

U.S. Data Review

- CPI: energy pressure in October; core inflation stable

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Consumer Prices

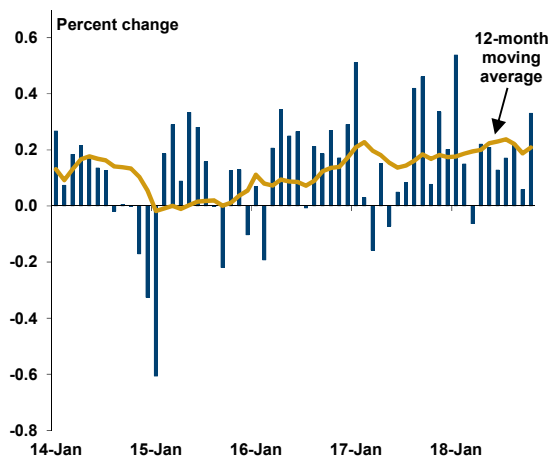
The consumer price index for October was in line with expectations, as the headline measure rose 0.3 percent and the core component advanced 0.2 percent (0.331 percent and 0.193 percent if calculated with more precision). The latest results left the year-over increase in the headline measure at 2.5 percent, up from 2.3 percent in September. The core component rose 2.1 percent in the past 12 months, down from 2.2 percent in the prior month. The easing in the core component, though, was more of a rounding issue than a drop of a full 0.1 percentage point (2.139 percent in October versus 2.170 percent in September).

Energy prices rose noticeably in October (2.4 percent), with several items contributing (gasoline, fuel oil, electricity). Food prices, in contrast, fell 0.1 percent, accenting an already soft trend (average increase of 0.1 percent in the prior 12 months).

The change in the core component was comfortably within the range of recent observations, and thus not showing any sign of acceleration. In fact, several items struck us as restrained. Rent of primary residence rose only 0.2 percent for the second consecutive month (an item that usually rounds down to 0.3 percent). Medical-care commodities fell for the fourth consecutive month (off 0.1 percent) and have increased only marginally in the past 12 months. Communication charges fell 0.4 percent, driven by lower prices of land-line telephone services and internet access. The costs of recreation fell 0.1 percent, reflecting a continued soft trend for rec commodities and a restrained reading on recreation services (although the no change in rec services followed a jump in September).

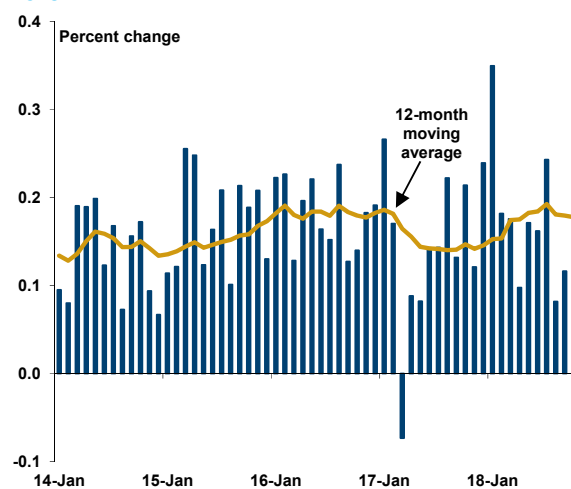
High-side surprises in the core component were limited. Prices of used cars and trucks rose 2.6 percent, but this change followed a drop of 3.0 percent in September. Prices of tobacco products jumped 1.3 percent, but they have a small weight in the CPI. The lack of upside pressure was evident in the three-month rolling change in the core CPI, which increased at an annual rate of 1.8 percent in October, matching the smallest change in the past year or so.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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