



January 2026

Groundhog Day at the BLS: Another Month, Another 2.7%

The Bureau of Labor Statistics (BLS) released the Consumer Price Index (CPI) report for December 2025 today, revealing an economy caught in a holding pattern. Headline inflation held steady at an annual rate of 2.7%, mirroring the November figure.¹ While this remains significantly lower than the 40-year peaks seen in 2022, the lack of downward progress in the year's final month highlights the persistent "stickiness" that has come to define the current economic cycle.

The details of the report suggest a tug-of-war between various sectors. On a monthly basis, the CPI rose 0.3% in December, driven largely by a 0.4% increase in shelter costs and a sharp 0.7% jump in food prices.² These "kitchen table" expenses continue to weigh on consumer sentiment, even as other categories show signs of cooling. Core CPI—which excludes the volatile food and energy sectors—remained unchanged at an annual rate of 2.6%.³ This stability in the core rate is a double-edged sword: it suggests that price pressures are not accelerating, but it also indicates that the 2% target favored by the Federal Reserve remains frustratingly out of reach.

For the Federal Reserve, today's data offers little reason to deviate from its current path of cautious observation. Throughout late 2025, the central bank implemented three 25-basis-point rate cuts to support a cooling labor market. However, with December's unemployment rate ticking down to 4.4%⁴ and inflation remaining firm, the impetus for further immediate cuts has diminished. Market participants now largely expect the Fed to hold the benchmark interest rate steady at its meeting later this month, a sentiment supported by the high probability of a "pause" currently reflected in market forecasts.⁵

The macroeconomic environment is further complicated by external variables. Analysts are closely monitoring the impact of ongoing tariff policies, which some economists believe are contributing

¹ "Consumer Price Index Summary." U.S. Bureau of Labor Statistics (Jan. 13, 2026). <www.bls.gov/news.release/cpi.nr0.htm>.

² Solberg, Lauren. "December CPI Inflation Comes in as Forecast at a 2.7% Annual Rate." *Morningstar* (Jan. 13, 2026). <www.morningstar.com/economy/december-cpi-inflation-comes-forecast-27-annual-rate>.

³ "Consumer Price Index Summary." U.S. Bureau of Labor Statistics (Jan. 13, 2026). <www.bls.gov/news.release/cpi.nr0.htm>.

⁴ "Employment Situation — December 2025." U.S. Bureau of Labor Statistics (Jan. 9, 2026). <<https://www.bls.gov/news.release/empstat.htm>>.

⁵ "CME FedWatch Tool: Target Rate Probabilities for the January 28, 2026, FOMC Meeting." *CME Group* (Jan. 13, 2026). <www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html>.

to a floor in goods prices.⁶ While prices of "core goods" remained flat this month, categories like apparel and recreation saw notable monthly increases. As we move into 2026, the question for policymakers is no longer how to stop a runaway surge, but how to nudge a stubborn 2.7% rate toward the desired equilibrium without tipping a cooling economy into a deeper slowdown.

For additional inquiries, please contact info@vegaeconomics.com.

⁶ Stein, Jeff and Andrew Ackerman. "Price Growth Held Firm in December, Capping a Year of Persistent Inflation." *The Washington Post* (Jan. 13, 2026). <www.washingtonpost.com/business/2026/01/13/inflation-december-2025-cpi-fed>.