

U.S. Data Review

- CPI: noise in the energy component; contained core component

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Consumer Prices

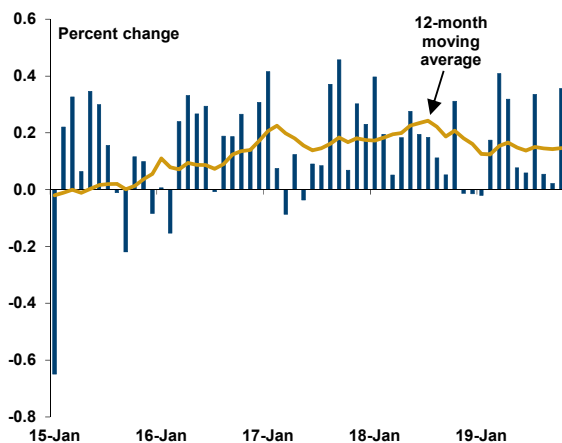
The consumer price index rose 0.4 percent in October, one tick firmer than the expected increase. The surprise occurred in the energy component, which rose 2.7 percent, about one percentage point faster than our expectation. The prices of gasoline led the jump in the energy sector (up 3.7 percent), but other components also were firm (fuel oil, natural gas, electricity). The pickup in energy prices could be viewed as monthly noise. After dropping noticeably around the turn of the year, energy prices have shown little net change in recent months.

Food prices rose 0.2 percent in October after an increase of 0.1 percent in September. These increases followed a lull in the late spring and summer and reestablished pressure evident in late 2018 and early 2019 (up an annual rate of 3.5 percent in the five months from November to March).

Core prices rose 0.2 percent, but the change almost rounded down to 0.1 percent (0.157 percent). The detail of the report showed marked changes in several areas, with jumps and retreats largely offsetting. On the firm side, the cost of medical care rose 1.0 percent. This area is no stranger to firm increases, but the jump in October was noticeably sharper than the average of 0.4 percent in the prior six months. The cost of recreation rose 0.7 percent, a marked change from the average of no change in the prior six months. Used car prices rose 1.3 percent, continuing the upward pressure seen in three of the past four months. These pressure points were countered by discounting on apparel (off 1.8 percent), and by a restrained reading on shelter costs (0.053 percent, the mildest increase since late 2010, when the aftermath of the recession was limiting increases in shelter costs). Much of the tame reading was the result of modest increases in rental rates (0.1 percent for rent of primary residence and 0.2 percent for owners' equivalent rent; both typically increase 0.3 percent per month). A drop of 4.4 percent in the cost of hotel stays also restrained the shelter component. Airfares and prices of tobacco products also were soft (both off 0.4 percent; both volatile items).

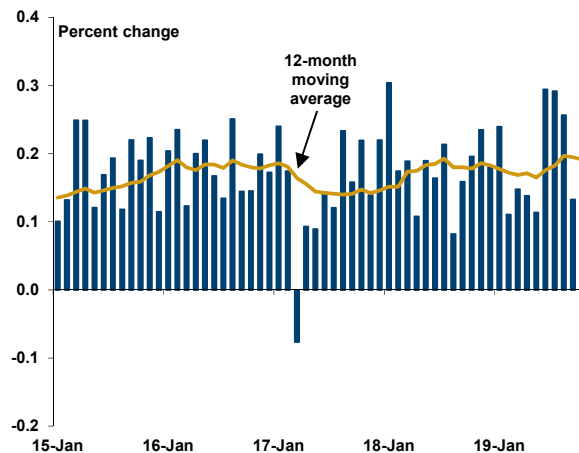
The monthly changes had a modest influence on the year-over-year increases (both headline and core changed by less than 0.1 percentage point). The headline index was rounding down to 1.7 percent, but it now rounds up to 1.8 percent. The core component rounded up to 2.4 percent in September, but it now rounds down to 2.3 percent.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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