US Economic Research 18 December 2025



U.S. Data Review

 CPI: November data suggest notable cooling, although some skepticism necessary given disruptions to data collection tied to the government shutdown

Lawrence Werther

lawrence.werther@us.daiwacm.com +1-212-612-6393

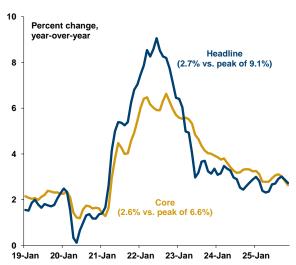
Brendan Stuart

brendan.stuart@us.daiwacm.com +1-212-612-6172

November CPI

The November CPI report offered the first glimpse at inflation in Q4 after the prior government shutdown disrupted operations at various statistical agencies and led to the delay or cancellation of various key data. That influence was evident in the latest report, as most price data was unavailable for October (including index reads for both the headline and core measures) and questions remained about collection and methodological issues applied during the November survey period. Thus, while the latest batch of inflation statistics were overwhelmingly favorable (the year-over-year advance in the headline CPI slowed to 2.7 percent from 3.0 percent in September and the core eased to 2.6 percent from 3.0 percent; chart, right), we look forward to additional readings in the next month or two to corroborate (or refute) the deceleration

CPI: Headline & Core



Source: Bureau of Labor Statistics via Haver Analytics

before revisiting our current Fed call of 2 cuts in 2026 (-25 basis points at the March and June meetings) in favor of additional easing.

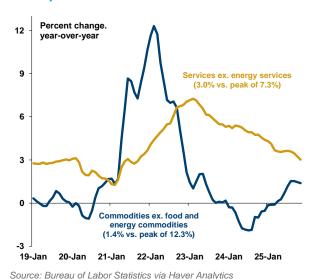
- Taking at face value developments in the core CPI, results were encouraging. The increase of 0.159 percent from September to November (seasonally adjusted index of 331.068 in November versus 330.542 in September) corresponded with a year-year-over-year advance of 2.633 percent in November 2025, down from 3.019 percent in September the slowest since March 2021. Moreover, the latest data revealed positive developments with respect to both goods and services. On the goods side, the November-over-September change of +0.056 percent (seasonally adjusted) corresponded to a year-over-year increase of 1.391 percent, down from 1.540 percent in September (chart, next page, left). Notably, one of the few areas where both October and November data were available new vehicle prices showed only modest increases (up 0.2 and 0.1 percent, respectively, in November and October; +0.6 percent year-over-year in November), suggesting that anticipated repricing for the new model year has been modest and therefore may not be a significant source of pressure. More broadly, the recent results for core goods suggest that anticipated impacts from tariffs may be far less than previously assumed.
- With respect to the other broad area of core, services excluding energy services (i.e., core) rose 0.163 percent in November (vs. September), with the latest year-over-year advance of 3.022 percent easing sharply from the 3.466 advance two months prior (chart, next page, left). A drop in airline fares played a role (-6.6 percent in the seasonally adjusted index for November versus September; -5.4 percent year-over-year), along with housing costs also acting as a key driver. On that front, the rent of primary residence component rose 0.126 percent in the two months ended November (interpolated to +0.063 percent per month versus the +0.256 percent average in the six months ended September), with the owners' equivalent rent of residences area registering a September-to-November change of +0.270 percent (+0.135 percent

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.

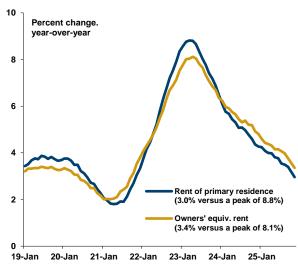


per month versus +0.288 average in the six months ended September). The latest results corresponded with year-over-year increases of 2.959 percent for primary rents (versus 3.396 percent in September) and 3.357 percent for OER (versus 3.764 percent) – both aligned with pre-pandemic trends consistent with 2 percent inflation (chart, below right). The results are encouraging, as we viewed real-time indexes of market rents indicating that housing-related metrics in the consumer inflation gauges were set do decelerate further in 2026, although we are somewhat skeptical of the near-term results (see above).

Decomposition of Core CPI



CPI: Housing



Source: Bureau of Labor Statistics via Haver Analytics

ice. Buleau of Labor Statistics via Haver Arialytics

Translating the data to an anticipated change in the price index for personal consumption expenditures is challenging given the lack of available PPI inputs and possible data issues for November. With that said, we look for the core PCE price index to increase approximately 0.14 percent in November (versus September) – consistent with a year-over-year advance of 2.6 percent in November 2025 versus 2.8 percent in September. Again, the data in hand suggest marked improvement in inflation, but we urge caution at least until the receipt of December data.