



Economics

# US Economic Notes

Date

12 December 2025

## What you need to know for the week ahead

### Post Employment Conference Call:

Tuesday Dec 16, 9:00 am EST

To register for the call, please contact your DB sales rep or go to this [link](#).

### Post CPI Conference Call:

Thursday Dec 18, 9:00 am EST

To register for the call, please contact your DB sales rep or go to this [link](#).

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**Commentary for Monday:** This week's data docket will be packed with important information—namely, Tuesday's October and November employment reports and Thursday's November CPI release (recall that the BLS was unable to produce an October CPI due to the government shutdown). In addition, we will hear from a few Fed officials from the more dovish-leaning faction of the FOMC: Governor Miran and New York Fed President Williams (Monday) and Governor Waller (Wednesday).

Briefly recapping last week's FOMC meeting (see "[Fed Notes: December recap: Powell delivers last of three turtle doves and a signal of 'wait and see'](#)"), the Fed cut rates by 25bps and announced the start of reserve management purchases. Revisions to the statement and key elements of the Summary of Economic Projections (SEP) were in line with our expectations. Median fed funds rate expectations were unchanged at one cut in 2026, with more officials aligning with this view (eleven officials see rates at or above 3.25-3.5% next year). Meanwhile, growth was revised noticeably higher next year, and the unemployment rate path was largely unchanged.

While Chair Powell's press conference emphasized the Committee could "wait and see" with policy now within range of neutral, the overall tone leaned dovish relative to expectations. In particular, Powell said the labor market has cooled a bit more than expected and appeared to characterize those risks as more pressing than inflation. Looking ahead, Powell's press conference de-emphasized next week's labor market data, particularly the unemployment rate, and focused on data beyond.

This week's Fed speak will be deciphered for clues on the near-term outlook for policy and extent of disagreement across the Committee. On balance, we expect officials this week to sound similar to, or even more dovish than, Powell's latest comments. The calendar kicks off with a speech by Governor Miran on the inflation outlook. Miran dissented for the third consecutive meeting last week, supporting a larger (50bp) reduction. One of the arguments behind his dissents has been his view that shelter inflation is likely to collapse over the coming

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quarters. We expect him to echo that view in his speech. Later on Monday, NY Fed President Williams will deliver keynote remarks, which we expect will be consistent with the main messages from the December FOMC meeting.

After the November jobs report, Governor Waller will speak on the economic outlook on Wednesday. His interpretation of that labor market data and signals about near-term policy will be closely parsed to gauge the potential for a dovish swing in Fed pricing in Q1 towards more rate cuts. After Waller, Williams will speak again on Wednesday. At the time of writing, Atlanta Fed President Bostic (non-voter) is set to close out the week with a moderated discussion. Though Bostic has leaned more hawkish in terms of near-term rate policy, he will be retiring at the end of February and, as such, his views might be discounted by market participants.

As Chair Powell alluded to, Tuesday's double dose of employment reports is likely to contain more noise than signal given the government shutdown as well as other federal government employment dynamics. Recall that the BLS was unable to conduct the October household survey, hence we will see the October (-60k headline / +50k private) and November (+50k headline / +50k private) establishment survey releases but only the November unemployment rate (4.5% forecast vs. 4.4% in September). Regarding other details of the release, October and November average hourly earnings should rise +0.3% each, in line with the three-month average. Hours worked are expected to rise a tenth in October to 34.3 and remain at that level for November. The upshot of our forecasts is that the year-over-year growth rate of our payroll proxy for nominal compensation growth would fall from 4.7% in September to 4.4% in November.

With respect to our nonfarm payroll forecasts, the October headline print should see a significant drag from federal government layoffs, though the magnitude is uncertain. We estimate that roughly 110k federal workers took buyout offers earlier in the year and will come off the federal government payroll in October. That being said, we expect October and November private employment gains to remain steady at roughly 50k per month, slightly below the three-month trailing average of 57k as of the last data point for September. Note that the October JOLTS, though not comparable in terms of magnitude, nonetheless pointed to a positive net hiring gain for the private sector in October. Though the October (+47k) and November (-32k) ADP private employment reports were on balance soft, the weakness was partly due to seasonal factor adjustments. Indeed, our private payroll forecasts imply similar year-on-year growth rates to the latest ADP data points.

The November household survey details could be very noisy, mainly due to the government shutdown. The 2013 shutdown, while shorter in length, is a useful gauge for the potential noise. In November 2013, the month following the federal government shutdown, the unemployment rate fell by 30bps. However, this was the result of a massive 940k gain in household employment, of which 340k were government wage and salary workers. The November jump followed a similarly outsized 880k drop in October household employment, of which 507k were government wage and salary workers.

In short, this Thursday's jobless claims (225k vs. 236k) may provide a better read on where the labor market stands, as these data will coincide with the December employment survey week. We expect some payback from last week's jump in

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claims – likely due to volatility around the Thanksgiving holiday. If our forecast proves close to the mark, the four-week average for initial claims for the December survey week would tick up slightly to around 218k – about 3% lower than the November survey week (225k) and 9.3% lower than the September survey week (240k). While continuing claims have been tracking up a little over 1% relative to the September survey week, the insured unemployment rate has been steady at 1.3%. In short, the claims data have not presented strong evidence of a significant departure from recent private sector hiring trends.

With respect to this week's CPI release (see "[Webinar: November CPI preview & webinar registration](#)"), given the government shutdown also prevented the BLS from collecting October data, monthly changes will not be produced for the November data. As such, most of the focus will be on November's year-over-year rates for headline and core relative to those readings in September. Our expectation is that headline CPI increased by 0.24% on average in those two months (vs. +0.31% in September), which would keep the year-over-year rate roughly stable (3.03% vs. 3.01% in September). We expect similar stability in core CPI's year-over-year rate (3.02% vs. 3.02% in September), which would correspond to an average increase in October and November of 0.26% (vs. +0.23% in September).

In terms of the breakdown within the data, we will continue to look for signs of tariff impacts in the core goods (+0.19% average Oct./Nov. vs. +0.22% in Sep.) categories, particularly household furnishings and supplies (+0.26% vs. +0.22%) and apparel (+0.48% vs. +0.73%). We will be particularly focused on the latter given that PPI and import prices show building pipeline price pressures for apparel. In contrast, however, there is little evidence of pipeline pressures for new vehicles (+0.25% vs. +0.22%) as PPI and import prices remain tame. Similarly, wholesale used car prices have declined some over the last couple of months suggesting little price pressures for used cars and trucks (-0.20% vs. -0.41%) in the CPI

On core services (+0.29% vs. +0.24%), our focus will be squarely on rents. The September data featured a much weaker than expected owners' equivalent rent (OER) print. Given that most of the weakness was geographically confined to particular subregions and smaller cities, we think that September's weakness in OER was more noise than signal. As such we expect gains in October and November to look more like the moderate prints earlier in the year for both OER (+0.26% vs. +0.13%) as well as primary rents (+0.25% vs. +0.20%). In terms of core services ex rent (+0.32% vs +0.35%), we are expecting somewhat weaker gains in airline fares (+0.58% vs. +2.72%) as well as other lodging away from home (+0.18% vs. 1.68%) relative to their strong showing in September. However, health insurance may have upside risks given the semi-annual reset in October.

The balance of this week's data will mostly inform the current-quarter outlook for factory sector activity and GDP growth. The headline prints for Monday's New York Fed Empire (+10.5 vs. +18.7) and Thursday's Philadelphia Fed (+5.1 vs. -1.7) surveys will be less notable than the more forward-looking capex expectations series. The same can be said of Friday's final reading for University of Michigan consumer sentiment (54.0 final vs. 53.3 preliminary) where any meaningful revisions to inflation expectations will garner more attention than the headline series, which have been depressed for some time now.

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Indeed, Tuesday's October retail sales are likely to show a still-sturdy pace of consumer spending. Though auto sales will likely weigh on the headline (-0.3% vs. +0.2%) and gasoline prices potentially depressing sales excluding autos (+0.1% vs. +0.3%), we expect retail control (+0.3% vs. -0.1%) – the portion of the report used to benchmark goods spending in the GDP accounts – to rebound. That being said, retail control was up 6.3% annualized in Q3 – the best performance since Q1 2023. Hence, there may be some downside risks if consumers pull back in the current quarter – possibly in anticipation of larger tax refunds at the beginning of next year.

In summary, absent a large downside miss in employment or inflation, this week's data should do little to impact the chance of further rate cuts in the near term. Our base case remains that Powell delivered the last rate cut of his tenure as Chair last week, but continued labor market weakness could swing the Committee to cut again in H1. Beyond, we see the economy on sturdier footing, similar to the latest SEP forecasts, and only anticipate one rate cut in the second half of the year, as disinflation re-emerges (see ["2026 outlook: Keep on rockin' in the not so risk-free world"](#)).

Figure 1: Fedspeak Calendar

Region	Name	Date	Dove/Hawk	Voter	Events
Governor	Miran	Dec-15	Dove	Y	Inflation outlook
New York	Williams	Dec-15	Dove	Y	Keynote remarks
Governor	Waller	Dec-17	Dove	Y	Economic outlook
New York	Williams	Dec-17	Dove	Y	Opening remarks
Atlanta	Bostic	Dec-17	Neutral	N	Moderated discussion

Source: Deutsche Bank Research

Please see the following pages for a forecast summary and estimates of the upcoming US high-frequency data over the next several weeks.

Figure 2: DB US Economic Forecasts

Economic Activity (% qoq, saar)	2025				2026				2027				2028				2025F	2026F	2027F	2028F
	Q1	Q2	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q4/Q4	Q4/Q4	Q4/Q4	Q4/Q4
GDP	-0.6	3.8	3.7	0.6	2.9	2.7	2.2	2.0	2.1	2.3	1.9	2.2	2.4	1.8	2.1	1.8	1.8	2.4	2.1	2.0
Private consumption	0.6	2.5	3.3	1.2	2.6	2.4	2.1	1.9	2.0	2.2	2.1	2.2	2.3	2.2	2.3	2.1	1.9	2.2	2.1	2.2
Investment	23.3	-13.7	1.2	2.5	2.5	6.3	3.9	3.5	3.9	4.2	2.7	4.3	4.8	2.6	3.6	2.5	2.5	4.1	3.8	3.4
Nonresidential	9.5	7.3	3.8	-0.9	4.6	4.3	4.1	3.6	3.3	3.1	3.3	3.2	3.3	3.2	3.3	3.1	4.9	4.2	3.2	3.2
Residential	-1.0	-5.1	-3.7	-3.5	1.5	1.0	1.0	1.0	1.5	2.0	2.2	2.3	2.5	2.3	2.4	2.0	-3.3	1.1	2.0	2.3
Gov't consumption	-1.0	-0.1	-0.3	-2.2	5.7	1.3	1.0	0.7	0.5	0.3	0.1	-0.1	-0.3	-0.5	-0.3	-0.3	-0.9	2.1	0.2	-0.3
Exports	0.2	-1.8	1.2	1.0	2.6	2.1	2.1	2.0	2.0	2.1	2.0	2.1	2.0	2.1	2.0	2.1	0.1	2.2	2.0	2.0
Imports	38.0	-29.3	-5.5	3.0	3.5	3.1	2.6	2.3	2.2	2.0	1.9	2.0	2.1	2.2	2.1	2.2	-1.3	2.9	2.0	2.1
Contribution (pp): Inventories	2.6	-3.4	-0.6	0.8	-0.3	0.5	0.0	0.1	0.2	0.2	-0.1	0.2	0.3	-0.1	0.1	-0.1	-0.1	-0.1	0.1	0.1
Net trade	-4.7	4.8	1.0	-0.3	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.1	-0.1	-0.1
Unemployment rate, %	4.1	4.2	4.3	4.5	4.5	4.5	4.4	4.4	4.4	4.4	4.4	4.3	4.3	4.3	4.3	4.3	4.5	4.4	4.3	4.3
Prices (% yoy)																				
CPI	2.7	2.5	2.9	3.0	2.9	3.0	2.8	2.4	2.4	2.3	2.4	2.4	2.4	2.4	2.5	2.4	3.0	2.4	2.4	2.4
Core CPI	3.1	2.8	3.1	3.1	3.1	3.3	3.1	2.6	2.7	2.6	2.6	2.6	2.5	2.5	2.5	2.5	3.1	2.6	2.6	2.5
PCE	2.6	2.4	2.7	2.9	2.8	2.9	2.8	2.3	2.2	2.0	2.0	2.1	2.1	2.1	2.2	2.1	2.9	2.3	2.1	2.1
Core PCE	2.8	2.7	2.9	2.9	2.9	3.1	2.9	2.4	2.4	2.2	2.2	2.3	2.2	2.2	2.2	2.2	2.9	2.4	2.3	2.2
Fed Funds	4.38	4.38	4.13	3.63	3.63	3.63	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.38	3.63	3.38	3.38	3.38

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Figure 3: Data calendar and DB forecasts

Dec-08	Dec-09	Dec-10	Dec-11	Dec-12
<b>3 Yr Note Auction</b> \$58bn  	<b>September JOLTS data released</b> <b>October JOLTS data released</b> <b>Leading Economic Indicators</b> 10:00AM Jul: Unch. Aug: -0.3 Sep: -0.3  <b>10 Yr Note Auction</b> \$39bn	<b>Employment Cost Index</b> 8:30AM Q125: +0.9% Q225: +0.9 Q325: +0.8  <b>FOMC Meeting</b>	<b>International Trade Balance</b> 8:30 AM Jul: -\$77.2B Aug: -59.3 Sep: -52.8  <b>Initial Claims</b> 8:30AM Nov-22 217k -5k Nov-29 192 -25 Dec-06 236 +44  <b>Wholesale Inventories</b> 10:00 AM Jul: +0.1% Aug: -0.1 Sep: +0.5  <b>20 Yr Bond Announcement</b> \$13bn <b>5 Yr TIPS Announcement</b> \$24bn <b>30 Yr Bond Auction</b> \$22bn	
<b>FORECAST</b>				
Dec-15	Dec-16	Dec-17	Dec-18	Dec-19
<b>NY Fed Empire State Survey</b> 8:30AM Oct: +10.7 Nov: +18.7 Dec: +10.5  <b>NAHB Housing Market Index</b> 10:00 AM Oct: 37 Nov: 38 Dec: 38	<b>Employment</b> 8:30 AM Sep: Oct: Nov: Payrolls +119k -60 +50 Private +97k +50 +50 UnRate 4.4% 4.5 Hrly Emgs +0.2% +0.3 +0.3 Workwk 34.2 34.2 34.3  <b>Retail Sales</b> 8:30AM Aug: Sep: Oct: Total +0.6% +0.2 -0.3 Ex Autos +0.6% +0.3 +0.1 Control +0.6% -0.1 +0.3  <b>Business Inventories</b> 10:00 AM Jul: +0.1% Aug: -0.1 Sep: +0.1	<b>20 Yr Bond Auction</b> \$13bn	<b>Philadelphia Fed</b> 08:30AM Oct: -12.8 Nov: -1.7 Dec: +5.1  <b>CPI Price</b> <b>Total</b> <b>Core</b> 8:30AM Sep: +0.3% +0.2% Oct: +0.24 +0.26 Nov: +0.24 +0.26  <b>Initial Claims</b> 8:30AM Nov-29 192k -25k Dec-06 236 +44 Dec-13 225 -11  <b>2 Yr Note Announcement</b> \$68bn <b>5 Yr Note Announcement</b> \$70bn <b>7 Yr Note Announcement</b> \$44bn <b>2 Yr FRN Announcement</b> \$28bn <b>5 Yr TIPS Auction</b> \$24bn	<b>Consumer Sentiment</b> 10:00 AM Oct: 53.6 Nov: 51.0 Final: Dec: 54.0  <b>Existing Home Sales</b> 10:00 AM Sep: 4.05M Oct: 4.10 Nov: 4.15
Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
<b>2 Yr Note Auction</b> \$69bn	<b>Real GDP</b> <b>Deflator</b> 8:30 AM 1Q25: -0.6% +3.6% 2Q25: +3.8 +2.1 Prelim: 3Q25: +3.7 +2.4  <b>Durable Goods Orders</b> 8:30 AM Aug: Sep: Oct: Headline +3.0% +0.5 +0.2 Ex-Trans. +0.5% +0.6 +0.2 Core +0.9% +0.9 +0.2  <b>Industrial Production</b> <b>Cap. Util</b> 9:15AM Sep: +0.1% 75.9% Oct: +0.1 76.0 Nov: +0.1 76.1  <b>Consumer Confidence</b> 10:00 AM Oct: 95.5 Nov: 88.7 Dec: 96.9  <b>5 Yr Note Auction</b> \$70bn <b>2 Yr FRN Auction</b> \$28bn	<b>7 Yr Note Auction</b> \$44bn	<b>Christmas Day Observed</b> <b>All Markets Closed</b>	
Dec-29	Dec-30	Dec-31	Jan-01	Jan-02
<b>Pending Home Sales Index</b> 10:00 AM Sep: +0.1% Oct: +1.9 Nov: +1.0	<b>Chicago PMI</b> 9:45 AM Oct: 43.8 Nov: 36.3 Dec: 41.2  <b>FOMC Minutes</b>		<b>New Year's Day</b> <b>All Markets Closed</b>	<b>Construction Spending</b> 10:00 AM Sep: +1.0% Oct: +0.3 Nov: +0.3

Source: Deutsche Bank Research

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## Appendix 1

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The views expressed in this report accurately reflect the personal views of the undersigned lead analyst(s). In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this report. Matthew Luzzetti, Ph.D., Brett Ryan, Justin Weidner, Amy Yang.

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