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## TD Economics

### Data Release: Inflation creeps higher in November

- Inflation crept another inch higher in November, with prices rising 0.2% on the month. The annual (year-on-year) inflation rate was 1.7%, up from 1.6% in October.
- Core price growth was also right on expectations, with a matching 0.2% increase on the month. On an annual basis, core inflation was 2.1% in November, matching October's pace. Core inflation has maintained a remarkably steady pace, in the 2.1% to 2.3% range over the past year.
- Core inflation continues to be driven by higher prices for services, which rose 0.3% on the month. Owners' equivalent rent, which carries a 23% weight in the CPI basket, continues to be a key source of services inflation, with prices up 0.3% in November, and 3.5% on a year-on-year basis. Overall services inflation was 3.0% in November, roughly the same pace it has been for the past few month.
- Meanwhile, core goods prices fell 0.3% in November, as a strong U.S. dollar keeps prices for many imported consumer goods, like apparel, low.

### Key Implications

- Coming after yesterday's slightly hawkish Fed hike, November's as-expected inflation report is unlikely to turn any heads. Inflation continued to march higher as the drag from the oil price collapse weighs less on headline inflation.
- In the here and now, inflation remains relatively benign, but financial markets have ratcheted up their expectations for future inflation, expecting expansionary fiscal policy and potential import tariffs to lift price growth. It remains to be seen how the President-elect's policies will play out.
- Even without major fiscal changes, higher energy prices will continue to push headline inflation up. As of November, energy prices are now up 1.1% on a year-on-year basis, and are expected to be a key driver taking headline inflation to 2.5%-3.0% range over the next year.

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