

Contributors

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US Core CPI Reinforces FOMC On Hold

- Core inflation was marginally below consensus...
- ...as warm core services inflation was offset by flat core goods inflation
- The breadth of inflationary pressures picked up
- Outlier moves across so many components raise doubts after distorted November
- Markets continue to price the FOMC on hold this month

US CPI / core CPI, m/m %, SA, December:

Actual: 0.31 / 0.24

Scotia: 0.3 / 0.3

Consensus: 0.3 / 0.3

Prior: NA due to shutdown

Questionable US inflation data came in very slightly beneath consensus at 0.24% m/m SA, or 2.9% m/m at a seasonally adjusted and annualized rate (chart 1 with cautions about absent prior data). The year-over-year rates were reasonably stable (chart 2).

That six-one-hundredths of a percentage point undershoot relative to consensus expectations for core inflation prompted a knee-jerk initial rally in US 2s that then faded toward only a minor move lower once details were digested.

Core goods inflation collapsed to 0% m/m SAAR (chart 3). Categories like used vehicles (-1.1% m/m SA, or -12.6% m/m SAAR) contributed to this (new vehicle prices were flat at 0.2% m/m SAAR). So did multiple other goods categories that were soft, but with important offsets like apparel (+7.3% m/m SAAR).

Core services inflation remained robust. Services CPI ex-housing services and ex-energy services was up by 0.29% m/m SA, or 3.5% m/m SAAR (chart 4).

Within services, hot areas were OER and primary rent, both up 0.3% m/m SA, or 3.8% m/m SAAR for OER and 3.2% m/m SAAR for primary rent. Fed Governor Miran's housing disinflation narrative suffered a strong setback this time.

As for headline CPI, a contributing factor was that food prices were up 8.9% m/m SAAR with energy up 3.6% but not because of gasoline (-5.3%).

The breadth of inflationary pressures increased (charts 5, 6). The very large underlying movements—up and down—across many components support a case for treating the

Chart 1

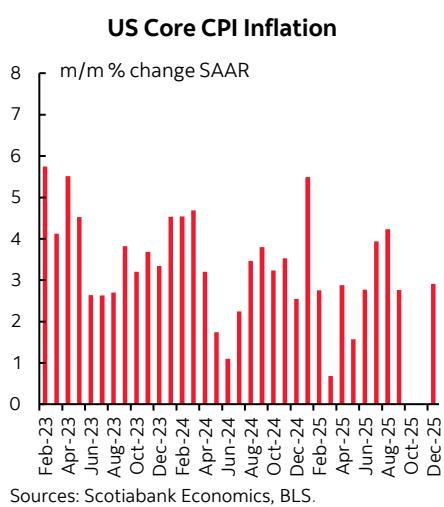


Chart 2

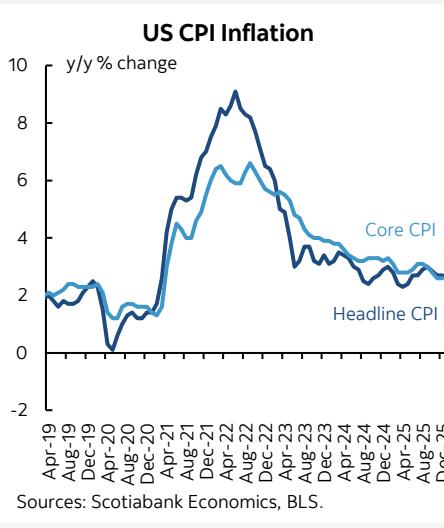
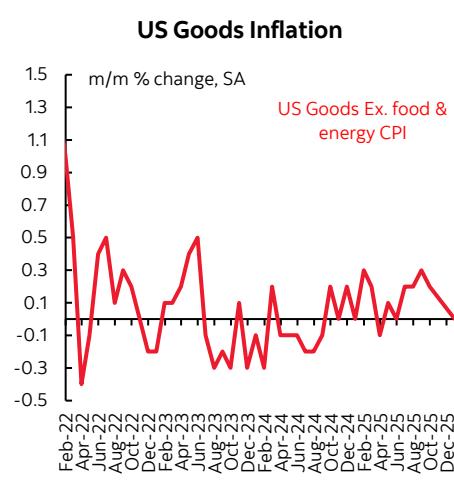
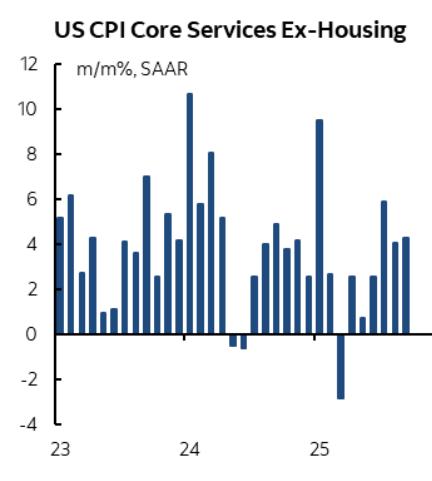


Chart 3



Sources: Scotiabank Economics, BLS.

Chart 4



data with high suspicion. There is nothing in here that leads me to believe the FOMC would pivot more dovishly in favour of a January cut.

Some examples of outlier component moves include shelter components up between 4–5% m/m SAAR, apparel up 7.3%, used vehicles –12.6%, education and communications –11.2%, public transport up 70.2% (!), hospital and medical care categories up 4–5% and so on. I think there's a wonky hand-off effect from November's weakened data collection that is distorting components and driving weak trust in the data.

The pandemic era's pattern of relatively high seasonal adjustment factors persisted (chart 7) which may have overstated the effects of little change in seasonally unadjusted core (chart 8).

The share of the basket estimated by alternative proxy methods will be released after 11amET. Recall that it has been running around record highs (see chart in my morning note).

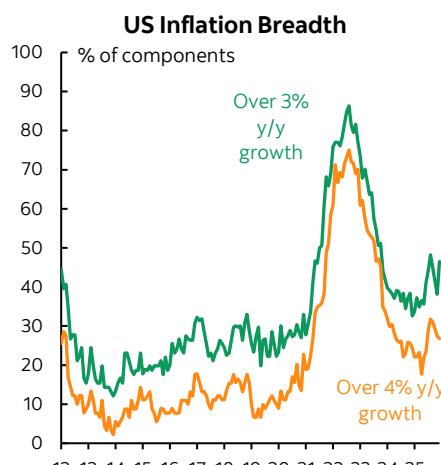
See charts 9–17 for more components.

Charts 18–19 break down the basket in terms of y/y changes and weighted contributions to the overall y/y change in CPI.

Charts 20–21 do likewise for the m/m changes.

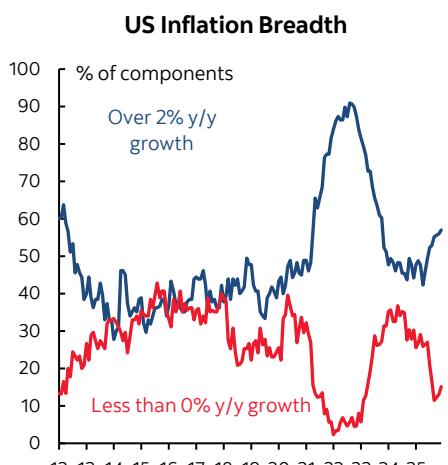
Also please see the accompanying table with more details.

Chart 5



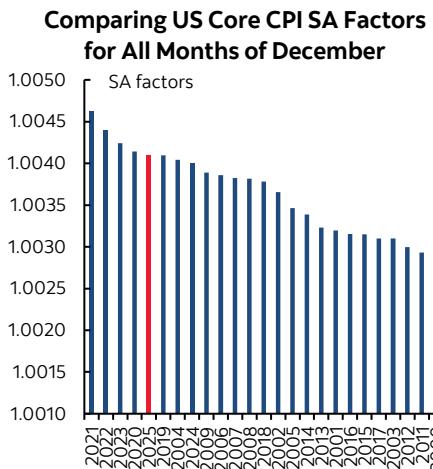
Sources: Scotiabank Economics, BLS.

Chart 6



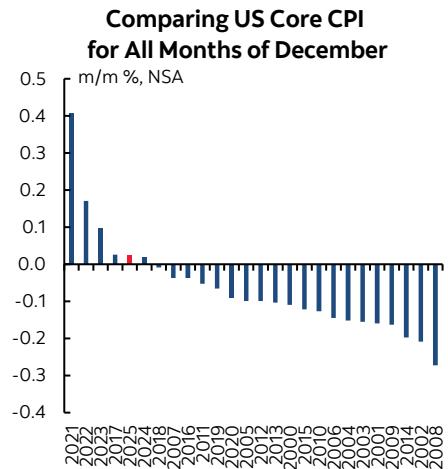
Sources: Scotiabank Economics, BLS.

Chart 7



Sources: Scotiabank Economics, BLS

Chart 8



Sources: Scotiabank Economics, BLS

Chart 9

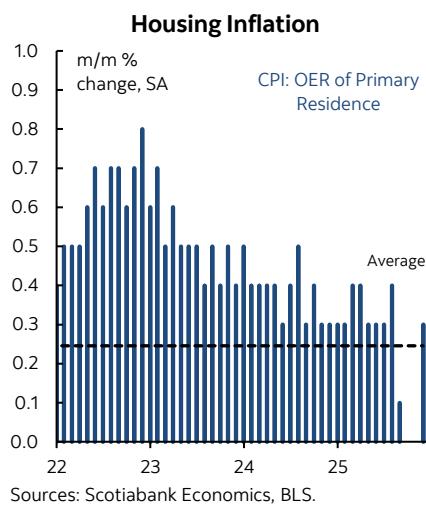


Chart 10

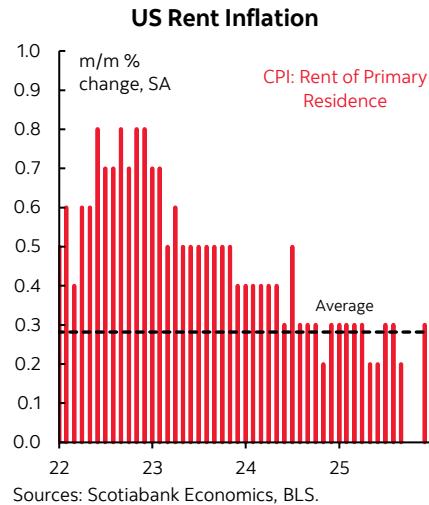


Chart 11

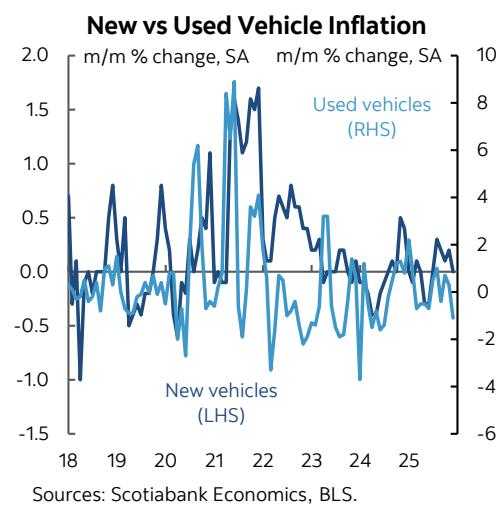


Chart 12

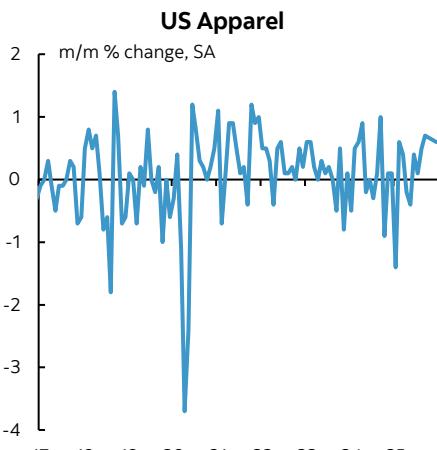


Chart 13

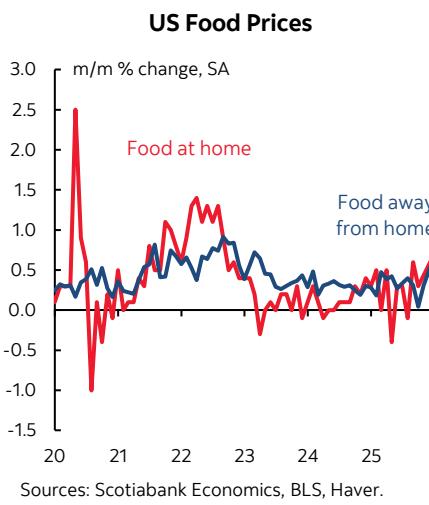


Chart 14

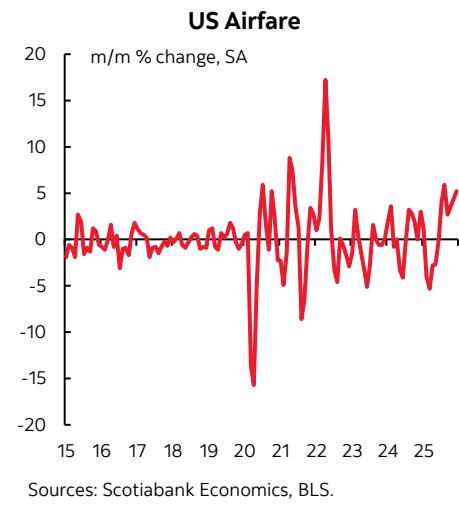


Chart 15

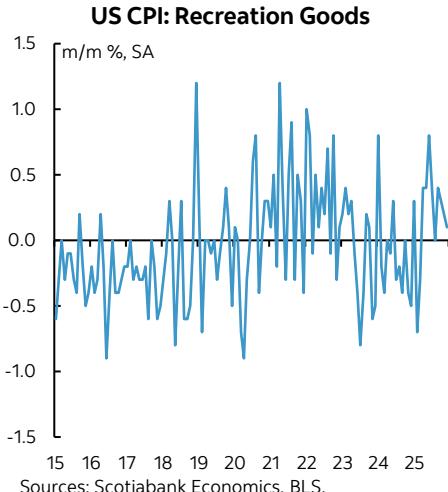


Chart 16

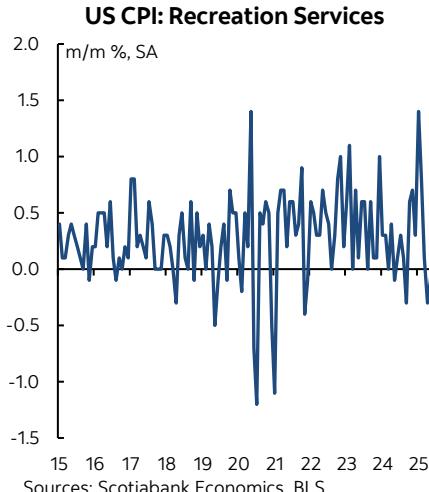


Chart 17

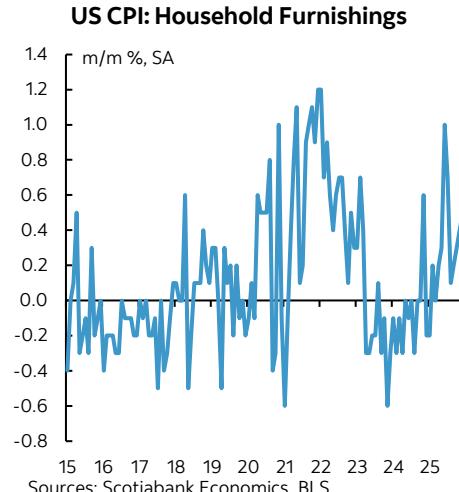


Chart 18

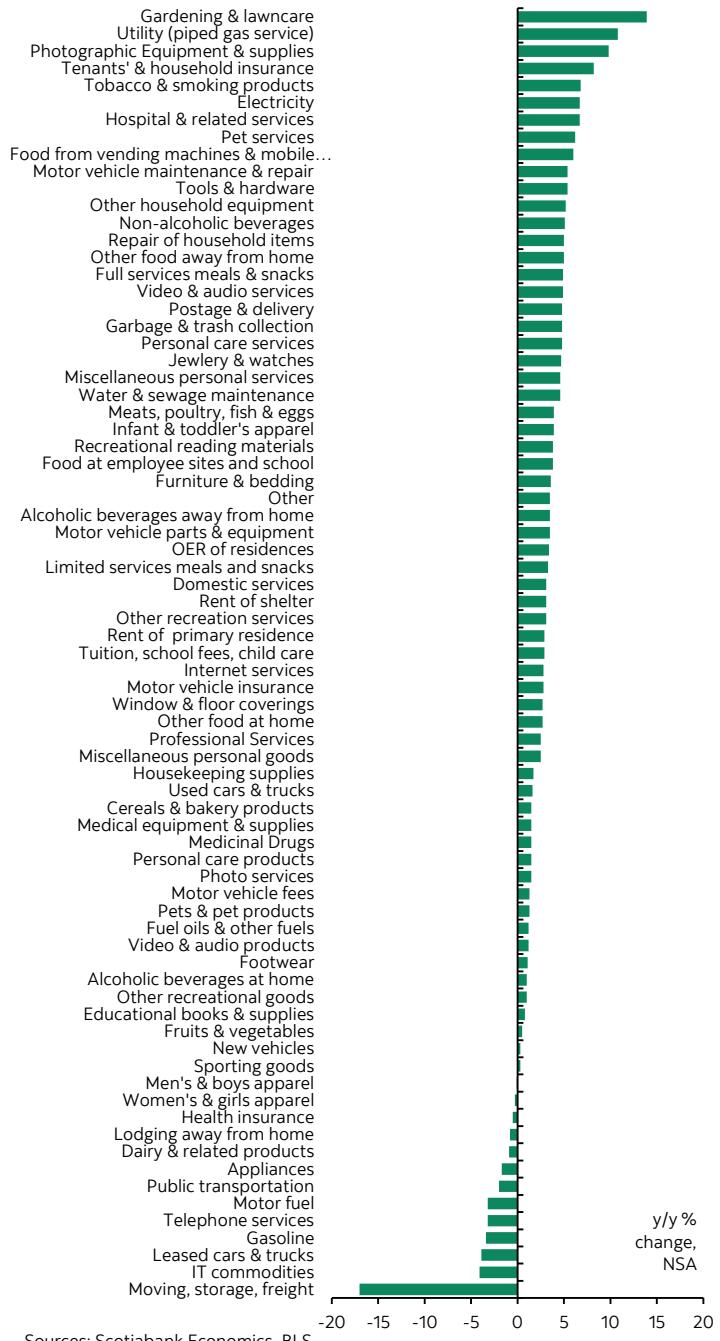
December Weighted Contributions to the 12-Month Change in US Headline CPI



Source: Scotiabank Economics, BLS.

Chart 19

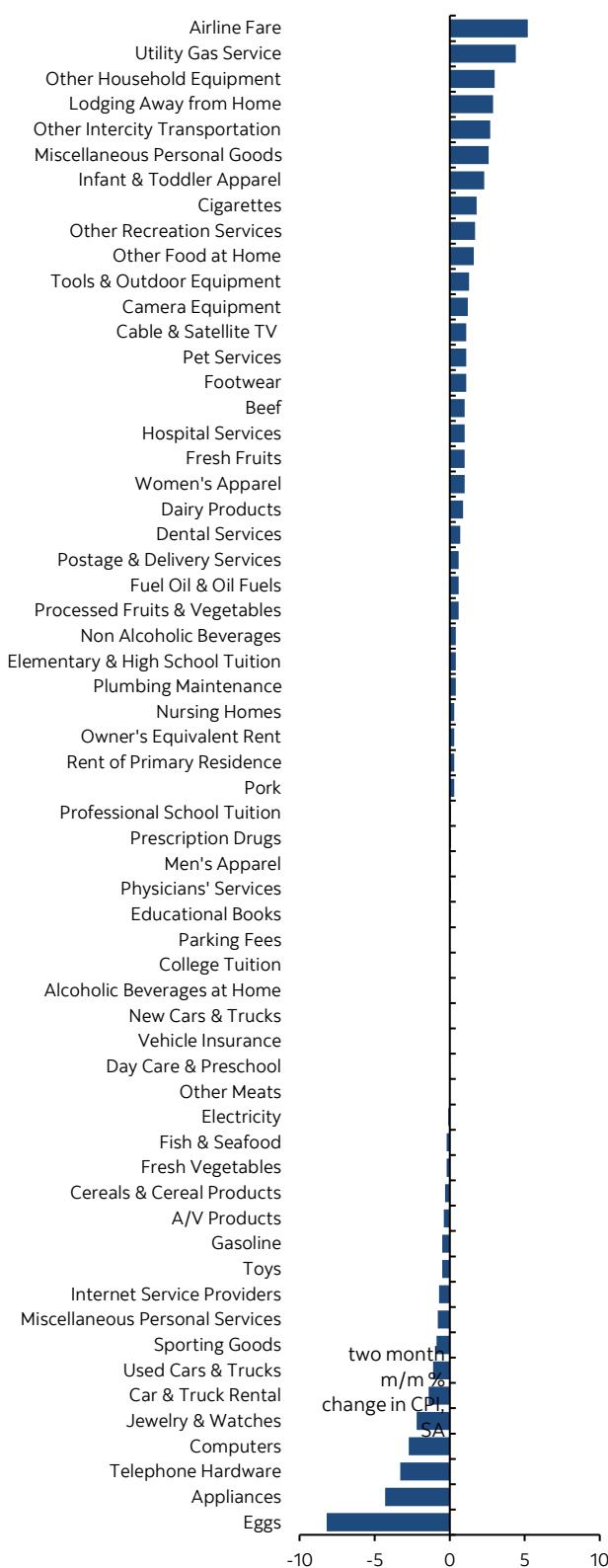
December 12-Month Changes in US Headline CPI Categories



Sources: Scotiabank Economics, BLS.

Chart 20

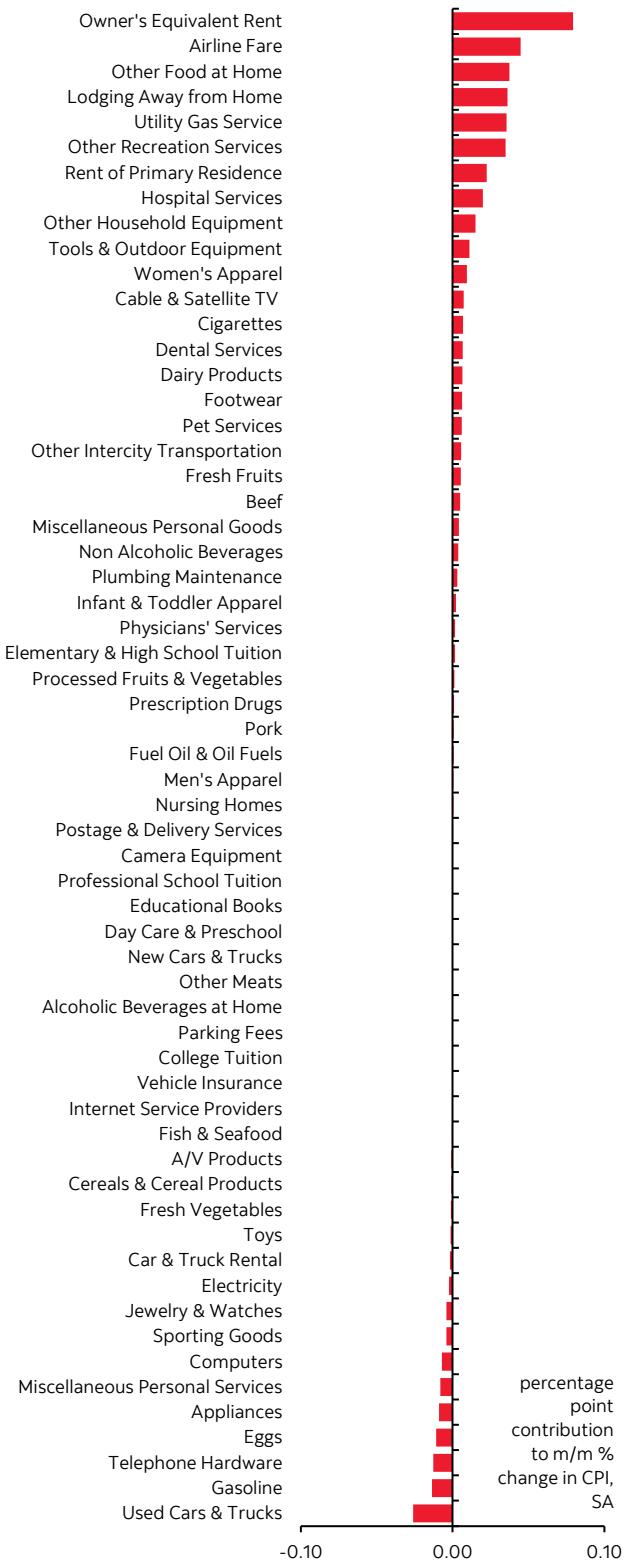
December Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

Chart 21

December Weighted Contributions to Monthly Change in US Headline CPI



Sources: Scotiabank Economics, US BLS.

Dec 2025				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Food	3.1			0.7	13.657	0.42	0.10	1.3	0.8	2.4	1.7	1.1	1.2
Food, home	2.4			0.7	7.973	0.19	0.06	0.2	1.1	1.9	1.2	1.9	0.7
Cereals & bakery products	1.5			0.6	1.095	0.02	0.01	0.4	0.9	1.2	0.9	1.7	0.3
Meats, poultry, fish & eggs	3.9			-0.2	1.644	0.06	0.00	-0.2	3.2	1.3	2.1	3.9	0.5
Dairy & related products	-0.9			0.9	0.709	-0.01	0.01	-0.6	1.6	-0.2	1.1	3.1	-0.6
Fruits & vegetables	0.5			0.5	1.307	0.01	0.01	0.4	1.7	0.0	1.0	2.0	-0.2
Non-alcoholic beverages	5.1			0.4	0.915	0.05	0.00	0.6	1.0	4.3	0.5	1.6	2.9
Other food at home	2.7			1.6	2.304	0.06	0.04	0.5	0.6	3.4	1.0	1.6	1.1
Food, away	4.1			0.7	5.684	0.23	0.04	2.7	0.3	4.7	2.5	0.5	3.1
Full services meals & snacks	4.9			0.8	2.465	0.12	0.02	2.6	0.4	6.3	2.4	0.5	5.0
Limited services meals and snacks	3.3			0.6	2.843	0.09	0.02	2.8	0.3	1.5	2.5	0.7	1.2
Food at employee sites and school	3.8			0.3	0.073	0.00	0.00	2.8	2.4	0.4	2.8	1.9	0.5
Food from vending machines & mobile vendors	6.0			0.5	0.057	0.00	0.00	3.1	1.0	2.9	2.5	1.3	2.7
Other food away from home	5.0			0.2	0.246	0.01	0.00	2.5	1.3	1.9	2.3	1.0	2.7
Energy	2.3			0.3	6.315	0.14	0.02	-1.9	10.0	0.4	1.6	9.6	0.1
Energy comm.	-3.0			-0.4	3.105	-0.09	-0.01	-2.8	17.0	0.0	3.0	17.1	-0.3
Fuel oils & other fuels	1.2			0.6	0.138	0.00	0.00	-2.3	15.8	0.2	2.7	14.4	-0.1
Motor fuel	-3.2			-0.4	2.968	-0.10	-0.01	-2.8	17.1	0.0	3.0	17.3	-0.4
<u>Gasoline</u>	<u>-3.4</u>			<u>-0.5</u>	<u>2.883</u>	<u>-0.10</u>	<u>-0.01</u>	<u>-2.8</u>	<u>17.1</u>	<u>0.0</u>	<u>3.0</u>	<u>17.4</u>	<u>-0.4</u>
<u>Other</u>	<u>3.5</u>			<u>-3.5</u>	<u>0.084</u>	<u>0.00</u>	<u>0.00</u>	<u>-2.3</u>	<u>19.5</u>	<u>0.3</u>	<u>3.6</u>	<u>17.9</u>	<u>0.0</u>
Energy serv.	7.7			1.0	3.210	0.24	0.03	0.0	2.4	3.1	0.5	2.7	2.7
Electricity	6.7			-0.1	2.432	0.16	0.00	0.5	1.5	4.2	1.0	1.7	3.4
Utility (piped gas service)	10.8			4.4	0.777	0.08	0.03	-1.4	7.5	1.6	-0.9	7.3	1.6
All items less food and energy	2.6			0.2	80.028	2.08	0.16	2.0	0.2	2.5	1.8	0.4	1.9
Commodities less food and energy	1.4			0.0	19.223	0.27	0.00	-0.3	0.4	4.4	0.2	0.9	1.4
Household furnishings	3.4			0.5	4.230	0.11	0.02	-0.8	1.2	3.5	-0.9	1.2	3.6
Window & floor coverings	2.7			0.8	0.238	0.01	0.00	-2.3	1.7	2.9	-2.8	1.8	3.1
Furniture & bedding	3.6			-0.4	0.798	0.03	0.00	-0.3	1.7	2.3	-0.9	2.1	2.2
Appliances	-1.7			-4.3	0.215	0.00	-0.01	-1.2	3.1	-0.2	-1.6	3.0	0.0
Other household equipment	5.2			2.6	0.490	0.03	0.01	-3.5	1.8	4.7	-3.7	1.5	6.0
Tools & hardware	5.4			1.3	0.849	0.05	0.01	-0.1	1.0	5.3	-0.3	1.2	4.7
Housekeeping supplies	1.7			0.2	0.797	0.01	0.00	0.3	1.2	1.2	0.4	1.3	1.0

Dec 2025				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Apparel	0.6			0.6	2.461	0.01	0.01	-0.5	1.0	1.2	0.3	1.7	0.1
Men's & boys apparel	-0.1			0.1	0.646	0.00	0.00	-0.3	1.5	0.2	0.5	2.3	-0.2
Women's & girls apparel	-0.3			1.0	0.954	0.00	0.01	-1.3	1.9	0.6	-0.1	2.5	-0.1
Footwear	1.1			1.1	0.572	0.01	0.01	0.2	1.3	0.7	0.8	1.7	0.2
Infant & toddler's apparel	3.9			2.3	0.102	0.00	0.00	0.4	3.8	0.9	0.5	3.6	1.0
Jewelry & watches	4.7			-2.2	0.186	0.01	0.00	1.0	3.4	1.1	1.5	3.8	0.9
Trans. less fuel	0.9			-0.3	7.205	0.07	-0.02	-0.3	0.9	1.4	0.4	1.5	0.3
New vehicles	0.3			0.0	4.302	0.01	0.00	0.1	0.7	0.3	0.8	1.2	-0.4
Used cars & trucks	1.6			-1.1	2.406	0.04	-0.03	-1.3	2.1	1.4	1.1	4.8	0.1
Motor vehicle parts & equipment	3.5			1.0	0.362	0.01	0.00	0.2	1.1	3.1	0.9	2.2	1.2
Medical comm.	1.5			0.3	1.504	0.02	0.00	2.1	1.7	-0.4	2.3	1.5	-0.5
Medicinal Drugs	1.5			0.5	1.324	0.02	0.01	2.2	1.8	-0.4	2.3	1.6	-0.5
Medical equipment & supplies	1.5			-1.2	0.180	0.00	0.00	0.4	1.2	0.9	0.3	1.2	1.0
Recreation comm.	1.2			0.1	1.821	0.02	0.00	-2.6	1.1	3.6	-2.3	0.9	3.9
Video & audio products	1.2			-0.4	0.250	0.00	0.00	-10.1	2.4	4.7	-9.2	2.2	4.7
Pets & pet products	1.3			0.5	0.621	0.01	0.00	0.4	1.5	0.6	0.5	1.5	0.6
Sporting goods	0.3			0.1	0.469	0.00	0.00	-0.7	1.5	0.7	-0.6	1.2	0.8
Photographic Equipment & supplies	9.8			1.2	0.021	0.00	0.00	-1.7	4.6	2.5	-3.0	4.0	3.2
Recreational reading materials	3.8			-0.4	0.099	0.00	0.00	1.6	1.9	1.2	1.5	1.8	1.3
Other recreational goods	1.0			-0.2	0.362	0.00	0.00	-6.5	1.3	5.6	-5.2	1.7	3.5
Educ. & communication comm.	-3.8			-2.0	0.716	-0.03	-0.01	-3.7	1.0	-0.1	-3.5	0.9	-0.3
Educational books & supplies	0.8			-0.2	0.042	0.00	0.00	2.2	3.0	-0.5	3.6	2.7	-1.0
IT commodities	-4.1			-2.2	0.675	-0.03	-0.01	-6.1	1.9	1.0	-6.8	1.8	1.5
Alcohol	2.1			-0.1	0.831	0.02	0.00	1.3	0.3	2.4	1.4	0.4	2.0
Alcoholic beverages at home	1.0			0.0	0.443	0.00	0.00	0.8	0.6	0.3	0.8	0.5	0.4
Alcoholic beverages away from home	3.5			0.4	0.388	0.01	0.00	1.9	0.5	3.5	2.2	0.7	1.9
Other goods	3.6			0.1	1.299	0.05	0.00	1.4	0.9	2.6	1.4	0.7	3.1
Tobacco & smoking products	6.8			-0.2	0.502	0.03	0.00	4.3	1.5	1.6	4.4	3.8	0.6
Personal care products	1.5			-0.3	0.644	0.01	0.00	-0.3	0.6	3.1	-0.1	0.8	1.9
Miscellaneous personal goods	2.5			2.4	0.154	0.00	0.00	-2.4	3.1	1.6	-1.7	2.4	1.8

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Services less energy services	3.0			0.3	60.805	1.82	0.18	2.8	0.2	0.7	2.4	0.6	0.9
Shelter	3.2			0.4	35.514	1.14	0.14	3.3	0.2	-0.5	2.5	1.2	0.6
Rent of shelter	3.1			0.4	35.086	1.09	0.14	3.3	0.2	-1.2	2.5	1.2	0.5
<u>Rent of primary residence</u>	2.9			0.3	7.491	0.22	0.02	3.7	0.1	-6.0	2.9	1.1	0.0
<u>Lodging away from home</u>	-0.8			2.9	1.233	-0.01	0.04	2.3	2.0	-1.5	2.2	2.2	-1.3
<u>OER of residences</u>	3.4			0.3	26.362	0.89	0.08	3.2	0.2	0.8	2.4	1.1	0.9
Tenants' & household insurance	8.2			1.0	0.428	0.03	0.00	1.4	1.2	5.7	2.3	1.5	3.9
Water, sewer, trash collection	4.7			0.4	1.096	0.05	0.00	3.6	0.6	1.9	4.3	1.0	0.4
Water & sewage maintenance	4.6			0.4	0.749	0.03	0.00	4.0	0.8	0.8	4.8	1.4	-0.2
Garbage & trash collection	4.8			0.4	0.347	0.02	0.00	2.5	1.5	1.6	2.5	1.1	2.1
Household ops.	5.7			-0.3	1.030	0.00	0.00	3.8	1.3	1.5	2.6	1.6	1.9
Domestic services	3.1			0.7	0.312	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawncare	13.9			-0.8	0.360	0.00	0.00	4.3	2.7	3.6	2.8	2.6	4.2
Moving, storage, freight	-17.0			-15.4	0.121	-0.02	-0.02	5.6	3.9	-5.8	3.3	3.9	-5.2
Repair of household items	5.0			1.7	0.172	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	3.5			0.4	6.779	0.24	0.03	2.9	1.0	0.6	3.0	0.8	0.6
Professional Services	2.5			0.3	3.684	0.09	0.01	1.5	0.9	1.1	1.8	0.8	0.8
Hospital & related services	6.7			0.9	2.319	0.15	0.02	3.8	1.1	2.6	4.5	1.3	1.6
Health insurance	-0.5			-1.1	0.776	0.00	-0.01	5.0	5.8	-1.0	3.6	6.0	-0.7
Transportation serv.	1.5			0.5	6.265	0.09	0.03	2.6	1.1	-1.0	2.6	1.0	-1.2
Leased cars & trucks	-3.9			-0.6	0.384	0.00	0.00	0.5	3.0	-1.5	-1.6	3.2	-0.7
Motor vehicle maintenance & repair	5.4			-1.3	1.059	0.06	-0.01	2.2	0.7	4.6	2.0	0.6	5.9
Motor vehicle insurance	2.8			-0.4	2.816	0.08	-0.01	5.5	2.6	-1.0	4.8	2.0	-1.0
Motor vehicle fees	1.3			-0.7	0.492	0.01	0.00	1.8	0.7	-0.7	2.2	1.9	-0.5
Public transportation	-2.0			4.5	1.392	-0.03	0.06	-1.2	1.5	-0.5	1.0	3.6	-0.8
Recreation serv.	4.0			1.8	3.425	0.14	0.06	2.6	0.7	2.1	2.3	0.7	2.3
Video & audio services	4.9			2.3	0.806	0.04	0.02	2.7	1.4	1.5	2.6	1.3	1.7
Pet services	6.2			1.1	0.543	0.03	0.01	3.1	0.8	4.1	3.3	0.9	3.2
Photo services	1.5			0.2	0.053	0.00	0.00	-0.2	2.0	0.8	0.8	1.8	0.4
Other recreation services	3.1			1.7	2.022	0.06	0.03	2.4	0.6	1.2	1.7	1.1	1.3
Educ. & communication serv.	1.1			-0.8	4.951	0.05	-0.04	0.4	1.3	0.5	1.1	1.3	0.0
Tuition, school fees, child care	2.9			0.2	2.548	0.07	0.01	2.8	0.6	0.2	3.3	0.8	-0.6
Postage & delivery	4.8			0.6	0.056	0.00	0.00	2.3	2.0	1.3	3.3	2.0	0.8
Telephone services	-3.2			-2.8	1.406	-0.05	-0.04	-2.4	3.0	-0.3	-1.3	2.4	-0.8
Internet services	2.8			-0.7	0.932	0.03	-0.01	-0.2	1.5	2.0	0.1	1.3	2.0
Other personal serv.	4.7			-0.2	1.672	0.08	0.00	2.7	0.7	3.0	2.4	0.6	3.7
Personal care services	4.8			0.7	0.668	0.03	0.00	2.3	0.7	3.6	1.8	0.8	3.6
Miscellaneous personal services	4.6			-0.8	1.004	0.04	-0.01	2.9	0.9	1.9	2.7	0.7	2.6

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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