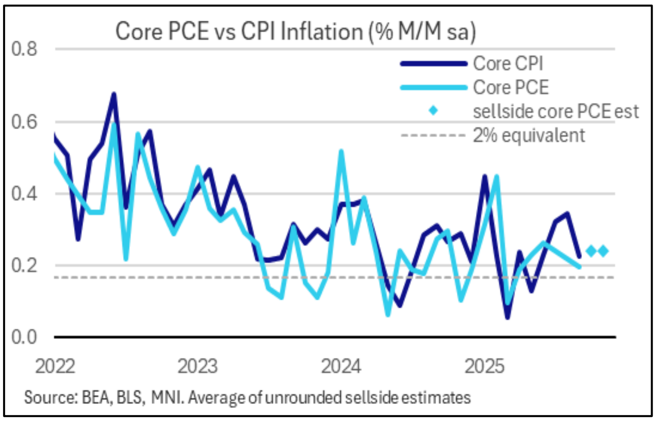
Source: BLS, MNI. If home cell data is insufficient, different cell imputation expands the geographical area while maintaining the item category.



Source: BLS, MNI. For non-interview, rent is imputed based on the average rent change of housing units in the same nominal rent class and location, with geopgrahical expansion if needed.

Early Core PCE Estimates Eye Acceleration On Average

In the typically early days for core PCE tracking, we see an average unrounded analyst estimate of 0.24% M/M for the average of both October and November, admittedly consisting of three average estimates between 0.26-0.27 (BofA, Morgan Stanley and Nomura) with Goldman Sachs lower at 0.19% M/M. It would follow 0.20% M/M in September and 0.22% M/M in August but with the November PPI report, not released until Jan 14 for still a month later than originally scheduled, needed to help firm up core PCE estimates and any potential revisions to prior months.



Scope For Fades Of Any Initial Snap Reaction, Barring Huge Surprises

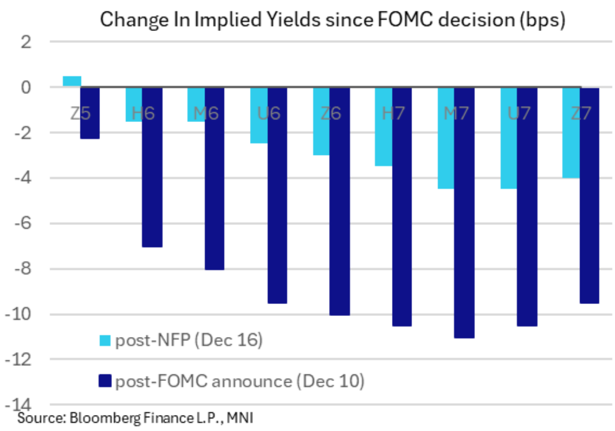
We suspect data dissemination complexities can see some swings in markets as headlines break at 0830ET although moves might ultimately be faded considering likely question marks not least over the impact of the monthly sampling for November and the reliability of limited October details. That is of course barring any particularly large surprises. We saw similar in Tuesday's nonfarm payrolls report for November, with a further climb in the unemployment rate setting the tone for a modestly dovish reaction but with many complexities within the report, and some clear caveats, limiting the reaction. For now, there are still low odds of a fourth consecutive 25bp cut at the next FOMC meeting on Jan 27-28 (6bp for unchanged since payrolls and an equivalent of 5bp prior to last week's FOMC cut). The next cut is only fully priced for the June meeting under a new Fed chair although it's getting closer to April with a cumulative 21bp of cuts priced. We suspect the December CPI report will be more pivotal, with the BLS prioritizing its production and getting back to its original release schedule for Jan 13. The FOMC will be going into the January meeting with somewhat limited core PCE tracking however, missing the December PPI details that will only be released on Jan 30, still running about two weeks behind schedule. Before then, the FOMC will also see the December payrolls report on Jan 9 in what is likely the single most important report between now and end-January.

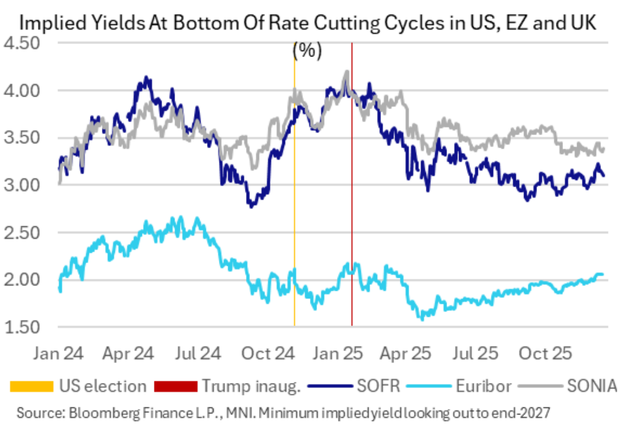
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Dec 16)			chg in rate	pre FOMC (Dec 10)			chg in rate
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	bp	%	step (bp)	cum. (bp)	bp
Effective	3.64			3.64				3.64			
Jan'26	3.58	-5.8	-5.8	3.58	-6	-5.8	*0.0*	3.59	-5	-5	*-1.0*
Mar'26	3.49	-9.0	-14.8	3.50	-8	-13.7	*-1.1*	3.53	-6	-11	*-3.7*
Apr'26	3.43	-6.4	-21.2	3.44	-6	-20.2	*-1.0*	3.47	-6	-17	*-4.5*
Jun'26	3.29	-13.8	-35.0	3.30	-14	-33.9	*-1.1*	3.34	-13	-30	*-5.4*
Jul'26	3.21	-7.7	-42.7	3.23	-7	-41.3	*-1.4*	3.28	-7	-36	*-6.4*
Sep'26	3.13	-8.6	-51.3	3.15	-8	-49.3	*-2.0*	3.20	-8	-44	*-7.2*
Oct'26	3.09	-3.9	-55.2	3.11	-4	-53.2	*-2.0*	3.16	-4	-48	*-7.4*
Dec'26	3.05	-4.2	-59.4	3.07	-4	-56.8	*-2.6*	3.12	-4	-52	*-7.5*

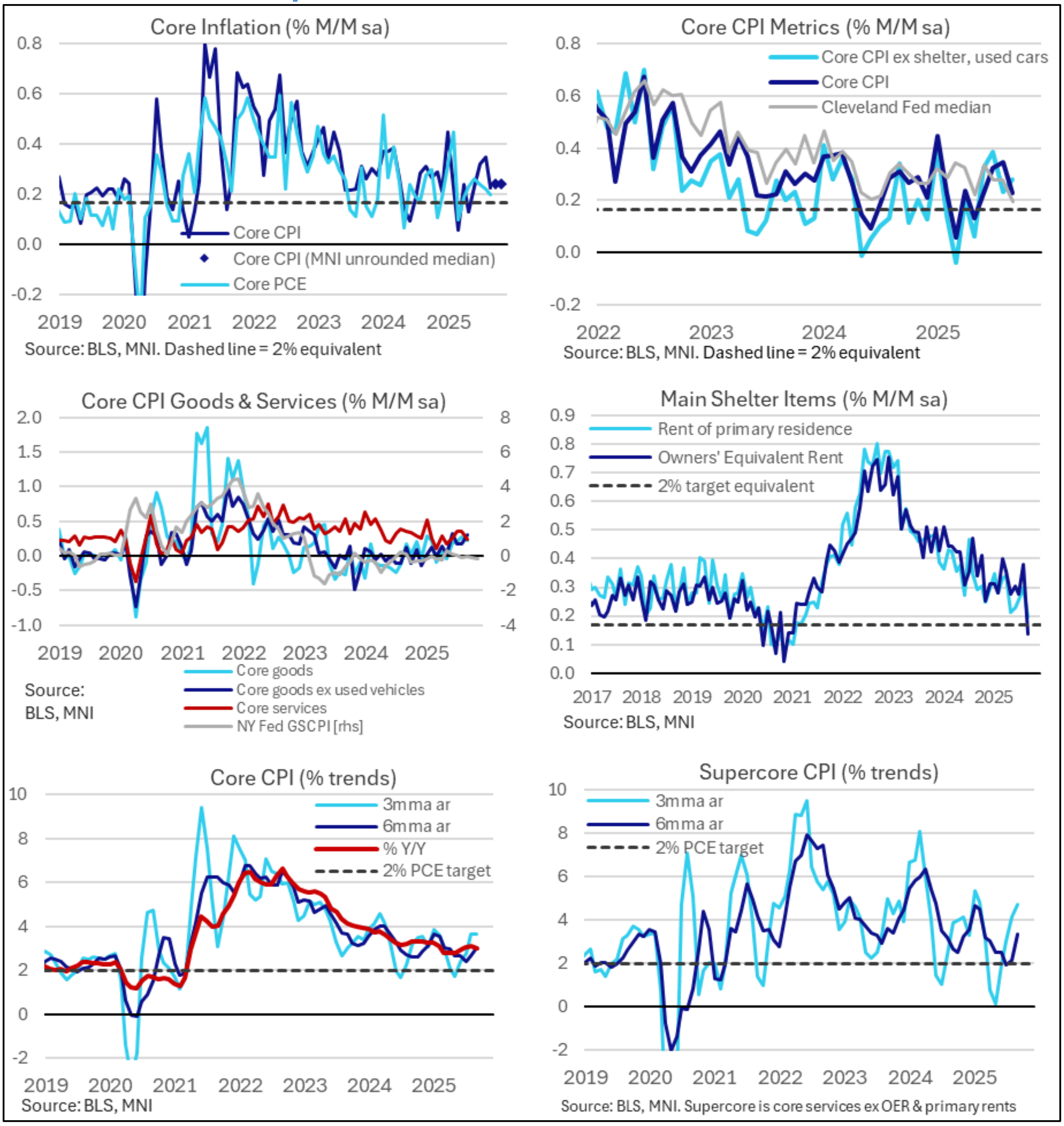
Source: Bloomberg Finance L.P., MNI.

Assuming same EFFR-target lower bound spread from latest fix going ahead (& showing as pre-FOMC for ease)



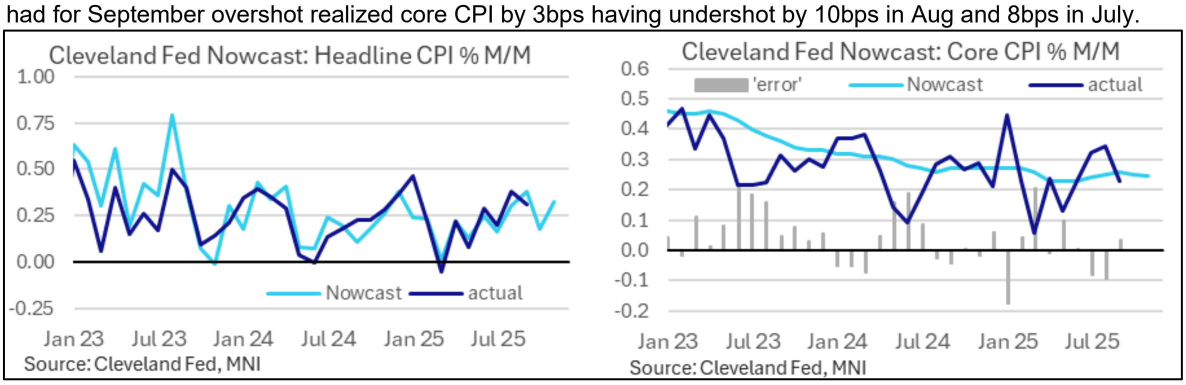


Recent Inflation Developments

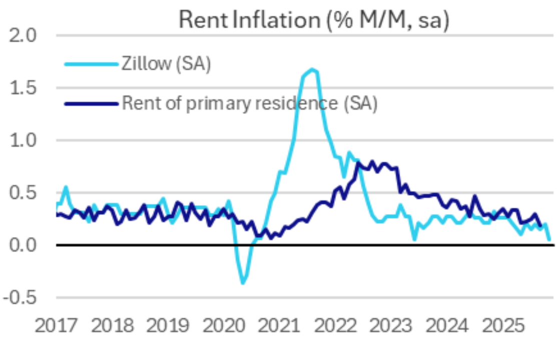


Nowcast: Core CPI Seen At 0.25% M/M In Both October and November

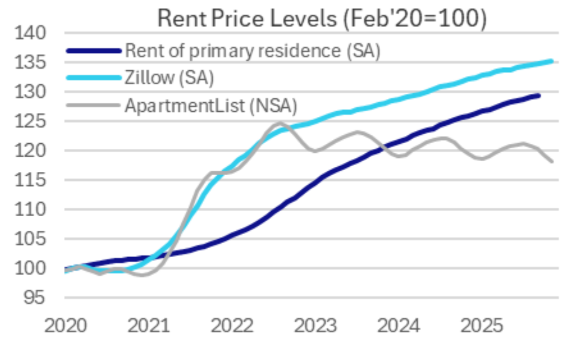
The Cleveland Fed nowcast has headline CPI at 0.32% M/M in November after what would have been 0.18% in October if it were to be published. Core CPI inflation meanwhile is seen at 0.25% M/M in November after the same 0.25% in October. The 0.26% it had for September overshot realized core CPI by 3bps having undershot by 10bps in Aug and 8bps in July.



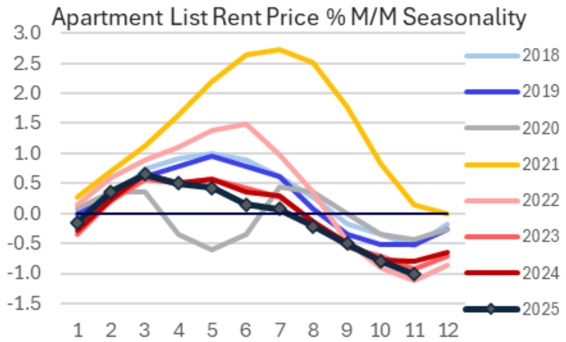
Housing Inflation



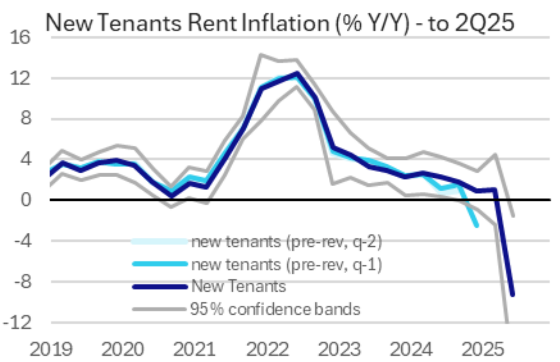
Source: BLS, Zillow and MNI



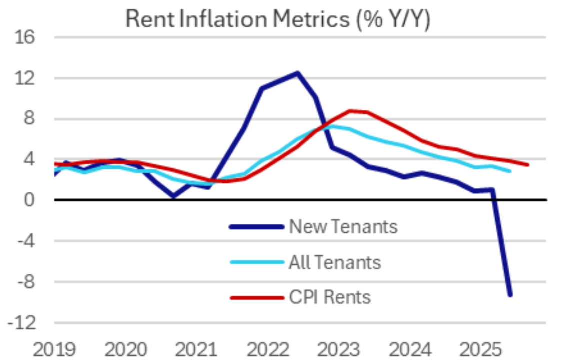
Source: ApartmentList, BLS, Zillow and MNI



Source: Apartment List, MNI

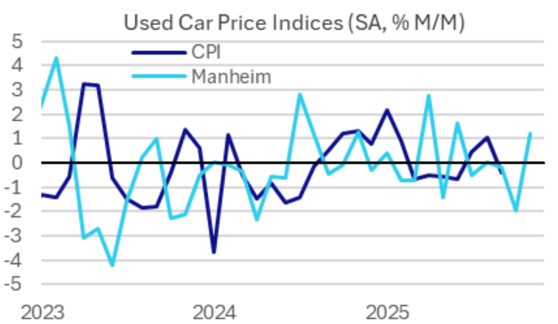


Source: BLS, MNI

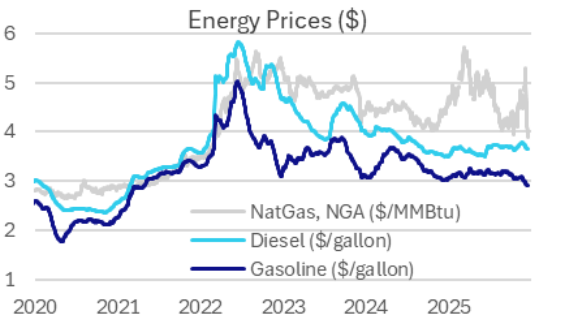


Source: BLS, MNI

Notable Goods Prices



Source: Bloomberg Finance L.P., MNI



Source: Bloomberg Finance L.P., MNI

Fed Beige Book: Price Descriptions See Somewhat Dovish Tilt

The November Beige Book showed net dovish developments across inflation on a breadth basis, as shown below, whilst around half of districts noted weaker labor demand. There were no longer any districts pointing to "robust" price increases, a new development in October's report. We'd also note that a single district reported a slight easing in selling prices for the first time since the July Beige Book.

District-By-District Descriptions of Current Conditions - Nov 2025 Beige Book

	Econ Act	Previous Report	Employment	Previous Report	Inflation (Selling Prices)	Previous Report
Boston	Expanded slightly	Ticked up overall	Edged lower	Unchanged	Modest increases	Rose moderately
NY	Declined modestly	Declined slightly	Declined slightly	Unchanged	Eased slightly	Mostly unchanged
Phil	Modest declines	Increased slightly	Declined slightly	Increased slightly	Rose moderately	Rose moderately
Cle	Increased slightly	Unchanged	Flat	Increased slightly	Rose moderately	Robust increase
Richmond	Grew modestly	Grew modestly	Unchanged	Unchanged	Moderate	Moderate
Atl	Unchanged	Little changed	Levels remained flat	Unchanged	Increased modestly	Rose moderately
Chicago	Rose slightly	Little changed	Increased slightly	Unchanged	Rose moderately	Rose moderately
Stl	Unchanged	Unchanged	Unchanged	Unchanged	Increased moderately	Rose moderately
Minn	Flat	Declined slightly	Declined slightly	Declined slightly	Increased moderately	Rose modestly
KC	Slowed slightly	Declined slightly	Declined slightly	Declined slightly	Increased modestly	Rose moderately
Dallas	Weakened slightly	Little changed	Continued to fall	Declined	Increased moderately	Rose slightly
San Fran	Mixed	Edged down slightly	Largely held steady	Little changed	Rose modestly	Rose modestly

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Full recap of the prior CPI report here, with our report titled "CPI Still Solid, But No Bar To Cuts"
https://media.marketnews.com/US_Inflation_Insight_Oct2025_938a0eda71.pdf

Summary Of Analyst Estimates

Summary of Detailed Analyst October/November 2025 Inflation Expectations

mni	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Supercore M/M	Core goods M/M	used cars M/M	apparel M/M	Core services M/M	OER M/M	rents M/M	lodging M/M	airfares M/M	auto ins. M/M	Food M/M	Energy M/M	gasoline M/M
Sep	324.800	3.01	3.02	0.31	0.23	0.351	0.22	-0.4	0.7	0.24	0.13	0.20	1.3	2.7	-0.4	0.2	1.5	4.1
Oct/Nov Avg (median)	325.043	3.05	2.98	0.24	0.24	0.20	0.25	0.5	0.5	0.22	0.24	0.24	0.8	0.2	0.1	0.3	0.1	0.1
Oct/Nov Avg (mean)	325.078	3.05	2.97	0.25	0.24	0.21	0.29	0.4	0.5	0.23	0.23	0.21	0.9	0.1	0.1	0.3	0.3	0.1
Bbg consensus (Nov)	325.200	3.1	3.0															
NatWest				0.20	0.18	0.15	0.25	-0.2	0.5	0.15	0.12	0.08	0.9	-0.6	0.14	0.2	0.5	
Goldman Sachs			2.88	0.20	0.21	0.20	0.19	0.5	0.0	0.22	0.23	0.24	0.8	1.0	-0.1	0.3	-0.1	
BofA	324.78	2.944	2.9	0.23	0.23													
Jefferies		3.11	2.93	0.29	0.23													
Wells Fargo	324.831	2.96	2.90	0.23	0.24	0.24	0.2			0.26						0.2	0.1	
Nomura	324.984	3.01	2.96	0.240	0.245	0.15	0.312	0.5	0.4	0.224	0.30	0.24	0.3	0.4	0.1	0.3	0.0	0.1
Deutsche Bank		3.03	3.02	0.24	0.26	0.32	0.19	-0.2	0.5	0.29	0.26	0.25	0.2	0.6				
Morgan Stanley	325.102	3.05	3.03	0.26	0.28													
TD Securities	325.563	3.192	3.0	0.34	0.28	0.19	0.51	1.0	1.1	0.21	0.22	0.23	2.0	0.0		0.3	1.2	
Barclays	325.21	3.08	3.1	0.26	0.29		0.4	1.0	0.6	0.26	0.25	0.22	1.5	-0.7	0.19	0.2	-0.1	0.2
CIBC		3.1	3.0	0.26														

Supercore is core services excluding primary rents and owner equivalent rents
Where analyst provided 2-month change, MNI has divided by 2 for the monthly average.
Source: Analyst previews, Bloomberg (consensus), MNI

Analyst Previews for CPI Report

(In order of weakest to strongest M/M core inflation forecasts, shown on SA basis for M/M and NSA basis for Y/Y unless stated otherwise):

Barclays: Could Be Biased Lower By Price Collection Covering Black Friday Promotions

- Core CPI to average 0.29% M/M across Oct-Nov (two-month cumulative increase of 0.58%), with headline averaging 0.26% M/M (two-month cumulative of 0.52% M/M)
- “October headline and core CPI indices won’t be published, though monthly prints for some sub-series based on non-survey data will be available (11-15% of CPI).”
- “On balance, markets will have to rely on 2-month price changes from September to November, and the annual rate (y/y) for November. The BLS also is not offering any guidance for handling the missing October data.”
- “This report is unlikely to be seen as a "clean" read on inflation, with October data incomplete, and November based on a smaller pricing sample. Market participants are also concerned that this report could be biased lower, since price collection occurred predominantly in the second-half of November, during Black Friday promotions. We think this matters more for core goods prices, and particularly for about half of this basket”.
- “We expect the uptick to be led mainly by core goods prices, which we forecast to have sequentially accelerated over the prior two months, led by a rebound in used cars prices and firmer inflation across the remaining core goods basket. We estimate services inflation to have also gathered steam, partly led by a rebound in OER CPI following the downside surprise in September.”
- On volatile items, they “expect energy CPI to have rebounded in November after a weak October, and look for modest inflation in food CPI over the two months, averaging 0.2% m/m.”

TD: Tariff Passthrough To Boost Core Prices

- Core CPI to average 0.28% M/M across Oct and Nov, coming in at exactly that number for each month individually, with headline averaging 0.34% (0.26% Oct, 0.41% Nov).
- "Core inflation stayed mostly under control in November despite our expectation for additional tariff
- passthrough lifting goods prices...Steady gains from apparel, recreation, and other goods should provide evidence of the ongoing tariff passthrough process."
- They see core goods CPI of 0.48% M/M in Oct and 0.54% in Nov (0.22% in Sep), with a bump to headline prices from energy (specifically gasoline, +2.8% M/M in Nov) for good measure.
- Conversely core services are seen moderating from September's 0.24% M/M (0.22% Oct, 0.19% Nov) for the softest since May: "Housing should be a driver to the downside, as we forecast a new move lower in both OER and rents after likely edging higher in October. Hotel fares are also expected to cool; likewise for airfare gains which likely declined m/m".
- Expects gasoline prices and new/used vehicles among "some series" seeing October data.

MS: Shelter To Rebound Whilst Goods Inflation Stays Firm

- Core CPI to average 0.28% M/M across Oct-Nov, with headline averaging 0.28% M/M
- They see core CPI inflation reaching 3.0% Y/Y in November.
- Their forecast is based on shelter rebounding and goods inflation staying firm.
- “Because of the shutdown, the individual months will not be reported, just a price level for November”.

Nomura: Watch Seasonal Price Discount Effect From Late Nov Data Collection

- Core CPI to average 0.245% M/M across Oct-Nov (0.228% Oct, 0.263% Nov); headline 0.24%.
- On core goods (avg 0.312% M/M): "We expect core goods inflation remained strong due to tariff effects as well as higher used vehicle prices...The recent firming of import prices and further tariff passthrough likely pushed up non-auto core goods prices, which leads us to forecast continued strength in apparel and other goods prices in October and November."
- Meanwhile on core services (0.224% avg; supercore 0.146%): "Supercore service inflation likely slowed due to lower health insurance prices and other volatile service prices, while inflation of rent-related components likely rebounded after a temporary slowdown in September."
- They note "If seasonal price discounts were more pronounced in late November, this shortened sample period may have created a downward bias in the November CPI."

- With sequential weakness in core CPI coming from non PCE areas, they see a modest acceleration in core PCE (0.261% Oct, 0.252% Nov, vs 0.198% Sept).
- On October components, "The BLS has not clarified which components are “publishable” for October, but we believe that some components that are derived from data vendors, big corporations and online prices will likely be calculated" - they eye 23% of the basket as having potential for publication, including apparel/household goods, gasoline, used and new vehicles, lodging, and partial details on communications and physicians/outpatient hospital services among other areas.

Wells Fargo: Core Goods Prices To Moderate

- Core CPI to average 0.24% M/M across Oct and Nov (2-month change of 0.48%), headline of 0.23%.
- They see goods prices moderating in Oct-Nov vs prior: "Goods are likely to account for part of the moderation. We estimate core goods rose 0.4% over the past two months, one tenth slower than the prior two months. Easing in vehicle inflation, particularly used vehicles, is expected to drive the slowdown. Ex-vehicles, we expect price growth to be little changed with tariffs still working their way into selling prices."
- On services: "We estimate core services prices rose 0.5% in the two months through November, compared to 0.6% over the prior two months. Primary shelter inflation continues to ease on trend, which should be evident in the year-over-year rate slipping to a cycle-low of 3.6%. Inflation for travel-related services is primed to slow, with hotel occupancy rates, TSA passenger screenings and accommodation/air transportation spending pointing to weaker demand for travel. Among remaining services, we expect to see a rebound in medical services inflation through November but further softness for motor vehicle insurance."
- They eye higher volatility on weak data collection: "The delayed survey start in November is likely to result in somewhat lower collection rates for the month. Following the 2013 shutdown, BLS reported that the sample of prices used to calculate the October CPI was 75% of its usual amount. This is likely to lead to more prices being imputed in November and exacerbate month-to-month volatility in the near term."
- On October subcomponents: "We see these likely including new and used vehicles, gasoline and prescription drugs and possibly apparel, household furnishings and airline fares. The ultimate number depends on whether the retroactively collected data meet publication criteria."

BofA: New Health Insurance Information Could Have Idiosyncratic Impact

- Core CPI to average 0.23% M/M across Oct-Nov
- “Since the BLS won't be publishing the Oct aggregates, we will be evaluating the two-month change in inflation. For the two months ending Nov, we forecast headline and core CPI inflation of 0.46% (0.23% m/m on average).”
- “One reason for our somewhat soft forecast is that the CPI will reflect new health insurance information, which we estimate to be a decent drag on headline and core. Importantly, this will not affect PCE inflation.”
- “Y/y headline and core CPI inflation should edge down from 3.0% in Sep to 2.9% in Nov.”

Jefferies: Expecting To Give More Confidence That Trend Is Headed Gradually Toward 2%

- Core CPI to average 0.23% M/M across Oct-Nov (0.215% Nov, 0.245% Oct), headline CPI to average 0.29% M/M across Oct-Nov (0.33% Nov, 0.26% Oct)
- “Fortunately, we do not need any government data to forecast the majority of the component indexes. Instead, we primarily use privately produced data and publicly available futures prices for commodities. So, while the BLS was unable to do the interviews and field work that they typically do to collect prices in October, we were able to employ our typical process for forecasting the October CPI.”
- For October, “Energy commodities were up modestly, but we expect that used car prices and less pressure from shelter will lead to a softer tone for the inflation data overall, and more confidence that the trend is headed gradually toward 2% over time.”
- “November is a little trickier. Compared with October, we were missing some government data. Specifically, we don't have the October CPI! Thus, this is a forecast based on a forecast. That being said, we are looking for +0.328% headline and +0.215% for core.”
- “Similar to October, OER, rent, and used cars will bring down the core, but a rebound in gasoline prices will push up the headline.”
- “Taking these m/m changes into account, this puts our estimates for year-over-year changes at +3.11% for the headline and +2.93% for the core, which risks rounding up to +3.0% if we are underestimating any components by a modest amount.”

GS: Core CPI and Core PCE Seen Averaging Around 0.2% M/M Across October and November

- Core CPI to average 0.21% M/M across Oct-Nov (0.16% Nov, 0.25% Oct), headline CPI to average 0.20% M/M across Oct-Nov (0.27% Nov, 0.14% Oct)
- Because the BLS will not publish most October CPI values, "price changes for a large share of the basket will need to be viewed on a two-month change or year-over-year basis rather than the usual one-month change."
- Five key component-level trends they expect to see in this report:
    - "we expect an increase in used car prices reflecting the signal from auction prices (+0.5% on average across October and November) and only a slight increase in new car prices (+0.2%) reflecting an increase in dealer incentives."
    - "we expect a slight decline in car insurance prices (-0.1%) based on premiums in our online dataset."
    - "we forecast an increase in airfares (+1%), as an increase in underlying airfares based on our equity analysts' tracking of online price data more than offsets a drag from seasonal distortions."
    - "we have penciled in upward pressure from tariffs on goods categories that are particularly exposed worth +0.08pp on core inflation on average across October and November"
    - "we expect downward pressure from delayed data collection on categories that typically experience steep holiday discounting in late November, worth -0.04pp."
- They currently estimate core PCE inflation to have averaged 0.19% M/M across October and November.
- "The BEA has not yet said how it will handle the missing data from the CPI, but we think one reasonable solution would be to interpolate October prices using the September and November prices for the components without October prices and to use the October prices for the limited number of components for which prices were collected retroactively."
- "Over the next few months, we expect tariffs to continue to boost monthly inflation and forecast monthly core CPI inflation of around 0.2-0.3%."
- They forecast core CPI and core PCE at 2.2% Y/Y in Dec 2026 or 2.0% ex tariff effects.

NatWest: Could See Oct CPIs For New Vehicles, Used Vehicles, Apparel and Gasoline

- Core CPI to average 0.18% M/M across Oct-Nov (cumulative 0.35%), headline CPI to average 0.20% M/M across Oct-Nov (cumulative 0.40%)
- "The BLS has already indicated that no one month percent changes for either October or November will be published in the press release. Consequently, we suspect it will be extremely challenging to try to draw many firm conclusions and suggest market participants use caution interpreting any surprises in the upcoming report."
- Sticking with their cumulative estimates here, "Within the details, we project that core goods prices increased 0.5% and core services advanced 0.3% (and core services ex rents +0.3%)."
- "The y/y pace in September was 3.0% for both the total and the core. However, trying to derive y/y changes for November will be somewhat futile, since the November 2025 index will compare to November 2024, with no data included for October 2025"
- On what might be published for October: "Typically, about 65% of the price quotes are collected through in-person surveys, while the remaining 35% are collected online/telephone interviews. Of that latter 35% there are only a handful of components where the data is provided by third party sources. The BLS will publish the third party-sourced data (our guess is October CPIs for new vehicles, used vehicles, apparel, household goods, gasoline could be published). However, the BLS has made it clear that officials will not publish an all items or core estimate for October 2025, nor will officials provide guidance to data users for navigating the missing October observations. The BLS has also indicated that no one month percent change for either October or November will be published in the press release."

MNI Policy Team Insights

MNI: Fed Biased To Ease With Focus On Jobs - Ex-Officials

By Pedro Nicolaci da Costa, Jean Yung and Evan Ryser (Dec 12, 2025)

WASHINGTON - The Federal Reserve is still inclined to keep cutting interest rates as policymakers worry predominantly about employment weakness, even if the bar for additional easing is higher with borrowing costs closer to neutral, former central bank officials and staffers told MNI.
“I read the direction of travel as dovish. While the SEP highlighted the hawkish disagreement around the table, the chair's comments clearly placed more weight on the cooling labor market dynamics than inflation,” said former Kansas City Fed President Esther George.

Fed Chair Jerome Powell "dismissed any consideration of higher rates, leaned pretty clearly I thought on productivity effects without saying that suggests higher neutral, and protested too loudly in my opinion that ‘reserve management purchases’ were not at all related to monetary policy," she added.

Policymakers are putting too little weight on persistently high inflation, and the Fed could hold off on further cuts until it waits for a leadership transition, George said.

"I worry that pressures are growing on the Fed to accommodate massive Treasury issuances through asset purchases and lower capital requirements for banks," she said. "Continuing to de-emphasize inflation is a mistake regardless of assumptions about tariffs and expectations."

PERSUADABLE

Joseph Wang, a former New York Fed staffer, said the FOMC could well be persuaded to ease again over the next couple of meetings.

“Powell mentioned he viewed jobs data as significantly overstated, and also that he viewed inflation excluding tariffs as only slightly above target. That seems to me to qualify for an easy policy stance, even as we are currently above neutral,” Wang said. “So cuts in January and March sound reasonable. This would be derailed by strong jobs prints.”

Rick Roberts, a former Fed system executive who also worked at the Kansas City Fed, thinks the Fed remains in easing mode despite the effort to message renewed caution, which was likely a compromise to get the hawks on board.

“Three sequential cuts plus bill buys read as the opening salvo of an ongoing and likely to continue easing cycle unless incoming data argues otherwise. Moreover, the data will have to be very convincing given the administration's ongoing influence on the FOMC — it seems to be the early part of an ongoing easing cycle to me, not the conclusion of an adjustment period,” he said.

PRODUCTIVITY

Importantly, Powell's embrace of the possibility that strong productivity growth could be a more permanent feature of the economy also portends lower rates.

“The Fed's soft endorsement of the productivity story widens its tolerance band. So, strong growth no longer equals inflation risk, while soft labor data equals a reason to cut. The reaction function becomes asymmetric -- ease on weak data, but don't tighten simply because of strong growth,” Roberts added.

“This provides Powell's Trump-appointed successor with more analytical headroom to argue that deeper or faster cuts are consistent with the Fed's mandate. By leaning in a narrative of stronger supply side performance and productivity gains, the Chairman has effectively broadened the set of policy rates that the Fed can defend as consistent with stable inflation.” (See MNI INTERVIEW: Fed Faces Politically Tumultuous Year - Bullard)

Peter Ireland, a former Richmond Fed economist, said the latest rate cut was a prudent move given relief in non-tariff inflation and weakening labor market conditions -- as is the decision to "wait-and-see" before making any further cuts.

“The implicit message that the Committee will await further news on the evolving state of the economy before committing to additional reductions in rates strikes me as appropriate as we still haven't gotten inflation back down to the 2% target,” he said.

MNI INTERVIEW: Fed Faces Politically Tumultuous Year - Bullard

By Jean Yung (Dec 8, 2025)

WASHINGTON - The Trump administration's efforts to gain influence over U.S. monetary policy are setting up for the most consequential showdown over Fed independence in decades with a wide range of potential outcomes, former Federal Reserve Bank of St. Louis President James Bullard said in an interview.

"2026 is going to be a very tumultuous year for the Fed," he told MNI. "For an organization that's been through a lot of tumultuous years, by comparison this will be pretty fundamental to see if the institution's underpinnings can hold up."

On the U.S. economy itself, Bullard is bullish. The AI spending boom and Trump's tax and spending legislation are major forces driving growth, while the relatively low unemployment rate and looser financial conditions bode well for consumption, he said.

"Growth will be good in 2026, and that lessens the pressure for the Fed to do any more than what they’ve done already," he said.

COMPETING INTERESTS

That investors are voicing concern Kevin Hassett will agitate for aggressive rate cuts to align with Trump could have an effect on the ultimate pick of a president sensitive to market reaction, Bullard said. A Fed chair must satisfy three criteria: political standing inside the Beltway, the academic community and credibility on Wall Street that they'll pursue low and stable inflation, he said.

Powell's successor is also likely to be tested by markets, and his view on policy may shift as a result, Bullard said. Alan Greenspan initiated a tightening cycle to combat inflationary pressures shortly after taking office in 1987, but the Black Monday stock market crash just two months later forced him to abandon his hawkish stance, he noted.

"It’s often the case that a new chair gets tested early in their term, and even if they know the organization, they don’t always appreciate how sensitive markets can be," he said, adding the smoothest transitions have been those of the past three Fed leaders, all of whom were elevated from the Board of Governors.

Aside from the new Fed chair, potential changes to the institution are set to test the century-old Federal Reserve Act that sought to balance short-run political with longer-run economic interests as well as national and local interests, Bullard said.

The Supreme Court's interpretation of law around the removal of governors could deliver Trump a 4-3 majority on the Board of Governors, expanding presidential influence in Washington. That in turn opens up an option not to re-authorize the 12 regional Fed presidents for their five-year terms.

The proposed three-year residency rule for Fed bank presidents also suggests the administration is preparing to exert leverage over the regional network -- potentially remaking how the Fed works from top to bottom.

"There's a wide range of outcomes," Bullard said.

NEAR NEUTRAL

The FOMC should wait until January to lower rates, rather than pushing ahead with a rate cut this week having little new data in hand, Bullard said.

"It's going to be a minor mistake," he said. "The risk is they go ahead and make this move, and the outlook brightens up with strong data, and now you can’t take that move back."

The jobs data released since the federal government shutdown ended indicated improved hiring in September than over the summer, while other indicators point to a steady state labor market, Bullard said. Meanwhile, headline and core PCE inflation were last seen at 2.8% in September.

The hawks' argument that inflation hasn't budged in 18 months is a good one, Bullard said. The median official is likely to continue to see just one more cut next year, he said. "They risk ongoing inflation well above the 2% target and I don’t think they want to risk that." (See: MNI INTERVIEW: Fed Risks Overcutting As Inflation Lingers) Monetary policy is modestly restrictive now, but "if they continue to go down, they’ll take the pressure off inflation and risk it going to the 3% range. That’s something that needs to be priced in."

MNI INTERVIEW: ISM Services Will Continue To See Improvement

By Evan Ryser (Dec 3, 2025)

WASHINGTON - U.S. services activity expanded at a slightly faster pace in November, and there are signs that mild growth will continue as demand holds up, Institute for Supply Management services chair Steve Miller told MNI Wednesday.

Business activity, new orders, and supplier deliveries indexes are all above their 12-month average, and the services PMI has shown a positive trend since May, he said.

"I feel pretty positive about where we're headed," Miller said. "Looking at the trends together – and the more aggregation the better – gives you a pretty good signal for where things are going."

The ISM composite increased 0.2 to 52.6 last month, above market expectations and the highest since February. The prices paid index fell 4.6 to 65.4, the lowest since April and below its 12-month average.

GRADUAL IMPROVEMENT

The new orders index fell 3.3 to 52.9 and the supplier deliveries index jumped 3.3 to 54.1, representing slower performance and the second highest reading since October 2022.

"I'm a little more confident in a gradual improvement from all of the uncertainty this summer, seeing an ongoing trend of improvement since May," Miller said. "This gave me good confidence that we're seeing a back-to-business kind of mentality, even with the uncertainty on the Supreme Court."

"We've got some consistency in new orders being above 50 for the last six months. And the backlog of orders, despite being in the 40s for two out of the last four months, is a gradual trend increase since the May timeframe." The employment index rose 0.7 to 48.9 in the month to its highest reading since May, though remained in contraction territory for the sixth month in a row.

"I would say there's positive signs in the services economy, growth returning, and – without a significant negative – that employment number will continue to kind of hover around 50," Miller said, citing a lack of commentary among survey participants on significant layoffs.

"There just aren't more people to take out without a signal that the economy is in the tank," Miller said. (See: MNIINTERVIEW: Fed To Slow Easing, '26 Cuts Not Certain-Clouse)

SUPPLIER DELIVERIES

A rise in supplier deliveries, reflecting the disruptions to air travel due to the government shutdown, boosted the November ISM services PMI. Without that, the gauge might have seen a small monthly drop, Miller said.

"We'd be at about 51.8 on the overall services PMI number if we come in the same as last month on supplier deliveries, which would be representative of the disruptions," he said. "It was only a partial month of disruption, so it would have probably been somewhere in the 52.0 area, maybe a little bit above 52."

All in all, it is not a huge difference, he said. "I think it would go from an increase month-over-month to a slight decrease month-over-month, but still the continued trend from May" of slight expansion remains.

MNI INTERVIEW: ISM Chief Sees No End In Sight To Factory Slump

By Evan Ryser (Dec 1, 2025)

WASHINGTON - U.S. manufacturing will remain in contraction as demand remains weak and for as long as trade uncertainty continues to be a drag on businesses, Institute for Supply Management manufacturing chair Susan Spence told MNI.

"I do not see anything that will turn the ship," Spence said in an interview. "The [trade] uncertainty still continues to kill us."

Two of the four demand indicators from ISM decreased over the month. The ISM manufacturing index declined 0.5pt to 48.2 in November, almost a full percentage point below expectations and a ninth consecutive month of contraction. A level at 50 represents the breakeven point dividing expansion and contraction.

"There's nothing that we're reading or seeing in the news and what's going on with tariffs that give me any confidence that all of a sudden the customers are going to come start ordering from us," she said.

New orders decreased 2.0pts to 47.4, employment fell 2.0pts to 44.0, and prices increased 0.5pt to 58.5. The new export orders component increased 1.7pts to 46.2. The production measure increased 3.2pts to 51.4.

DEMAND, TARIFFS

The ISM manufacturing chief noted contracting demand and said she has little confidence that new orders will expand in coming months as some analysts predict.

"These are not customers who are all of sudden being confident and ordering from U.S. manufacturers," she said. "It seems to be that the customer inventories are so low that they have to reorder in certain, specific sectors. And it's just not sustainable."

"We see this wave going through the supply chain as where we're going to continue to be sitting," she said. "That is possibly until we see tariffs get decided from the Supreme Court, or maybe until people start making decisions, which they're not apt to do if there's so so much uncertainty."
UNCERTAINTY

Spence is increasingly concerned about the loss of foreign demand for U.S. manufacturing products. "The longer the uncertainty goes on, the longer customers outside of the U.S. have to go figure out who else they're going to buy from, if they can," Spence said.

Overall policy uncertainty, tariff uncertainty, and the looming decision from the Supreme Court on tariffs weighs on businesses' decision-making and growth, she said.

"It's not helping. Not only is it not driving manufacturing back to the U.S., it is giving customers outside of the U.S. time to go develop other sources. And that really worries me," Spence said. "Perhaps once it all gets straightened out, maybe the customers aren't going to be there."

Spence noted that supplied deliveries sped up in November, but suggested it may be due to weak demand. "That's not necessarily a good thing. We think that means that there's just not a whole lot of work there," Spence said. (See: MNI INTERVIEW: Fed To Slow Easing, '26 Cuts Not Certain-Clouse)

WORKFORCE

The ISM employment index in November was the lowest since August and has been in contraction for ten straight months.

"Without understanding what's going to happen with tariffs, we really can't expand our workforce, and there's not an order flow coming in anyway," Spence said. "We want to hold on to folks, but that can't happen forever."