CBC Weekly Economic Update

Monday Loan & Deposit Pipeline Meeting

December 22, 2025

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EVP & CFO
Commercial Bank of California

Discussion Topics

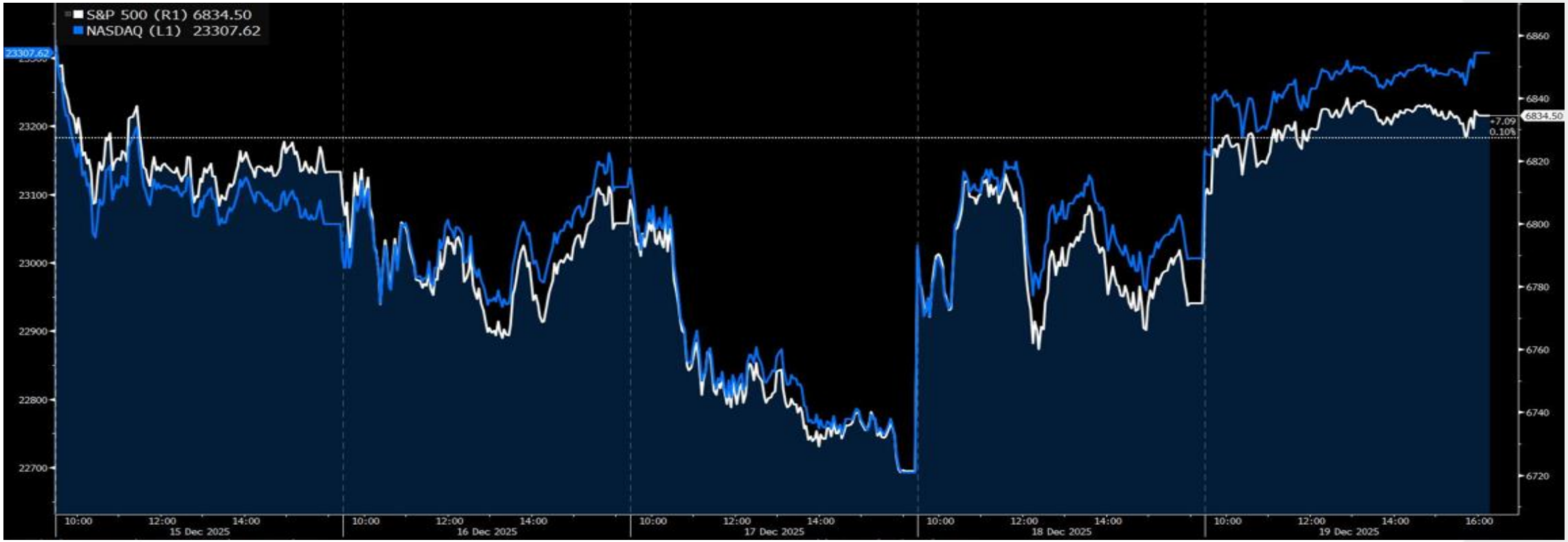
- Stock Markets
- Job Creation & Employment Situation for November
- Retail Sales for October
- CPI for November
- Existing Home Sales for November
- Weekly Initial Jobless and Continuing Claims
- Rate Cut Expectation & Treasury Yields
  - Treasury Forward Rates
- Key Takeaways

Stock Markets

Equity Market Weekly Recap

Equities End Mixed Amid AI Volatility and Economic Signals

- **Early Week Sell-Off:** Concerns over lofty AI valuations, rising debt for AI infrastructure, weak labor data, and flat retail sales weighed on markets.
- **Late Week Rebound:** Strong Micron earnings, Oracle's TikTok JV investment, and softer November inflation revived AI optimism and boosted rate-cut hopes.



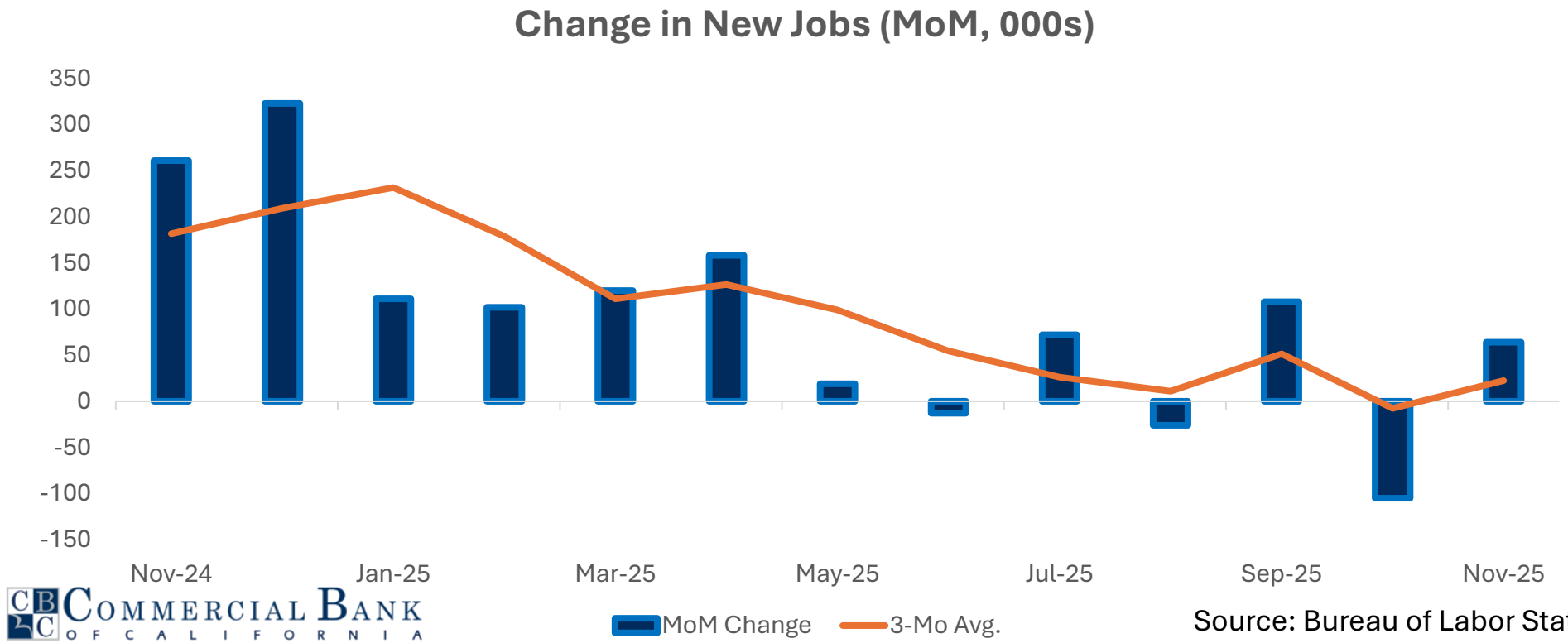
Source: Bloomberg

Employment

New Jobs – November

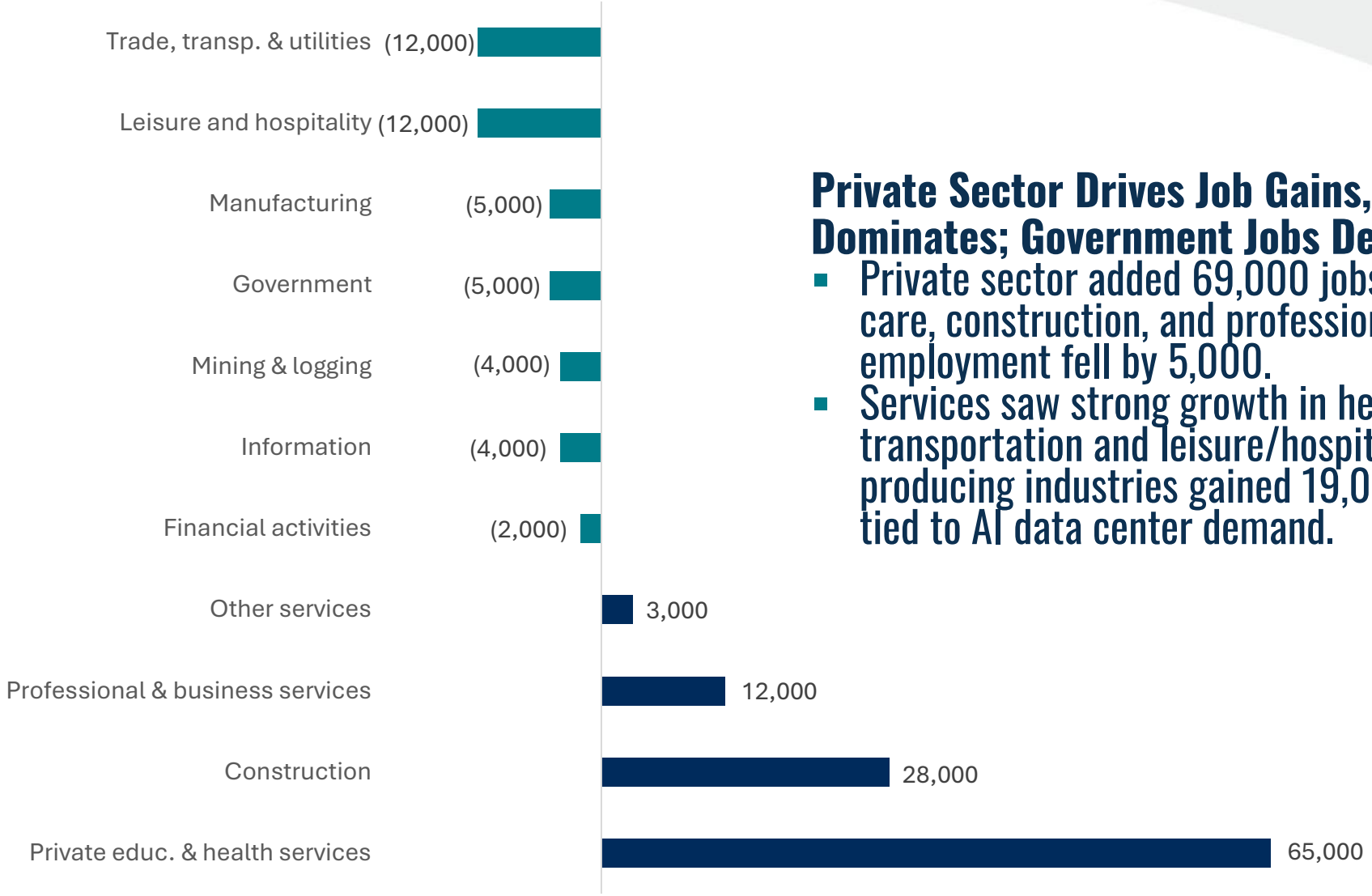
November Jobs Report Rebounds, but True Job Growth May Be Overstated

- Employers added 64,000 jobs in November, reversing October's sharp decline of 105,000, which was mostly due to federal government buyouts.
- November's job gains beat market expectations, but Fed Chair Powell cautioned the number may be overstated by up to 60,000 jobs per month.
- The actual job growth for November could be minimal or even flat, so the headline figure should be taken with a grain of salt.



Source: Bureau of Labor Statistics

Change in Private Sector Job Creation - November



Private Sector Drives Job Gains, but Health Care Dominates; Government Jobs Decline

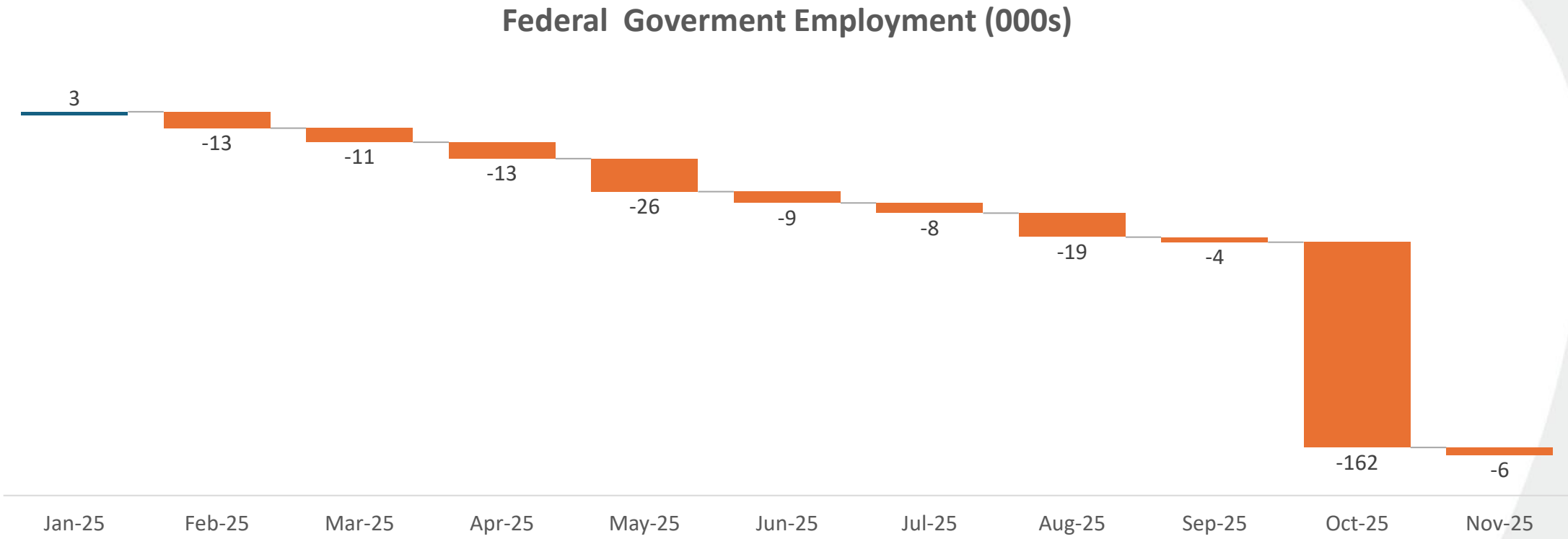
- Private sector added 69,000 jobs in November, led by health care, construction, and professional services, while government employment fell by 5,000.
- Services saw strong growth in health care (+64,000), but transportation and leisure/hospitality lost jobs; goods-producing industries gained 19,000, mostly from construction tied to AI data center demand.

Source: Bureau of Labor Statistics

Federal Government Employment - November

Federal Government Employment Sees Steep Decline in 2025

- Federal government jobs fell sharply throughout the year, with a massive drop of 162,000 in October.
- November saw a further decrease of 6,000 jobs, bringing the year-to-date total loss to about 259,000 positions.
- The October decline was the largest single-month drop, driven by deferred buyouts rolling off payrolls.

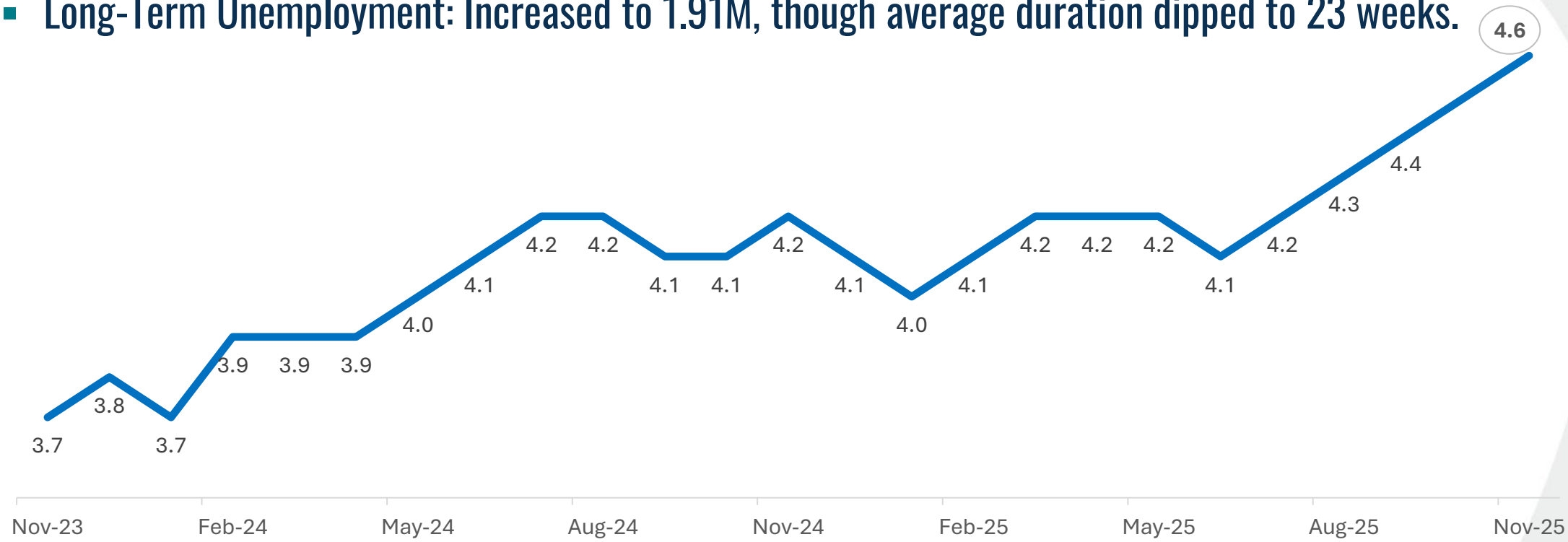


Source: Bureau of Labor Statistics

Unemployment Rate - November

Unemployment Hits 4.6% – Highest Since 2021 Amid Labor Force Growth

- Unemployment Rate: Rose to 4.6% in November (vs. 4.4% in September), slightly above expectations.
- Labor Force: Expanded by 323K, while unemployment increased by 228K, driven by reentrants and temporary layoffs.
- Jobs Added: 96K individuals gained employment in November.
- Participation Rate: Edged up to 62.5%, highest since April.
- Long-Term Unemployment: Increased to 1.91M, though average duration dipped to 23 weeks.

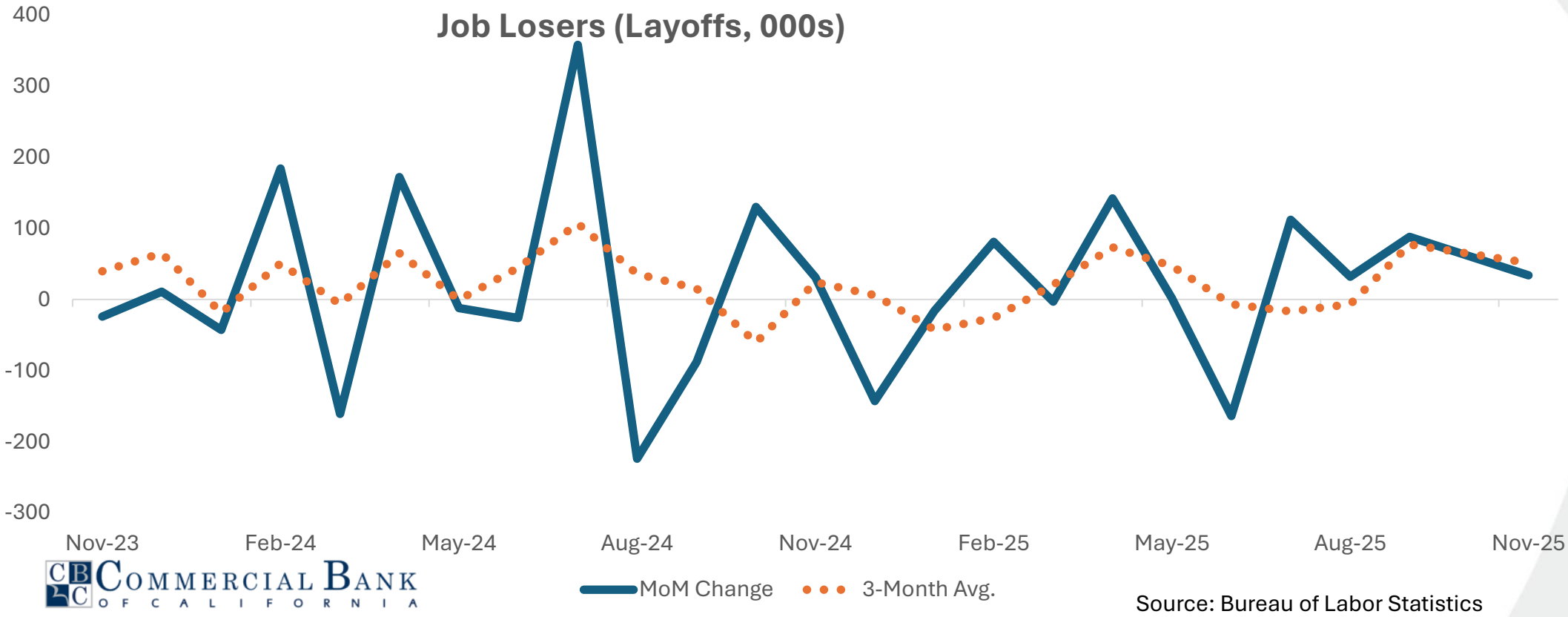


Source: Bureau of Labor Statistics

Layoffs - November

Layoffs Rise, Temp Roles Keep Sliding as Businesses Cut Costs

- Layoffs: Up 34K in November, driven by +171K temporary layoffs, while permanent layoffs fell 136K.
- Temporary Help Services: Dropped 5K, marking a seven-month decline.
- Cost-Cutting Signal: Ongoing reduction in temp roles suggests businesses are tightening budgets.

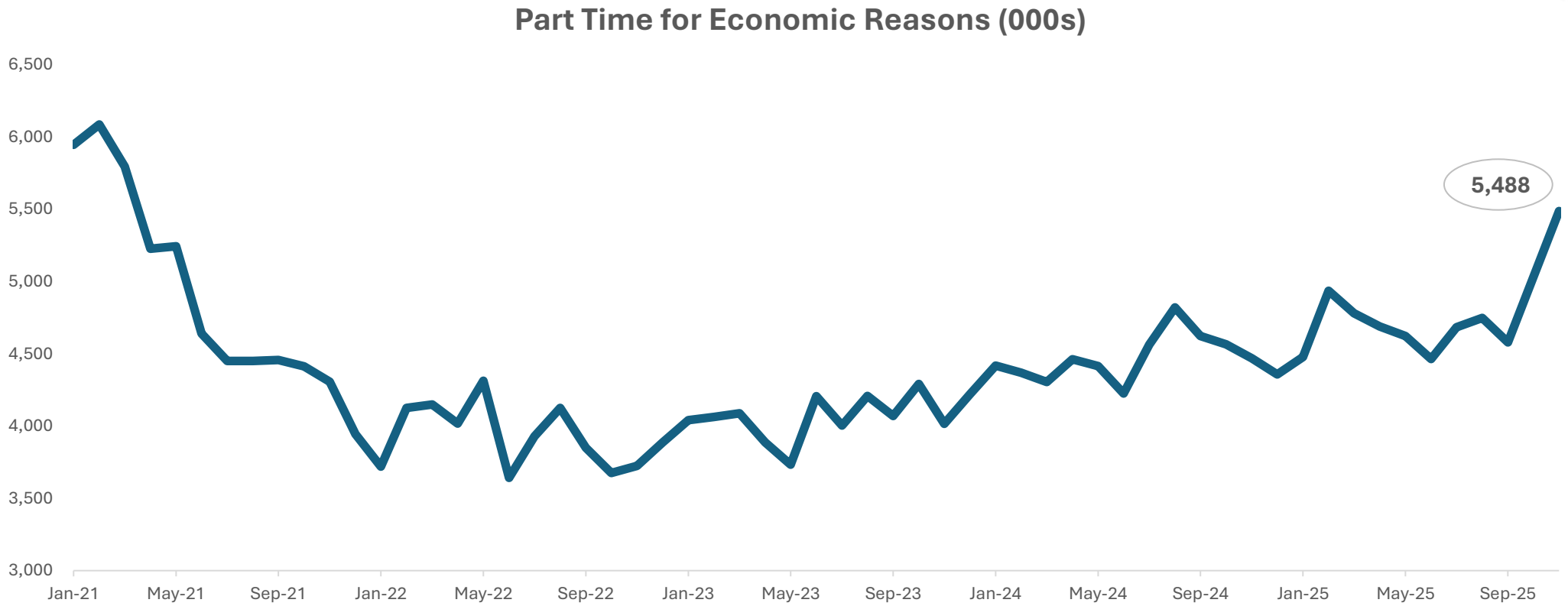


Source: Bureau of Labor Statistics

Part-Time for Economic Reasons - November

Part-Time Work Surges as Job Market Tightens

- Big Jump: Part-time for economic reasons rose 909K to 5.49M in November.
- Reduced Business Activity: Added 321K to the total.
- Limited Full-Time Options: 589K could only find part-time work.
- Signal: Indicates growing pressure on businesses and workers.

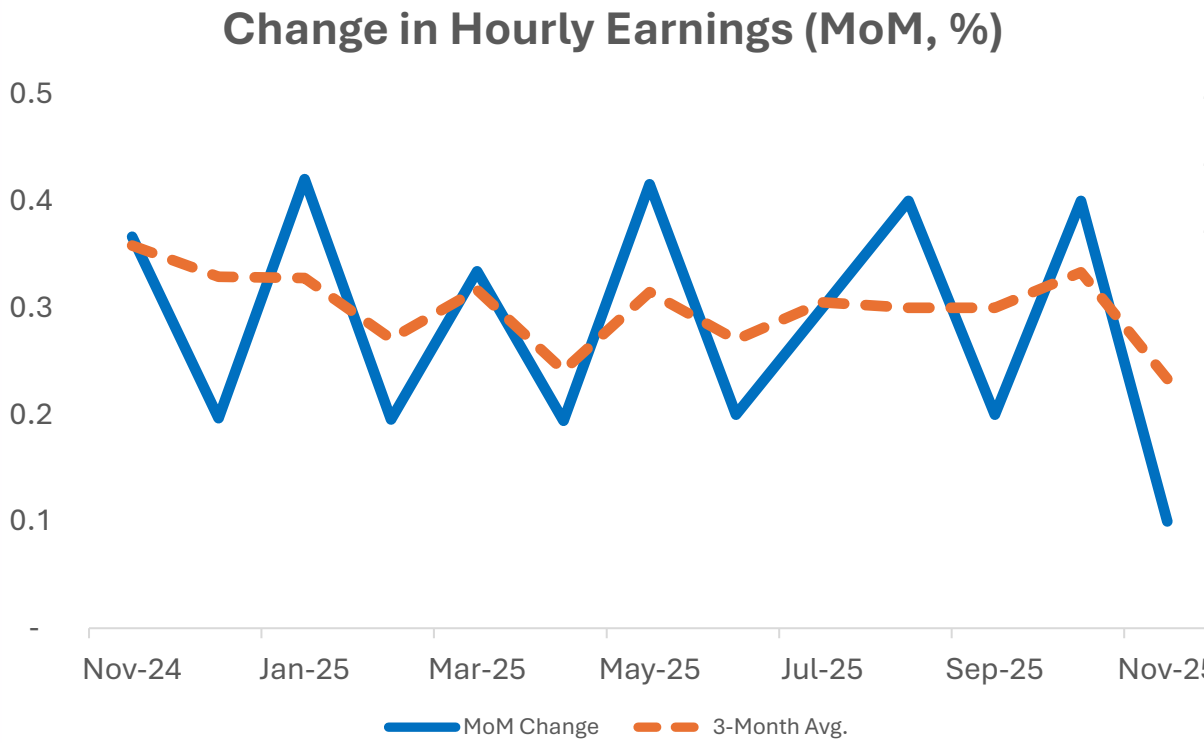


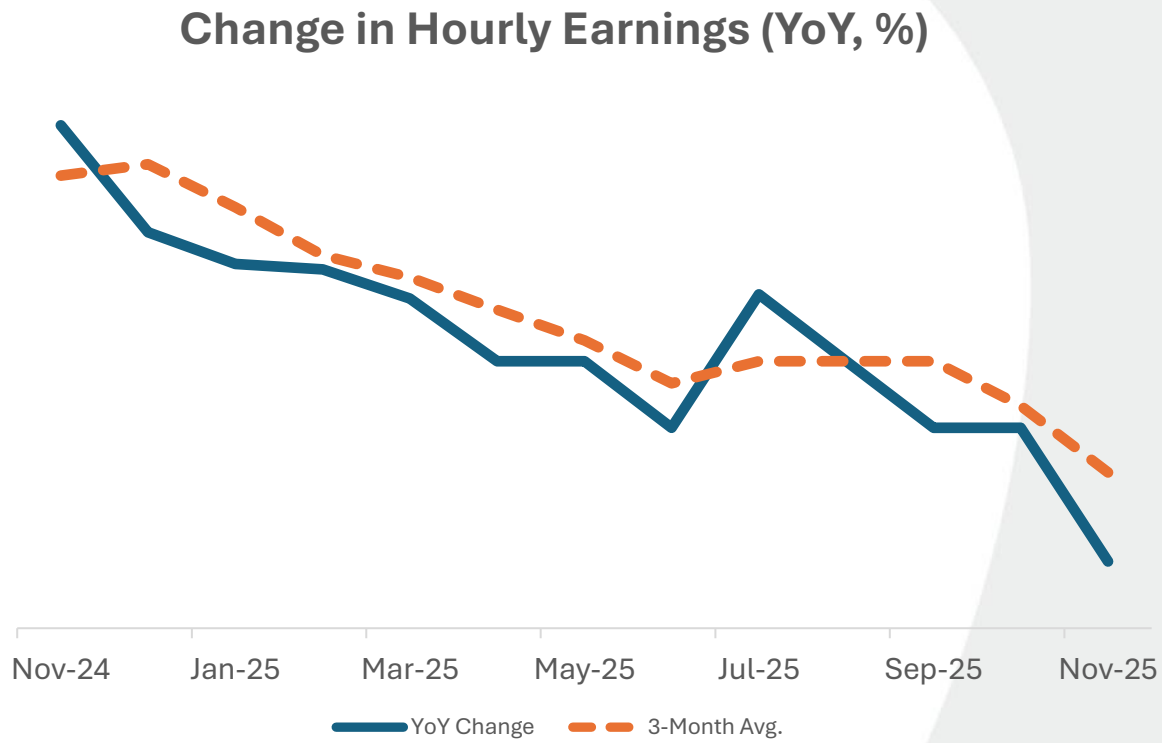
Source: Bureau of Labor Statistics

Wage Growth - November

Wage Growth Slows to Lowest Pace Since 2021

- Monthly Growth: Average hourly earnings rose just +0.1% MoM, missing the +0.3% forecast.
- Yearly Growth: Up +3.5% YoY, the slowest since May 2021.
- Signal: Pay growth is cooling, easing pressure on inflation.





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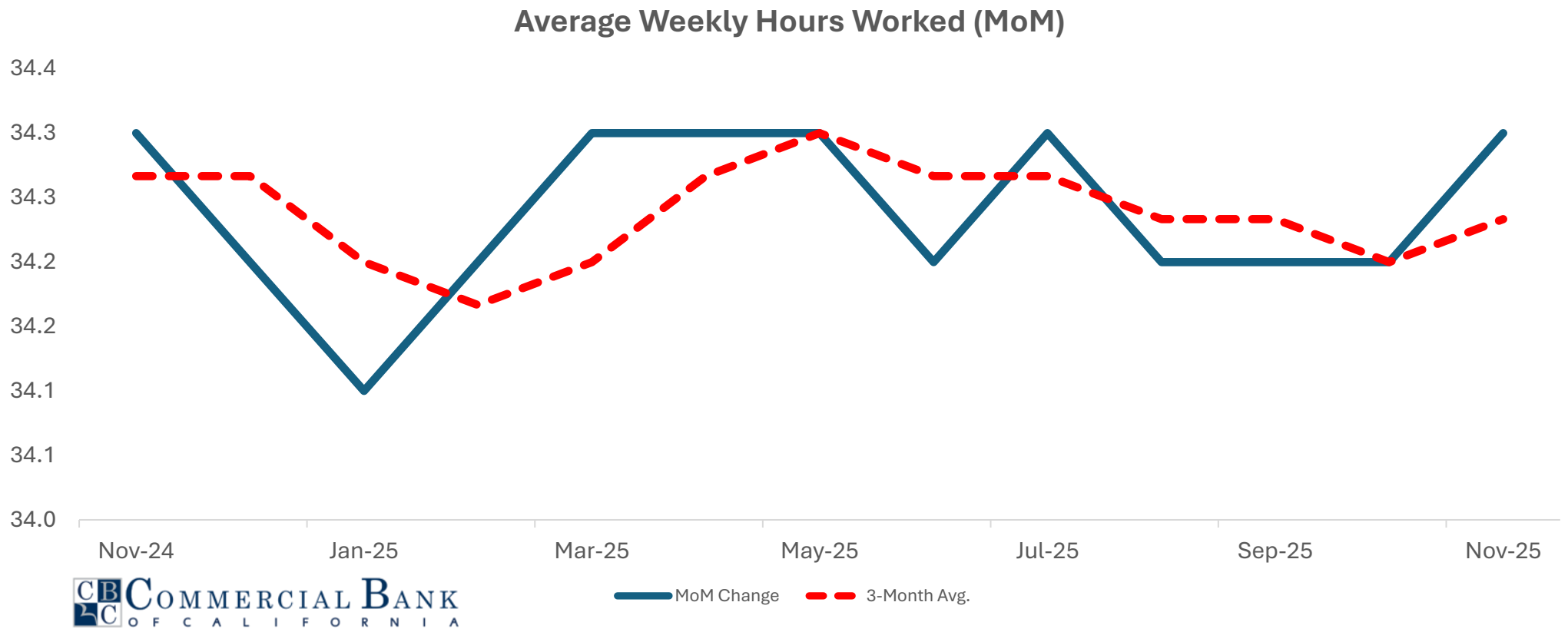
Source: Bureau of Labor Statistics

Weekly Hours Worked - November

Longer Hours Lift Weekly Earnings

- Average Weekly Hours: Increased to 34.3 in November.
- Impact on Earnings: Weekly pay rose +0.4%, matching October's pace.
- Signal: Extra hours are helping offset slower hourly wage growth.



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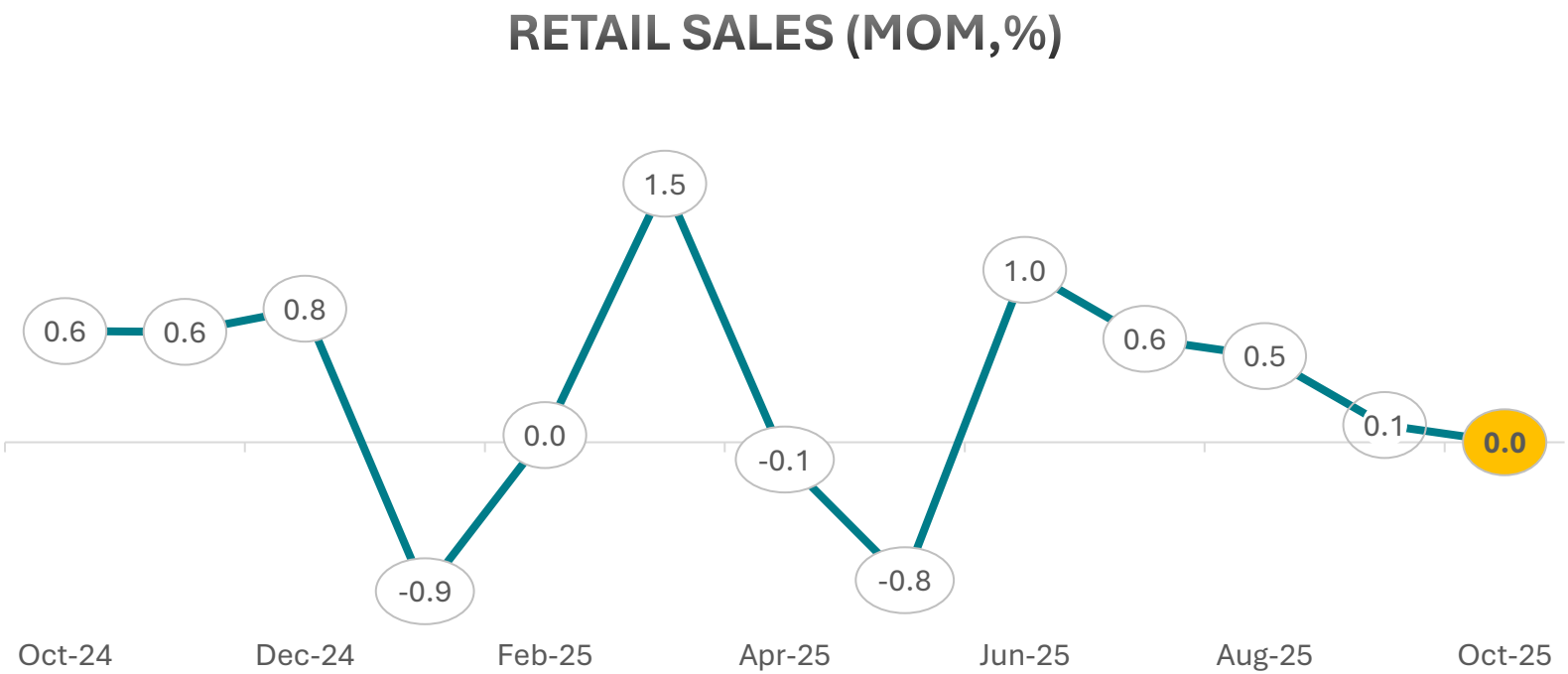
Source: Bureau of Labor Statistics

Consumer Activity

Retail Sales for October

October Retail Sales Stall Amid Auto Weakness, Online Gains Provide Offset

- Retail sales were flat in October, missing expectations, as a sharp drop in auto sales outweighed strength in online shopping.
- Year-over-year growth slowed to 3.5%, the weakest pace since May, signaling softer consumer momentum heading into the holiday season.

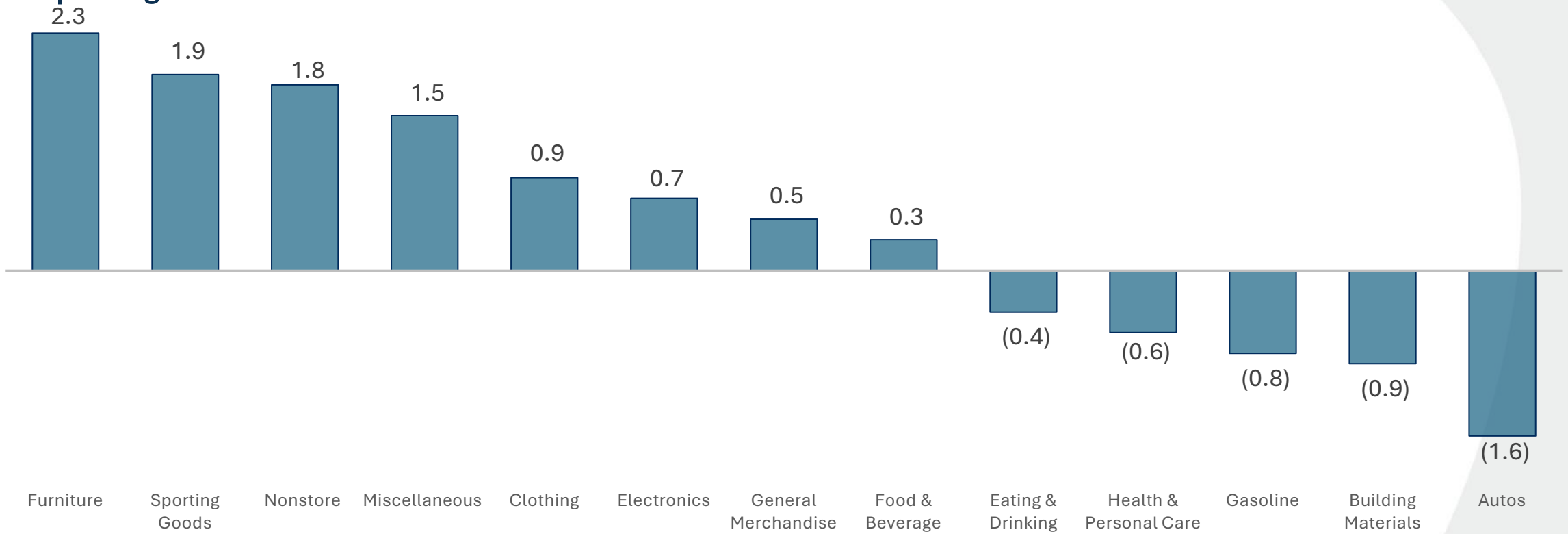


Source: U.S. Census Bureau

13 Retail Categories

Mixed Category Performance: Gains in Furniture and Online Sales Offset Auto Declines

- Eight of 13 retail categories posted gains, led by furniture (+2.3%), sporting goods (+1.9%), and online sales (+1.8%), with department stores surging 4.9% after prior weakness.
- Five categories declined, including motor vehicles (-1.6%) due to expired EV tax incentives and gasoline stations (-0.8%) from lower fuel prices.
- Food services and drinking places fell 0.4%, reversing September's increase, signaling caution in discretionary spending.

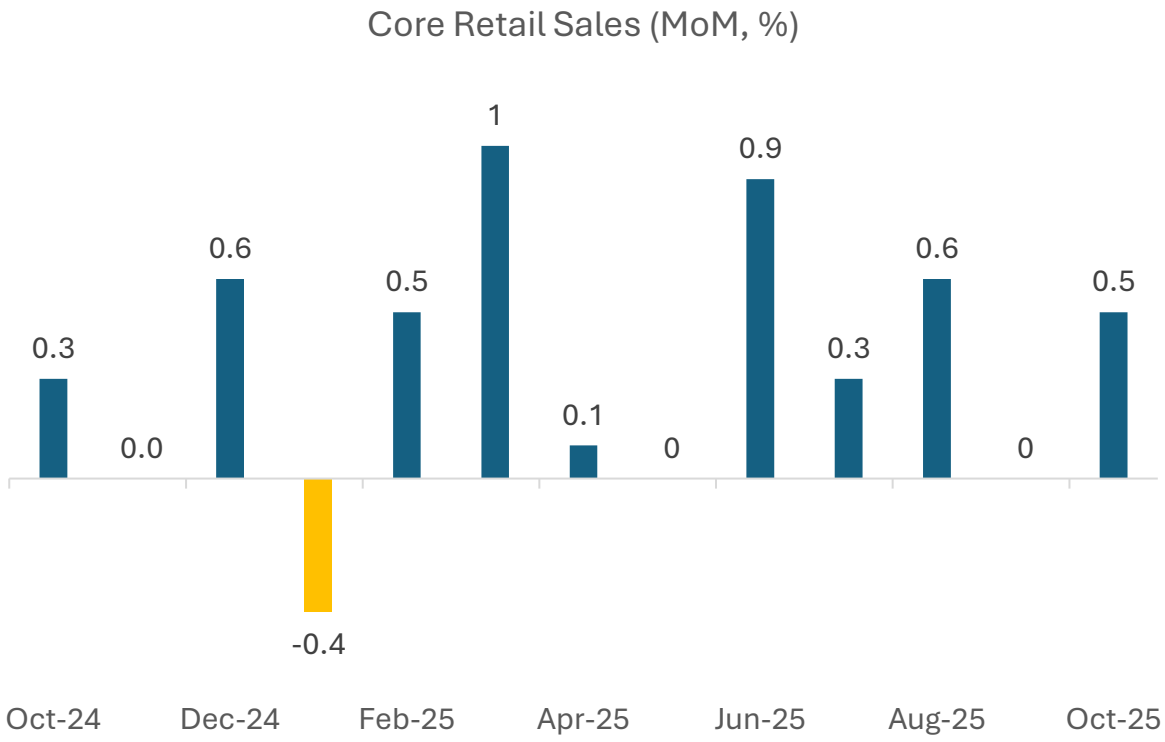


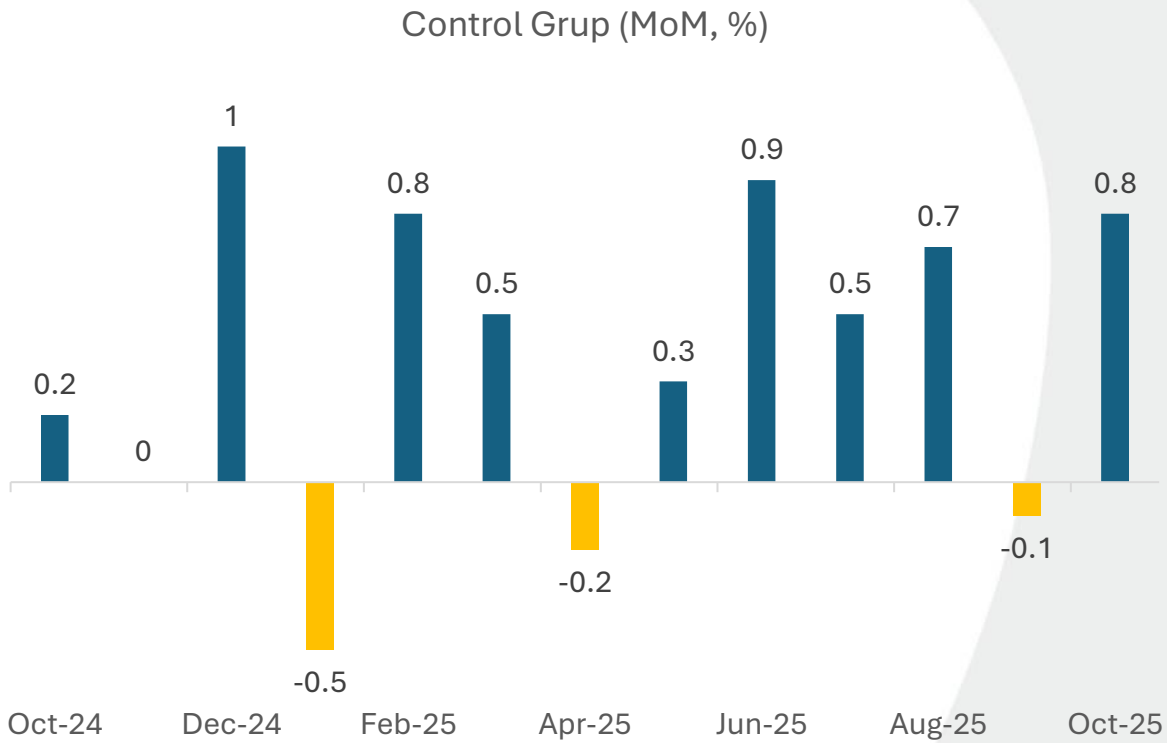
Source: U.S. Census Bureau

Core Retails & Control Group

Core Retail Sales and GDP Control Group Show Strong Momentum Ahead of Holidays

- Retail sales excluding autos and gasoline rose 0.5% in October, beating expectations and improving from flat growth in September; year-over-year growth reached 4.2%.
- The GDP control group surged 0.8%, its strongest monthly gain since June, driven by early holiday shopping and aggressive promotions, with annual growth at 5.1%.
- Spending was led by high-income households, while lower-income consumers remained cautious; strong Black Friday sales point to resilient demand heading into the holiday season.





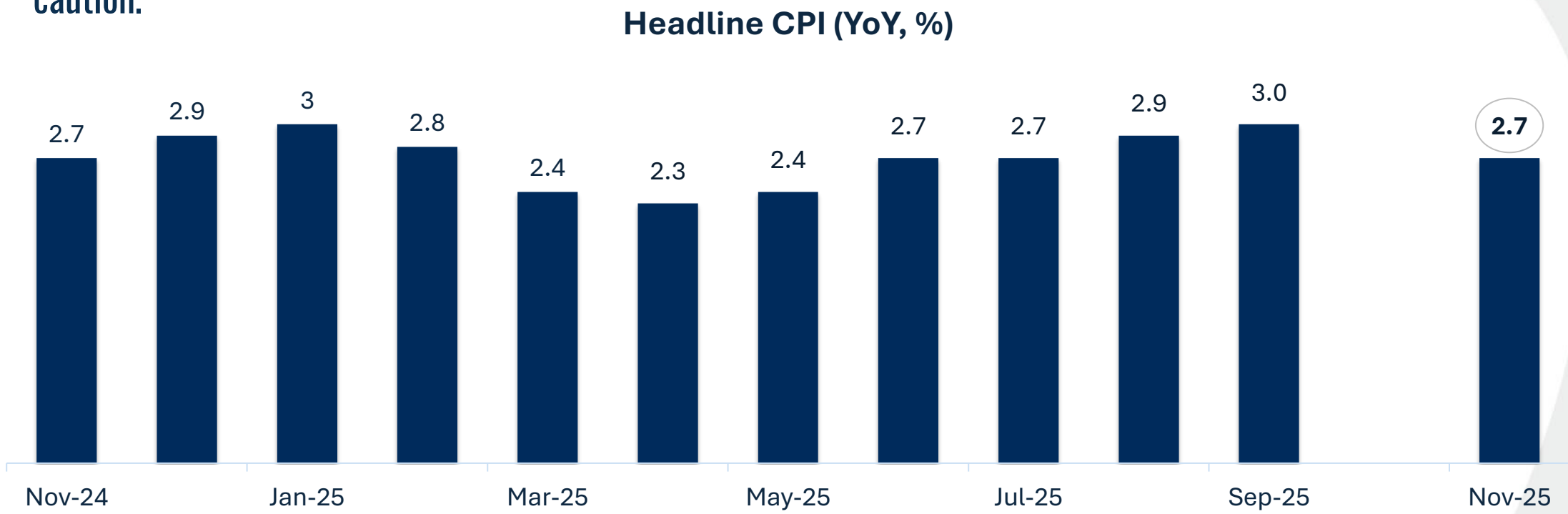
Source: U.S. Census Bureau

Inflation

Headline Consumer Price Index (CPI) - November

CPI Data Distorted by Shutdown and Downward Bias; Inflation Eases to 2.7% in November

- The government shutdown meant no BLS survey data for October, so November's CPI figures are based on partial data and third-party sources for select categories.
- Black Friday discounts and missing October data likely introduced a downward bias, making inflation appear softer than reality, with headline CPI coming in at 2.7% year-over-year—down from 3.0% in September and below market expectations.
- Many month-over-month numbers and key categories are unavailable, so these results should be interpreted with caution.

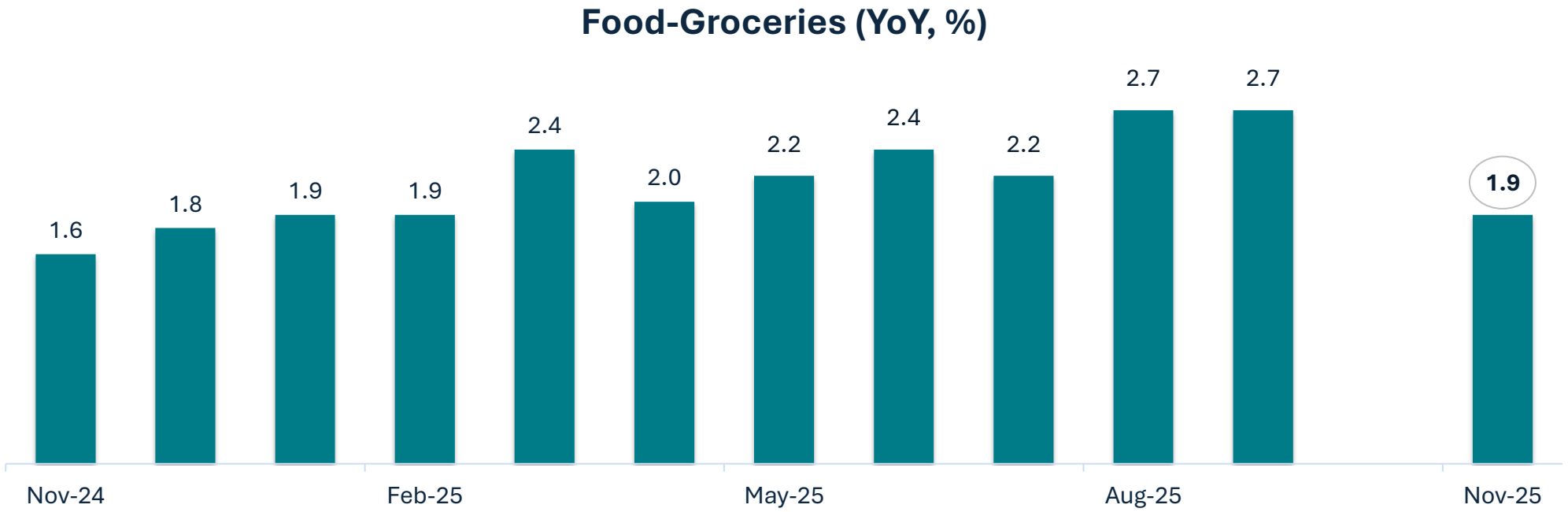


Source: Bureau of Labor Statistics

Food Prices - November

Food Prices Stay Flat as Grocery Costs Dip and Beef, Coffee Surge

- Food prices barely moved between October and November, with groceries actually dipping 0.1% per month thanks to lower bakery, egg, dairy, and produce costs.
- Over the past year, overall food prices rose 2.6%, groceries climbed 1.9%, and eating out went up 3.7%.
- Notable standouts: beef prices jumped nearly 16%, coffee soared almost 19%, while eggs dropped more than 13% year-over-year.

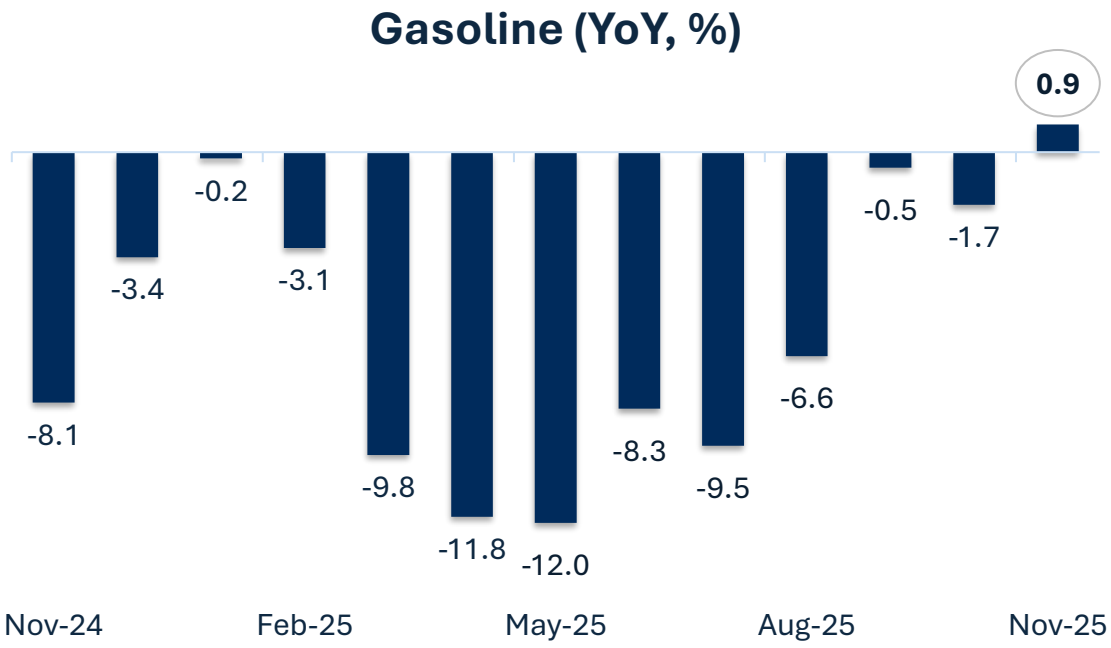


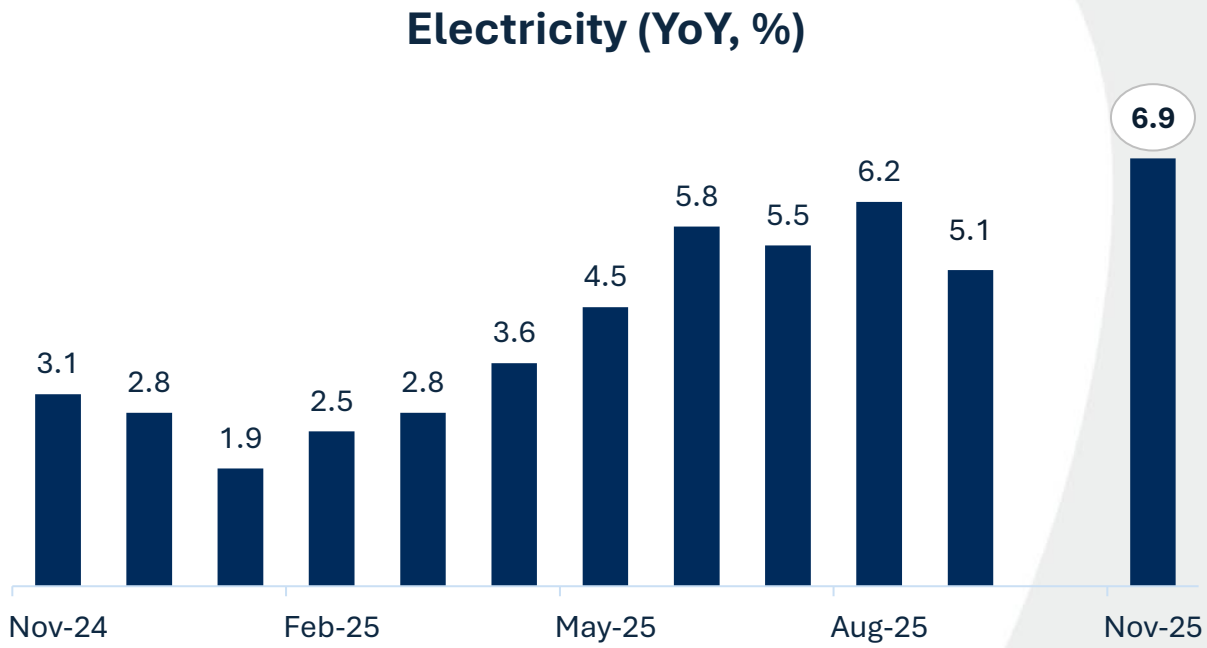
Source: Bureau of Labor Statistics

Energy Prices - November

Energy Prices Rise Moderately; Gasoline Jumps, Fuel Oil Leads Annual Gains

- Energy prices rose 0.5% on average between October and November, a slower pace than September's 1.5% increase.
- Gasoline prices surged 3% in November after dropping in October, while annual energy costs are up 4.1%.
- Fuel oil (+11.3%), utility gas (+9.1%), and electricity (+6.9%) saw the biggest year-over-year increases.



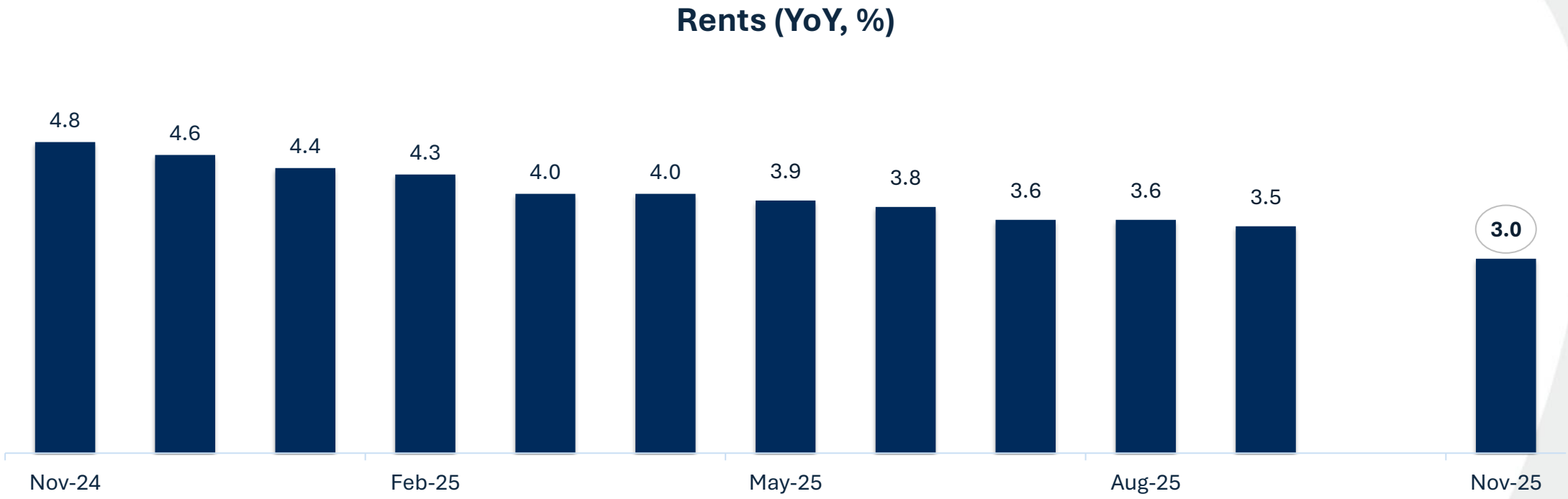


Source: Bureau of Labor Statistics

Goods & Service Prices; Shelter Cost - November

Goods and Services Prices Cool; Shelter Costs Edge Up Slightly

- Goods prices excluding food and energy rose just 0.1% monthly, with new and used vehicles up slightly and tariff-sensitive items like apparel and electronics declining.
- Services prices also increased by only 0.1% per month; shelter costs—including rent and owners' equivalent rent—edged up modestly, while hotels and airline fares dropped.
- Overall, both goods and services prices are showing slower growth, with housing costs rising much less than earlier in the year.

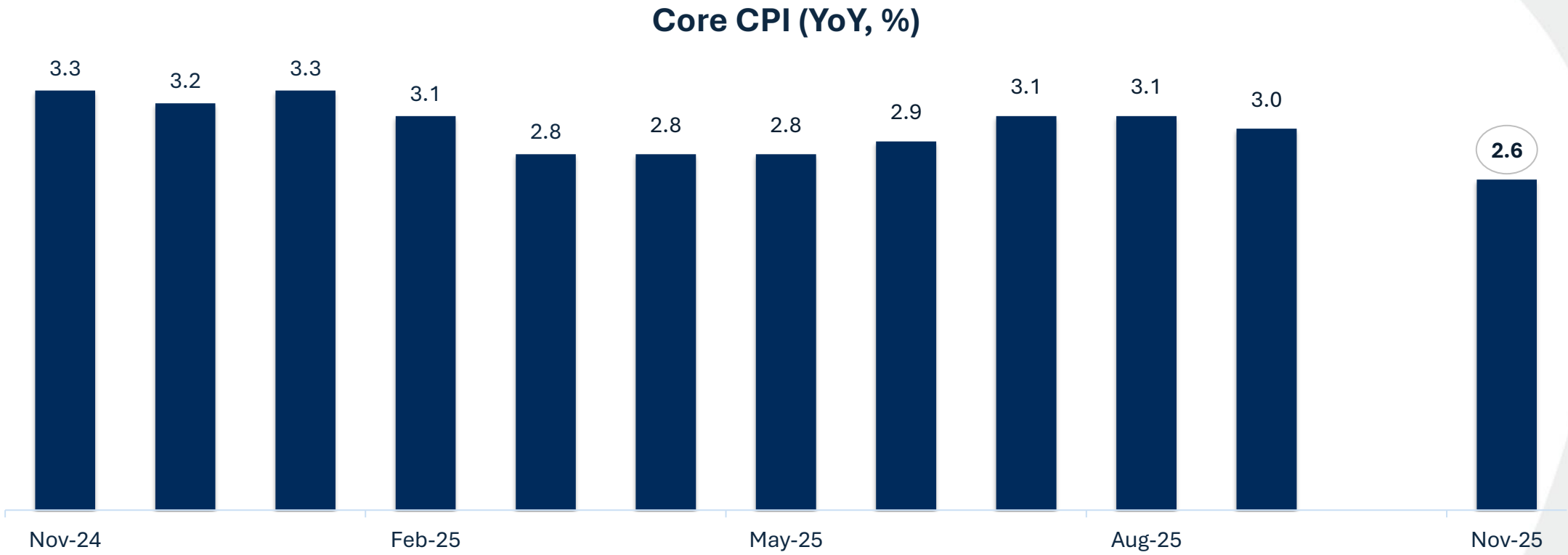


Source: Bureau of Labor Statistics

Core CPI (Excluding Food & Energy) - November

Core CPI Slows to Lowest Level Since 2021, but Data Distortions Remain

- Core CPI, which excludes food and energy, rose just 0.1% per month for October and November, and 2.6% year-over-year—the lowest since March 2021.
- The slowdown in inflation looks promising, but data quirks from the government shutdown mean these numbers should be viewed with caution.
- December's report will be important to confirm whether this is real disinflation or just a temporary statistical blip.



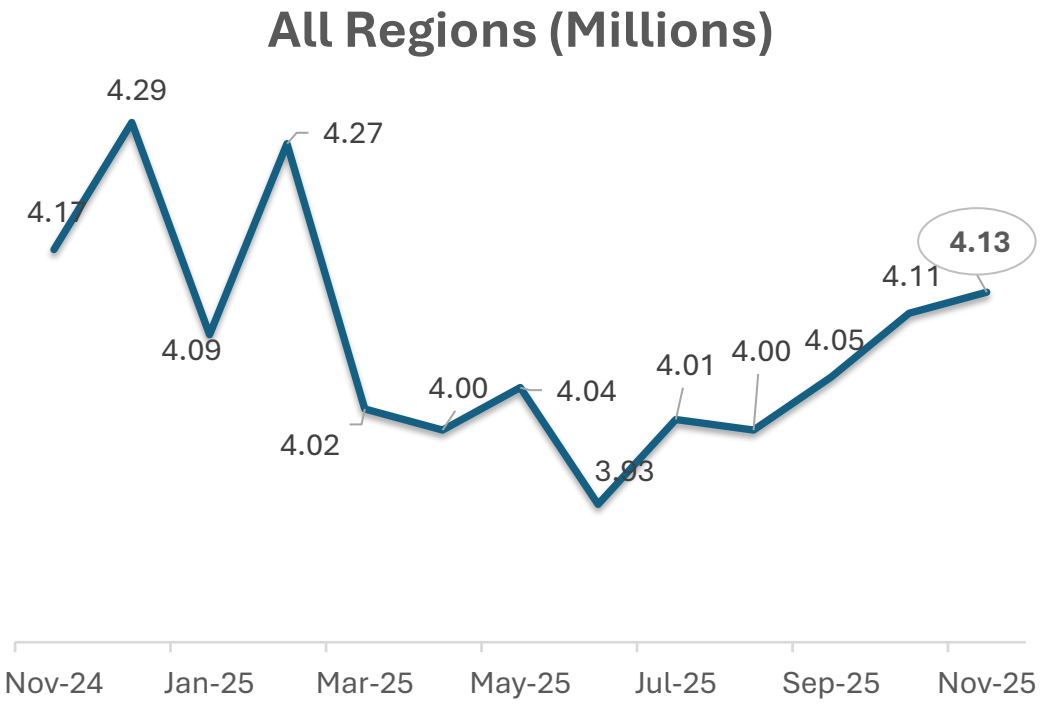
Source: Bureau of Labor Statistics

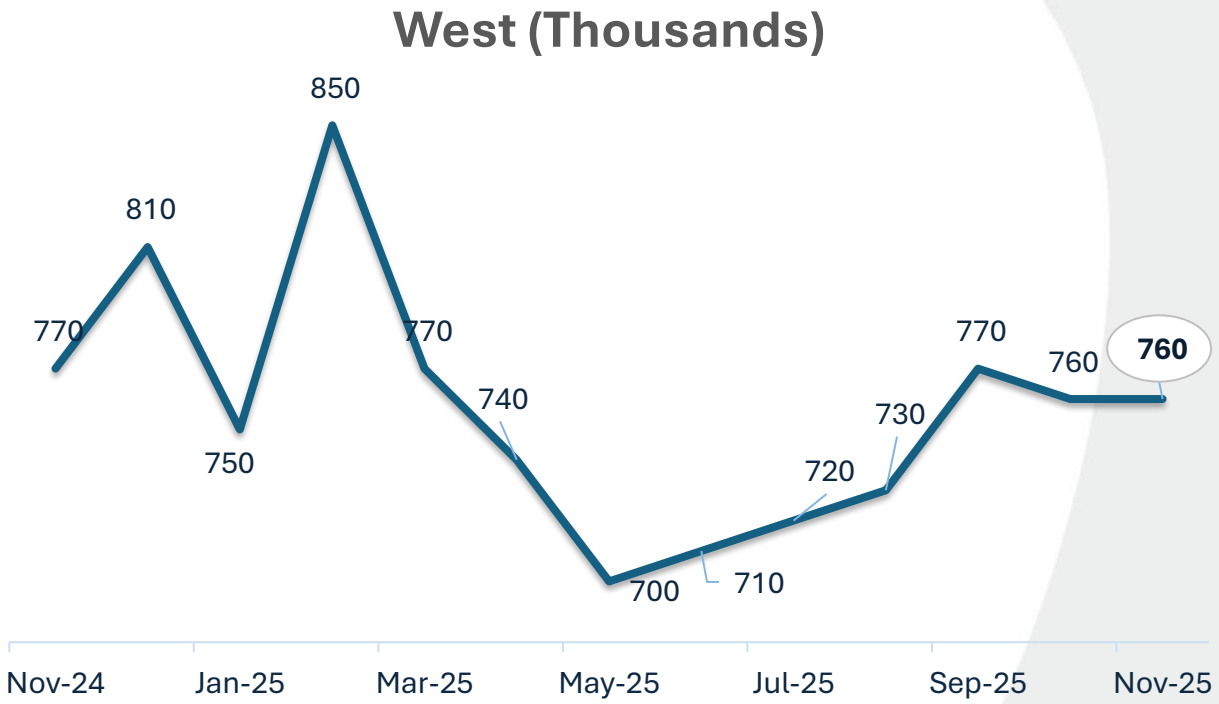
Housing – U.S.

Existing Home Sales - November

Existing Home Sales Edge Higher, Supported by Lower Mortgage Rates

- November existing home sales rose 0.5% to 4.13 million units, the highest level since February, driven by easing mortgage rates and moderate price growth.
- Regional performance was mixed: Northeast surged 4.1%, South gained 1.1%, Midwest fell 2%, and West was flat; year-over-year sales declined 1% nationally.
- Single-family homes posted a modest 0.8% increase, while condo and co-op sales dropped 2.6%, highlighting uneven recovery across property types.



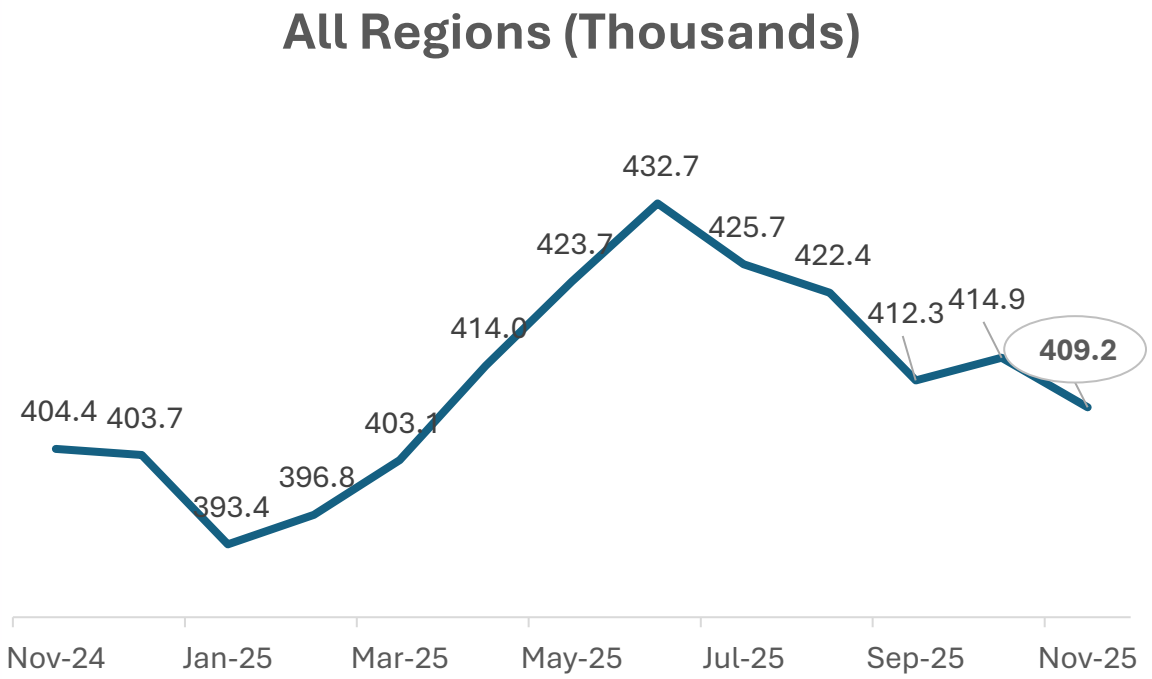


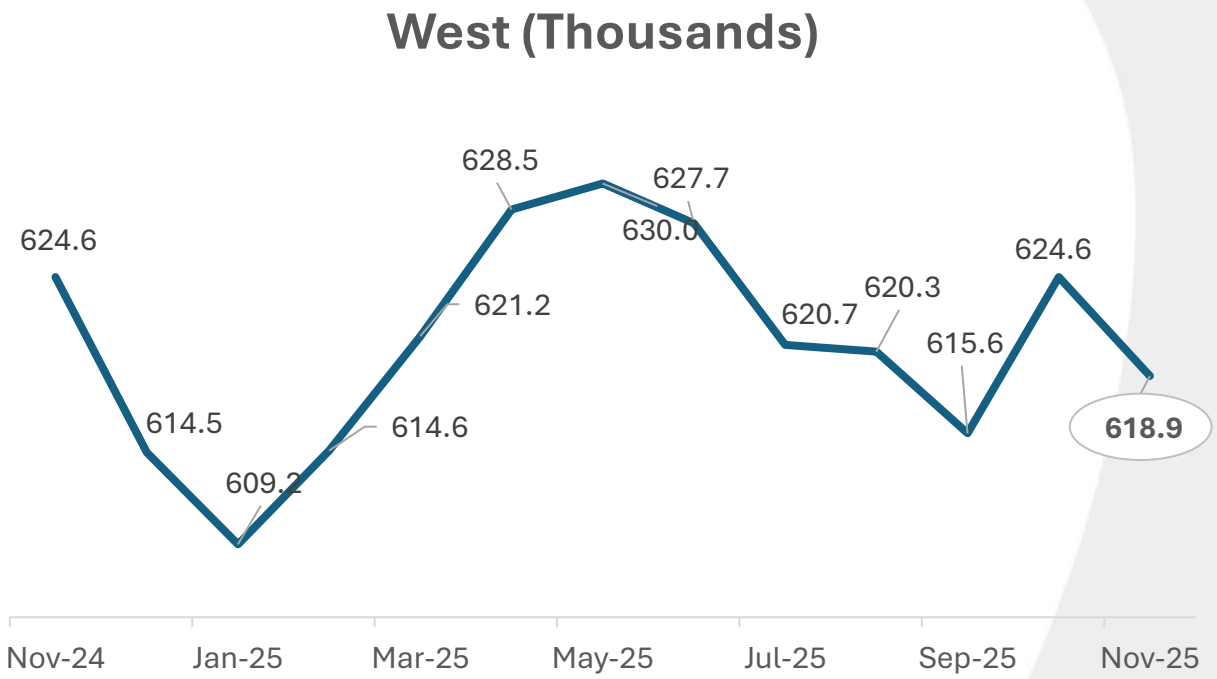
Source: National Association of Realtors

Existing Home Median Price - November

Home Price Growth Slows but Stays Positive for 29th Straight Month

- Median home price rose 1.2% year-over-year to $409,200, marking nearly two and a half years of consecutive annual gains but well below 2024's average growth of 4.5%.
- Price appreciation is cooling across most regions, with the West as the only exception, posting a 0.9% decline to $618,900.



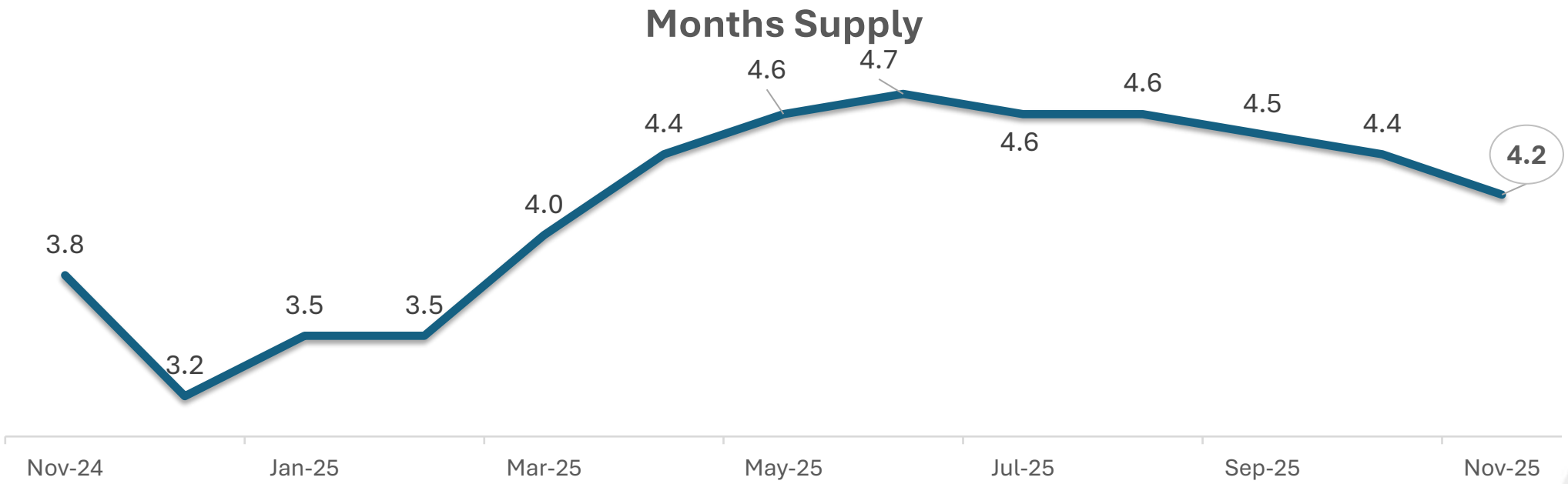


Source: National Association of Realtors

Existing Home Months Supply - November

Housing Inventory Tightens as Sellers Hold Off for Spring

- Unsold inventory dropped 5.9% month-over-month to 1.43 million units as many sellers delisted, though supply remains 7.5% higher than last year but still below pre-pandemic levels.
- Months' supply fell to 4.2 from 4.4 in October, marking the lowest level since March and signaling a lean market heading into 2026.

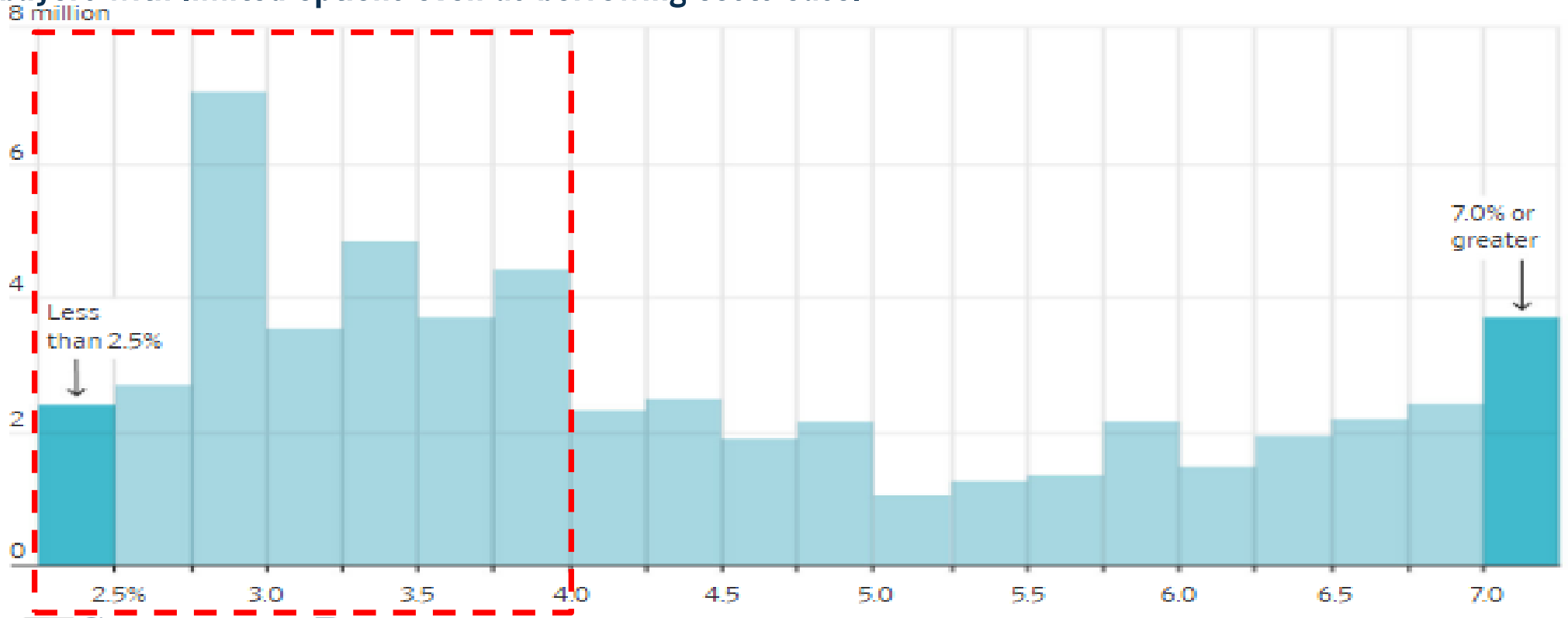


Source: National Association of Realtors

Active Primary Mortgages by Interest Rate

Wall Street Journal: Lock-In Effect Keeps Housing Inventory Tight Despite Falling Mortgage Rates

- Nearly 30 million households—about 54% of primary mortgage holders—have rates at or below 4%, thanks to buying or refinancing when rates fell to 3% or lower in 2020 and 2021.
- Many homeowners who want to move aren't willing to give up their ultra-low rates for mortgages that have doubled, creating a "lock-in effect."
- This lock-in has frozen the housing market for three years, keeping inventory well below historic levels and leaving buyers with limited options even as borrowing costs ease.

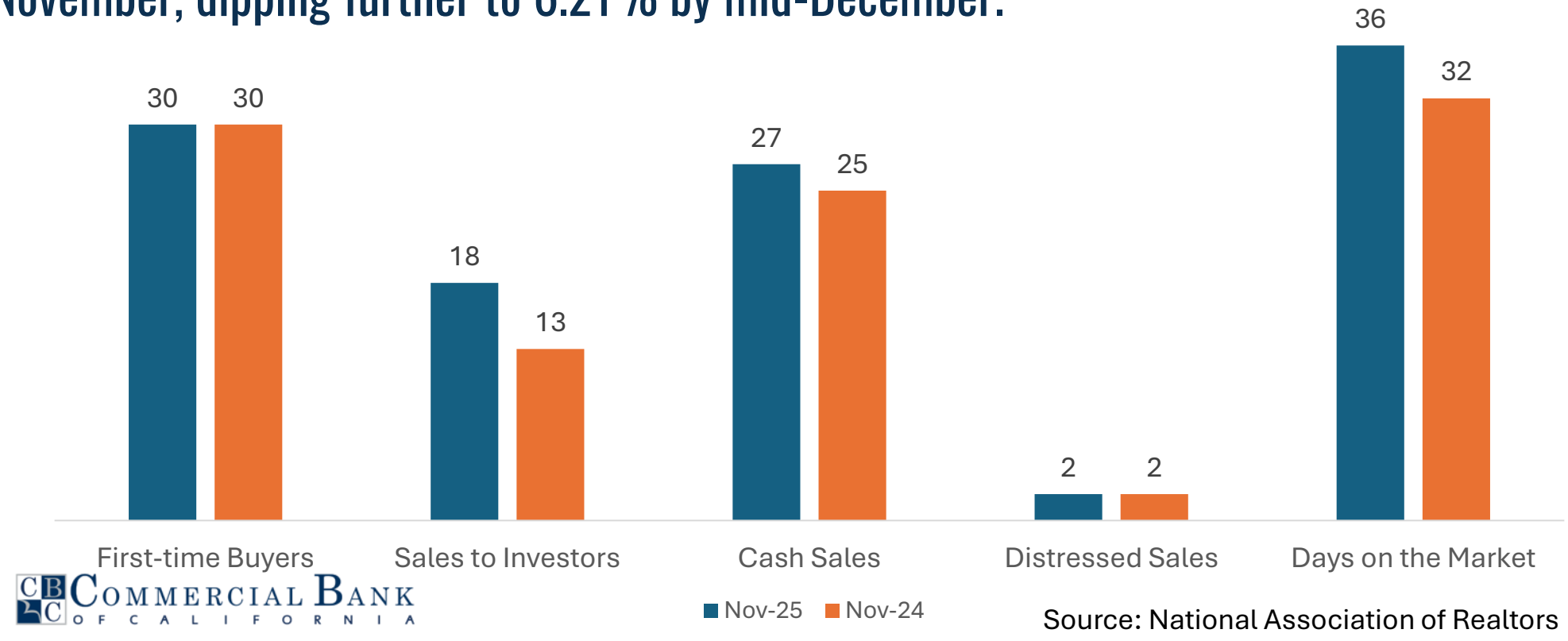


Source: WSJ

Existing Home Others - November

Investor Activity Rises as First-Time Buyers and All-Cash Sales Slip

- First-time buyers made up 30% of purchases, slightly lower than last month, while all-cash sales accounted for 27%, down month-over-month but up year-over-year.
- Investor purchases climbed to 18%, continuing an upward trend from both last month and last year.
- Homes spent a median of 36 days on the market, and mortgage rates eased to 6.24% in November, dipping further to 6.21% by mid-December.



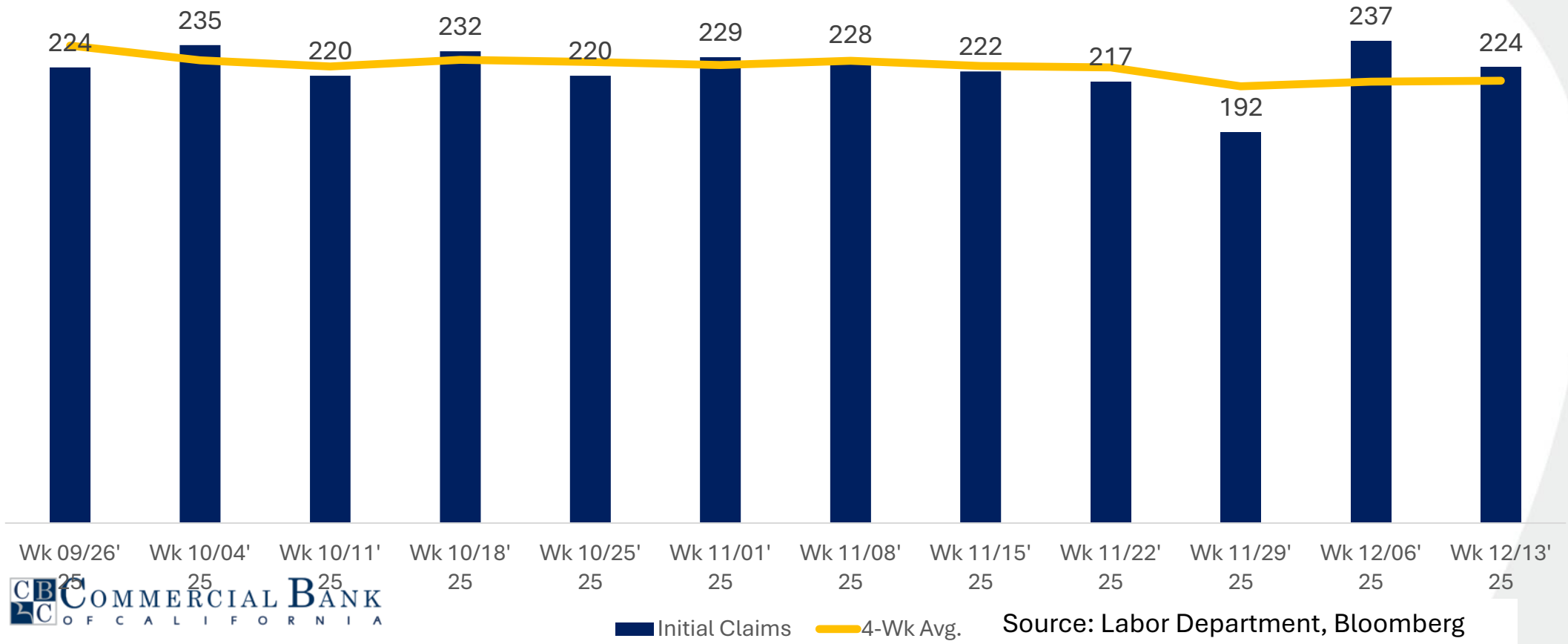
Source: National Association of Realtors

Employment - Weekly

Weekly Initial Jobless Claims (000s) – Week Ending 12/13/25

Jobless Dip Amid Seasonal Volatility

- **Claims Below Expectations:** Initial jobless claims fell to **224,000**, beating forecasts of 225,000 despite holiday-related fluctuations.
- **Stable Labor Market:** The four-week average edged up slightly to **217,500**, signaling limited layoffs and overall stability.

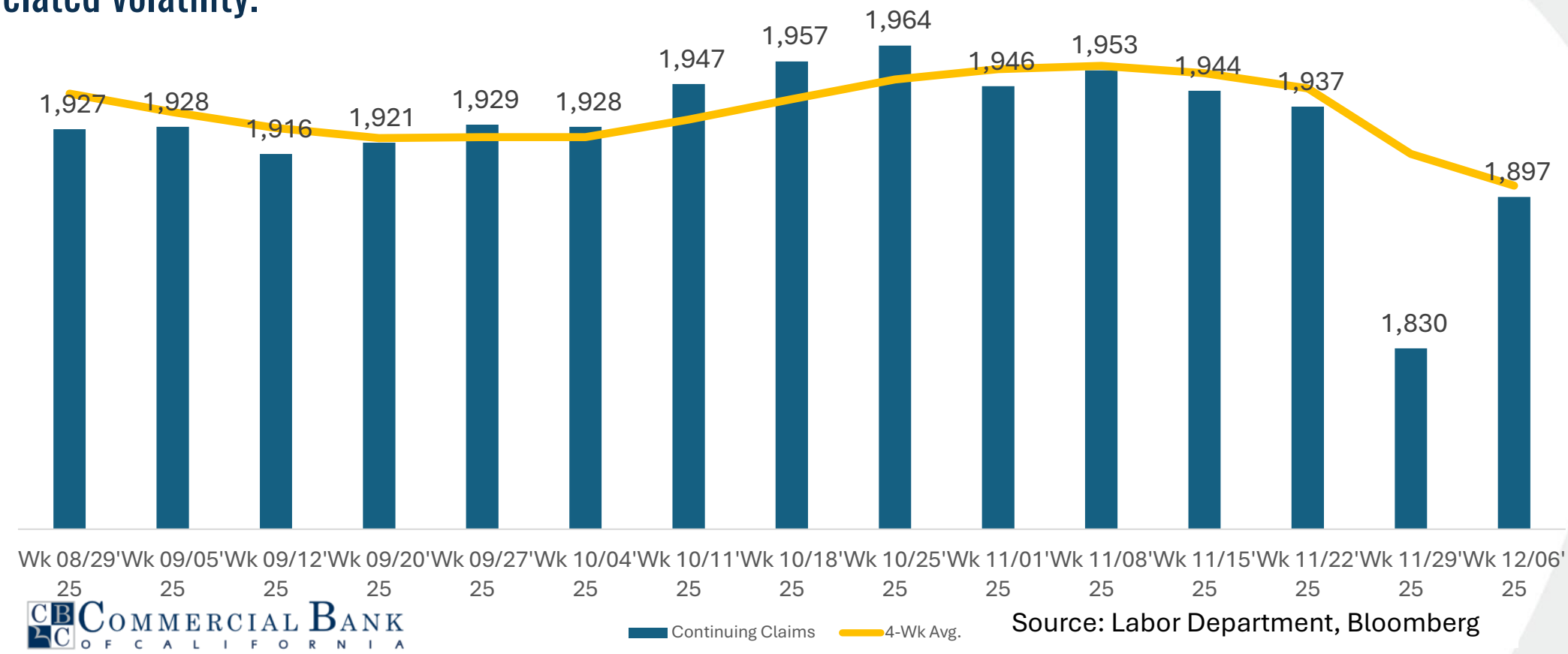


Source: Labor Department, Bloomberg

Weekly Continuing Jobless Claims (000s) – Week Ending 12/6/25

Continuing Claims Rise Slightly, Still Below Expectations

- **Increase but Under Forecast:** Continuing claims climbed to 1.897 million, up 67,000 from the prior week, yet remained below the 1.920 million estimate.
- **Underlying Stability:** The four-week average dipped to 1.902 million, signaling resilience despite holiday-related volatility.

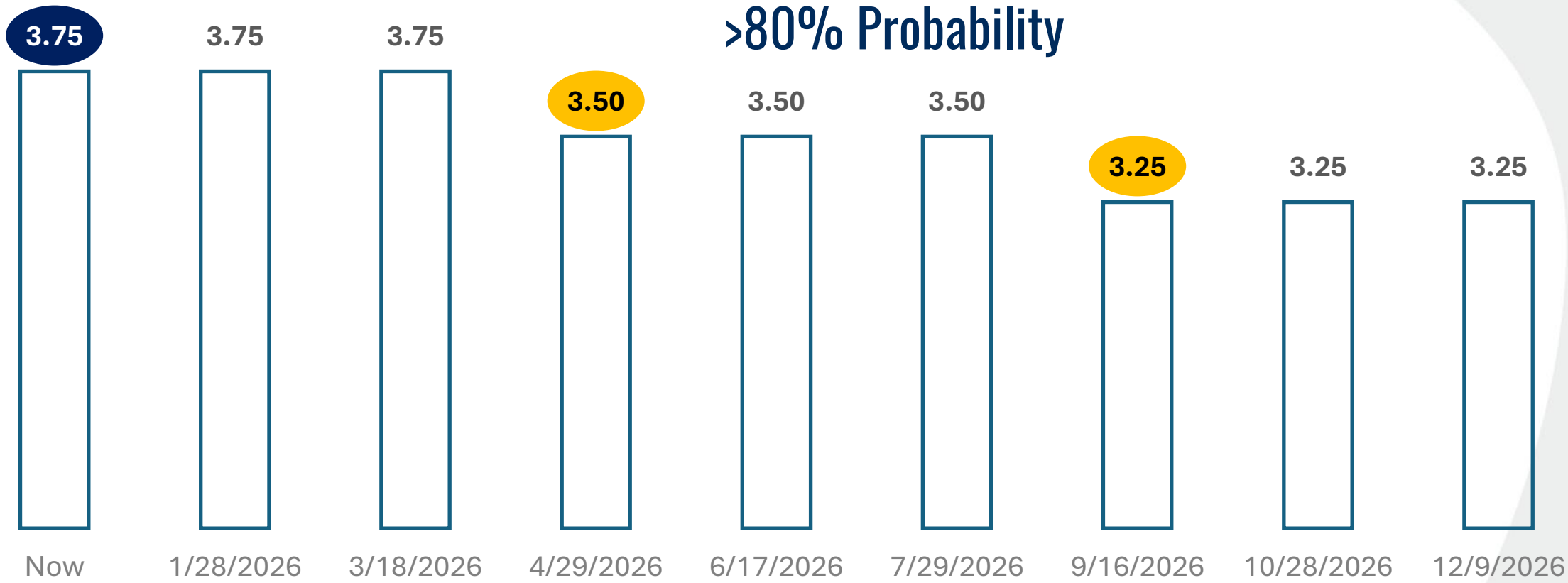


Source: Labor Department, Bloomberg

Rate Cut Expectation & Treasury Yields

Rate Cut Expectation – 12/19/25

- **2026:** Two **25 bps cuts** priced in (April & Sept)
- **No cut expected in 2027**
- Cuts would lower Fed funds upper bound to **3.25%** (from 3.75%)

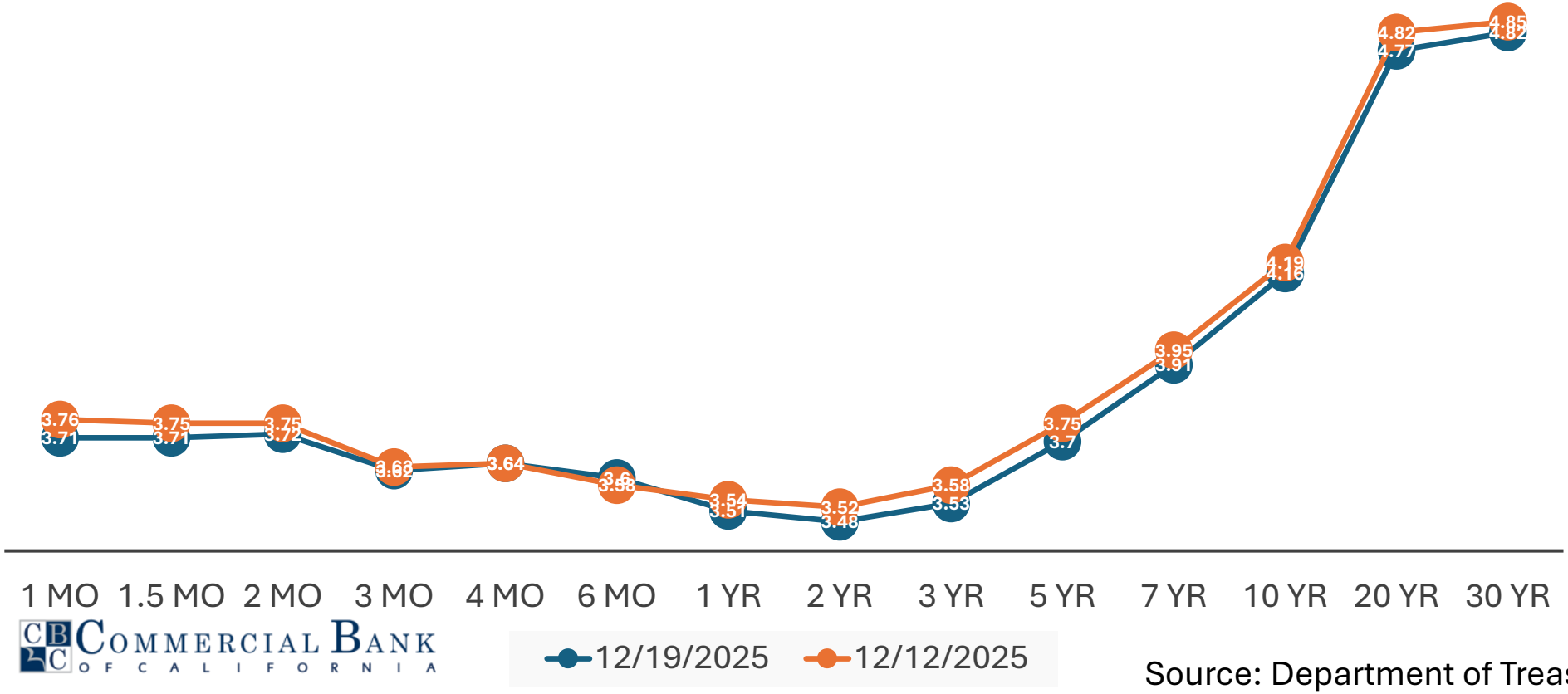


Source: Bloomberg

Treasury Market – Week Ending 12/19/25

- **Treasury yields mixed; curve steepens:**
  - 2-yr: **3.48% (-4 bps)**
  - 5-yr: **3.70% (-5 bps)**
  - 10-yr: **4.16% (-3 bps)**

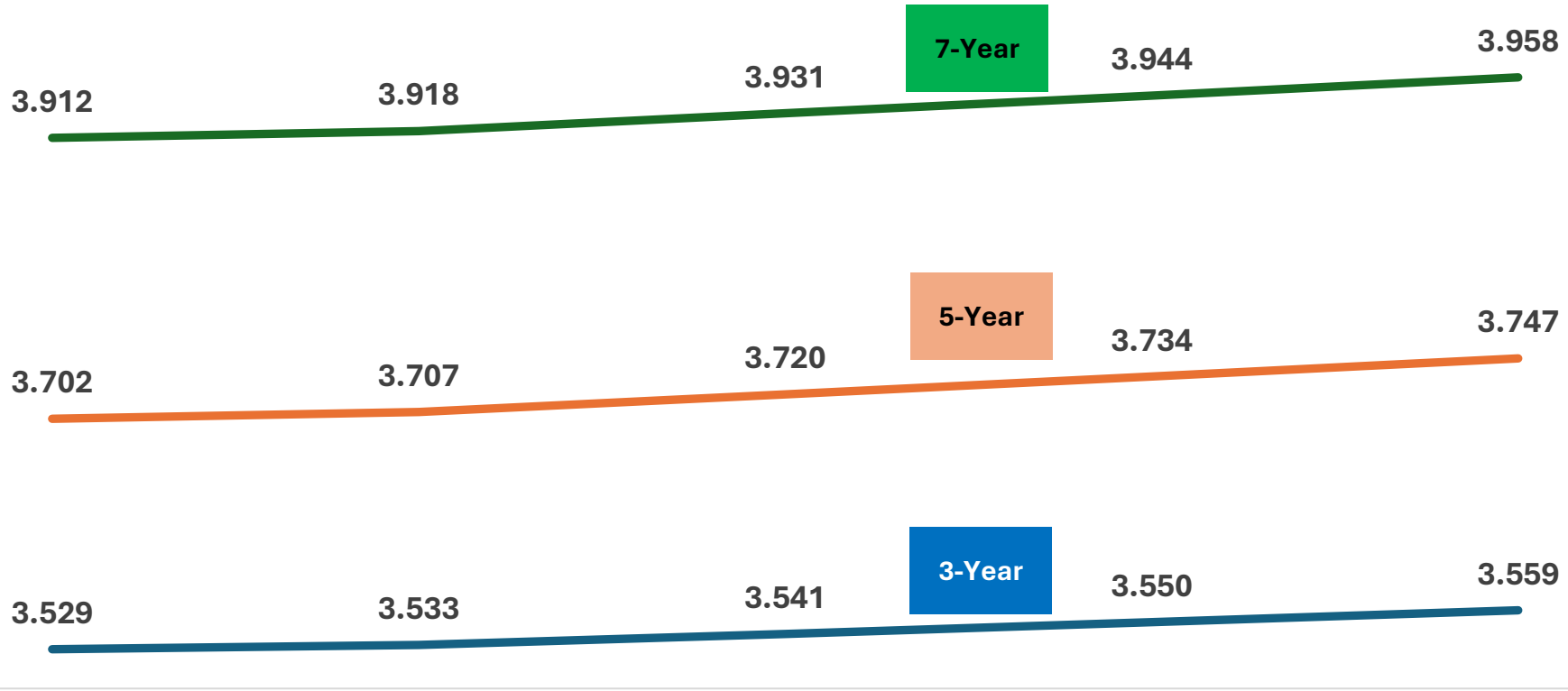
- **Key drivers:**
  - Weak labor market and subdued inflation data strengthened expectations for additional rate cuts in 2026



Source: Department of Treasury

US Treasury Forward Rates (%) - 12/19/25

- **Consistent Uptrend:** Yields for 3-, 5- and 7-year maturities show a steady rise from December 2025 through March 2026
- **Longer Tenors Lead:** The 7-year segment maintains the highest yield and largest absolute increase, signaling stronger upward pressure on longer maturities



Source: Bloomberg

Key Takeaways

Recap I

- **November jobs report** shows modest hiring rebound but signals labor market fragility—unemployment rising faster than labor force, wage growth slowing, and gains concentrated in health care.
- **Retail sales** flat overall, but strong core growth from early holiday shopping and high-income spending shows resilient demand despite caution from lower-income households.

Recap II

- **November CPI** slowed to 2.7% headline and 2.6% core, reinforcing disinflation trend with a downward bias; December data critical for confirmation.
- **Home sales** hit highest since February on easing mortgage rates and moderate price growth; inventory tight as sellers delay listings—demand could strengthen if rates fall and supply improves.
- **Weekly jobless claims** remain stable despite holiday-related volatility

Questions?