

Inflation and job creation in November

United States



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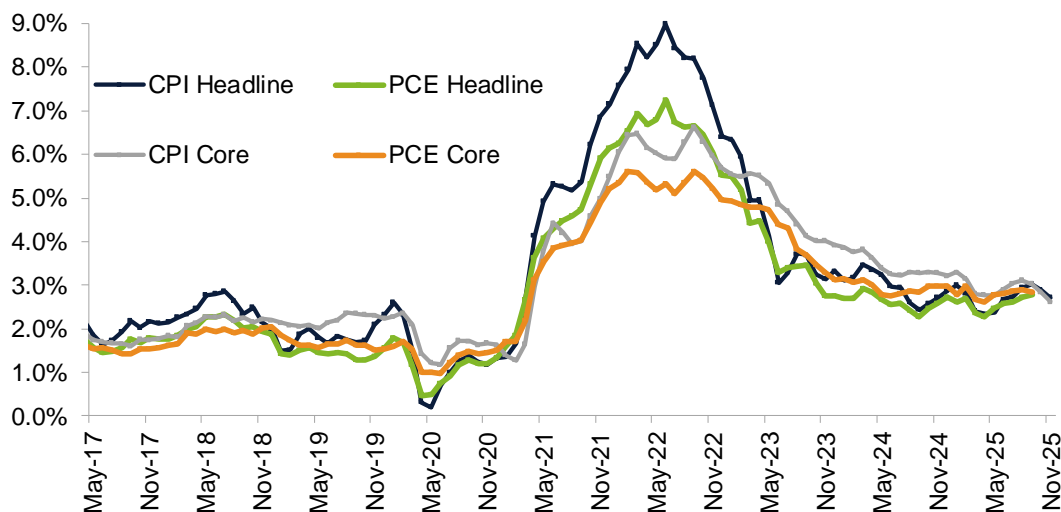
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US inflation and labor market signals in November: Evidence of a softening cycle and implications for the Fed

According to the latest Consumer Price Index (CPI) release, headline inflation declined to 2.71% year-over-year (YoY), down from 3.02% in September and below market expectations of 3.1%. Core inflation, which excludes volatile food and energy components, also surprised to the downside, easing from 3.03% in September to 2.62% in November, suggesting a broader-based moderation in underlying price dynamics. Nevertheless, market participants are taking the CPI numbers with caution, as the data collection process was disrupted by the prolonged government shutdown, which limited the Bureau of Statistics' ability to gather information and led to the absence of an October CPI report.

Despite these disadvantages, the overall trend suggests that inflation moved closer to levels consistent with price stability, even if it remains somewhat above the Federal Reserve's comfort zone, as shown in Figure 1. By components, food inflation cooled to 2.93% YoY, down from 3.19% in September, while shelter prices fell from 3.6% in September to 3.2% in November. On the contrary, energy prices rose 3.67% YoY, up from 0.39% in September, due to increasing gasoline and electricity expenses.

Figure 1. Real Annualized Quarterly Change in Personal Income and its Disposition



Source: HR Ratings Retrieved from FRED. Data is seasonally adjusted.



This week also saw the release of November labor indicators. According to the figures, the unemployment rate continued to rise, hitting 4.6% in November, up from 4.4% in September, indicating a softening in labor demand after a sustained period of extraordinary tightness. While job creation remains positive, with 64k new job postings, the rate of employment growth has slowed.

Recent labor market data point to a pronounced slowdown in employment growth rather than a mere normalization from post-pandemic highs. Cumulative non-farm payrolls growth in 2025 has decreased to an average of 0.9 million jobs, significantly below both post-pandemic averages of 4.6 million jobs and pre-pandemic norms of 2.0 - 2.2 million jobs per year. This decrease indicates that labor demand has dropped significantly, lowering the potential risk of wage-driven inflationary pressures. Against these circumstances, the Federal Reserve's decision to decrease interest rates in December seemed perfectly timed. With inflation dropping and employment growth slowing, real interest rates have become more restrictive, suggesting a shift toward a more accommodating posture aimed at preventing an excessive tightening of financial conditions. HR Ratings forecasts two additional rate decreases in 2026, bringing the range to 3.0% to 3.25% from the current 3.50 - 3.75%.



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