

U.S. Data Review

- CPI: headline index creeps higher; core index tame

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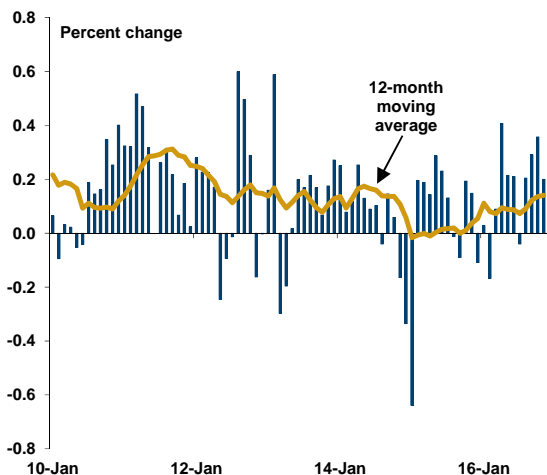
CPI

Increases of 0.2 percent in headline and core CPI for November matched expectations. The core component, though, almost rounded down to 0.1 percent (0.151 percent when calculated with more precision). The latest changes left the headline index up 1.7 percent in the past 12 months, up one tick from the prior month and noticeably above the average of 1.1 percent in the first half of the year and readings centering on zero during most of 2015 (chart, left). Core prices rose 2.1 percent in the past 12 months, the same as in October and a touch slower than increases of 2.2 to 2.3 observed in several earlier months (chart, right).

The energy component rose 1.2 percent in November, led by a jump of 2.7 percent in gasoline prices. Market quotes for gasoline showed lower prices in November, but the declines were less than seasonal norms, and thus the index showed an increase for this item. The food component was unchanged, as a drop in the cost of food at home offset an increase in the prices of food away from home. The cost of food at home has been trending downward since the closing months of 2015, showing a net drop of 2.2 percent in the past year.

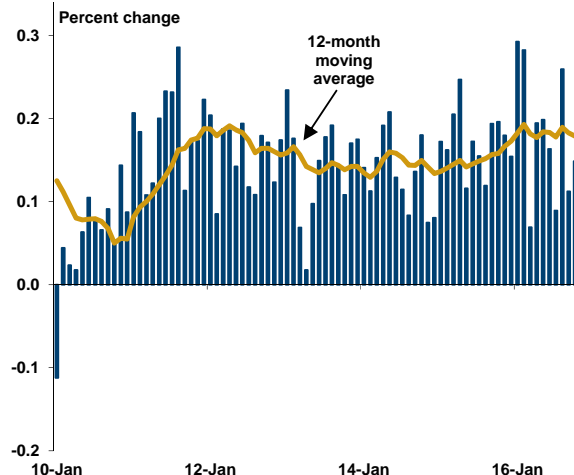
The tame reading on the core CPI was influenced by declines in airfares and the price of clothing. The cost of hotel stays (an erratic component of the CPI) also declined. The cost of medical care was unchanged in November, as a drop in the price of medical commodities offset a moderate increase in the cost of medical services. A few core items posted above-average increases. The costs of communication and recreation rose 0.2 percent and 0.1 percent, respectively, less than alarming changes but larger than the flat or lower readings that have become common for these areas. The prices of used motor vehicles seem to have shifted from the downward phase of their cycle as an increase of 0.3 percent ended a string of eight monthly declines. These pressure points, however, were not pronounced enough to alter the conclusion that the core CPI was well contained in November.

Headline CPI



Source: Bureau of Labor Statistics

Core CPI



Source: Bureau of Labor Statistics

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