

U.S. Data Review

- CPI: mild energy pressure; volatile items help to contain core

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Consumer Prices

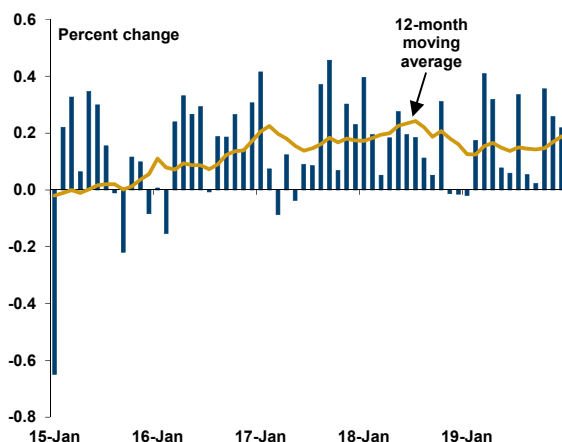
The headline CPI rose 0.2 percent in December, lighter than the expected increase of 0.3 percent. Prices of food and energy were close to expectations (up 0.2 percent and 1.4 percent, respectively). The surprise occurred in the core component, which rose only 0.1 percent rather than the expected increase of 0.2 percent (and it was not close to rounding up to the expected change: 0.113 percent).

Some of the restraint in the core index reflected soft readings in areas that tend to be volatile. For example, hotel fees, airfares, and prices of used car all fell noticeably. The changes seemed like normal statistical noise for these areas (firmer changes either preceded these drops or most likely will arise in coming months). Other changes, in contrast, suggested underlying restraint. For example, rental rates for primary residence rose 0.2 percent or less for the third time in the past five months (0.3 percent had been the norm). The subdued changes in recent months could be viewed as offsets to firmer increases in the spring, but still, recent shifts showed that earlier increases were firmer than warranted by fundamentals. Similarly, college tuitions have eased on balance in the past seven months after a surge in the spring, leaving a moderate change on a year-over-year basis. Apparel prices rose 0.4 percent, noticeable in isolation but well shy of our expectations. This area is volatile, and prices had moved to the low portion of their recent range, and the change kept the index below the recent average.

One area stood out on the firm side: prices of medical care commodities jumped 1.5 percent after showing almost no net change in the prior year. The change largely reflected a surge in the prices of prescription drugs.

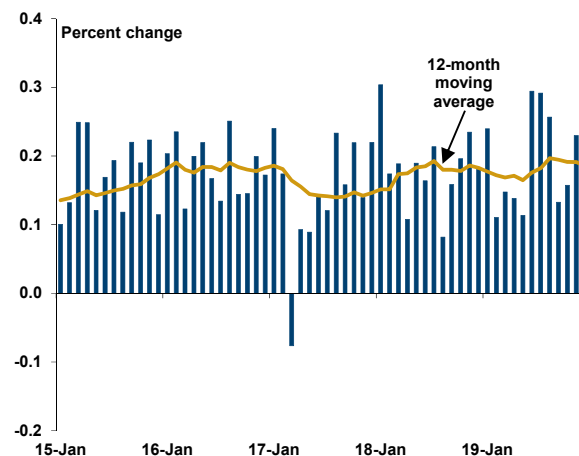
The latest result left the year-over-year increase in the headline index at 2.3 percent, the fastest pace of 2019 but slower than a reading of 2.9 percent in mid-2018. The year-over-year change in the core CPI totaled 2.3 percent in December, marginally slower than in the prior month (2.259 percent versus 2.317 percent) and below the firmest seen in the current expansion (2.4 percent on three occasions).

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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