

# U.S. Data Review

- CPI: tame energy component; high-side core
- Retail sales: moderate advance in December after strong results in prior months

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## CPI

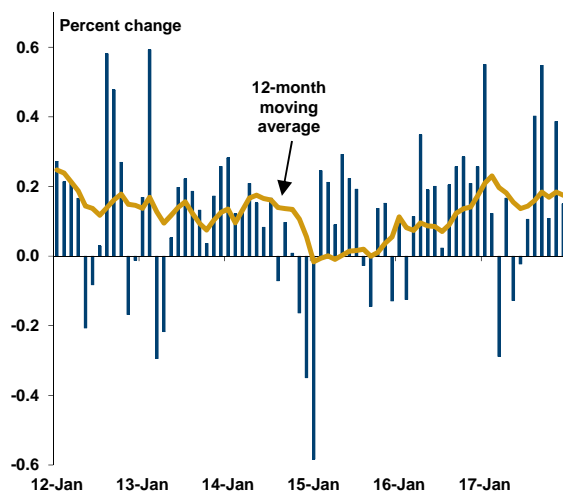
Consumer prices rose 0.1 percent in December, matching the consensus estimate, while the core component rose 0.3 percent, faster than the expected increase of 0.2 percent. The core component rounded up to 0.3 percent (0.277 percent), but the latest change was still one of the quickest of the past year or so. The latest results left the year-over-year increase in the headline index at 2.1 percent, noticeably slower than the high-side readings early in the year (peak of 2.7 percent in February), but generally in line with readings in most other months (chart, left). The core component rose 1.8 percent year-over-year (1.776 percent), up a touch from the increase in November, but still below readings in excess of two percent around the turn of the year (chart, right).

A drop of 1.2 percent in the energy component restrained the headline index, as a decline of 2.7 percent in gasoline prices offset small increases in charges for fuel oil, natural gas, and electricity. Food prices rose 0.2 percent (0.157 percent), ending a string of four months of minuscule increases in price.

The core component showed a broad array of changes, but items advancing in price outweighed the results in soft areas. Rental rates posted above-average increases, and charges for shelter away from home (primarily hotel fees, a volatile area) were high side as well. Charges for medical care, which have been tame in recent months, jumped 0.3 percent in December. Prices of new and used vehicles rose 0.9 percent after an increase of 0.6 percent in November. Vehicle prices had declined in most months this year, but they seem to have turned a corner.

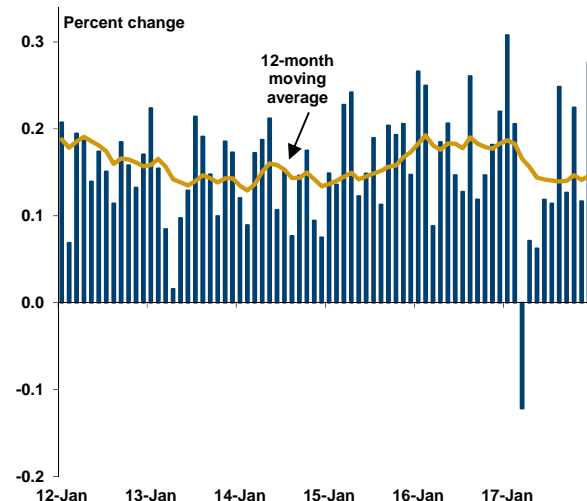
Although the headline index was tame, the increase in the core index supports the view of most Fed officials that transitory factors had restrained inflation during the summer and early fall and that inflation will return to target in the medium term.

### Headline CPI



Source: Bureau of Labor Statistics

### Core CPI



Source: Bureau of Labor Statistics

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## Retail Sales

The report on retail sales in December was generally close to expectations. The increase of 0.4 percent in total sales was a touch softer than the expected increase of 0.5 percent, but the advance of 0.4 percent in sales excluding autos and gasoline matched expectations. The December results were moderate when viewed in isolation, but they followed solid gains in the prior three months (an average increase of 1.2 percent overall and 0.8 percent excluding autos and gasoline), leaving an impressive performance when viewed from a longer perspective. Results in the prior few months were revised upward, with the cumulative adjustment leaving the level of sales in November 1.0 percent firmer than previously believed.

### Retail Sales -- Monthly Percent Change

	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Total	-0.1	2.0	0.7	0.9	0.4
Ex.-Autos	0.5	1.3	0.5	1.3	0.4
Ex.-Autos, Ex.-Gas	0.1	0.8	0.5	1.2	0.4
Retail Control*	0.1	0.7	0.5	1.2	0.4
Autos	-2.0	4.8	1.4	-1.0	0.2
Gasoline	3.4	6.0	0.2	3.0	0.0
Clothing	-0.4	0.5	0.9	0.6	-0.3
General Merchandise	0.4	0.9	0.2	0.3	0.1
Nonstore**	-0.7	1.1	0.1	4.2	1.2

\* Retail sales excluding sales from motor vehicle dealers, gasoline stations, and building materials, garden equipment, and supply dealers.

\*\* Primarily online and catalog sales; also includes sales by fuel-oil dealers.

Source: U.S. Census Bureau

The increase in retail activity in recent months has been broadly based. Nonstore retailers (mostly catalogue and internet) post good results in most months, but the increase of 4.2 percent in November was especially strong, and December followed with another firm advance (1.2 percent). While nonstore retailers have registered strong gains, brick and mortar establishments have competed well. Sales at general merchandise stores inched higher in December after good gains from September through November. Activity at clothing stores dipped in December, but the change represented only a modest offset to jumps in October and November. Furniture stores have done well in recent months, and food stores registered brisk results from September through December. The only disappointing results occurred at sporting goods stores, where a drop of 1.6 percent in December offset much of the gain in the prior three months and reinforced the downward drift seen during much of the year.

Despite the disappointing results in the sporting goods category, the latest report showed strong retail activity in the past few months.