

# U.S. Data Review

- CPI: jump in energy prices, but slower increase in core after recent pressure

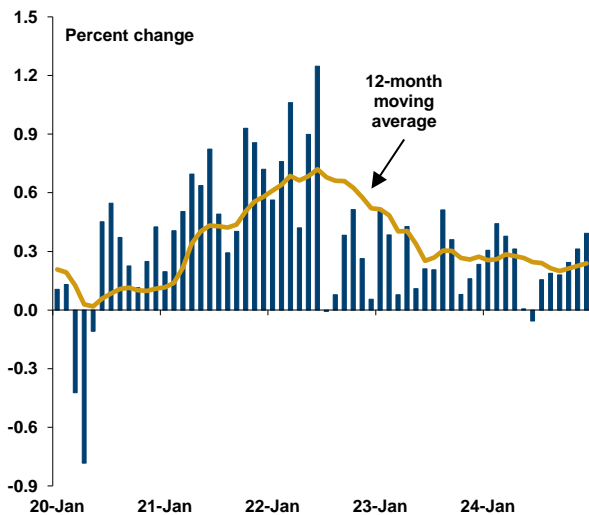
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## December CPI

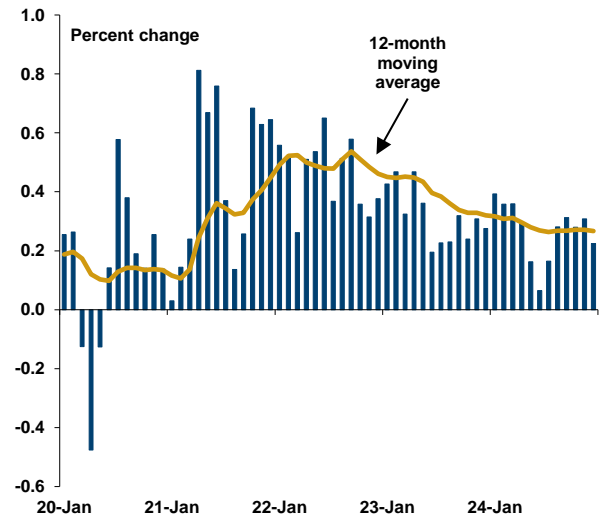
- The 0.4 percent jump for the December CPI matched the Bloomberg median expectation (+0.393 percent; chart, below left), with the year-over-year advance accelerating to 2.9 percent from 2.7 percent in November. The results for the core component, in contrast, surprised to the downside, with the advance of 0.2 percent the slowest since July (+0.225 percent with less rounding in December versus +0.3 percent expected; chart, below right). The monthly shift translated to a year-over year increase of 3.2 percent – down one tick from the advance in November. In our view, the latest data are unlikely to prompt serious discussion of a rate cut at the upcoming FOMC meeting on January 28-29, but they do offer some respite from what had been a series of unfavorable readings in recent months that had signaled stalling in progress toward the two percent inflation objective.

### Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

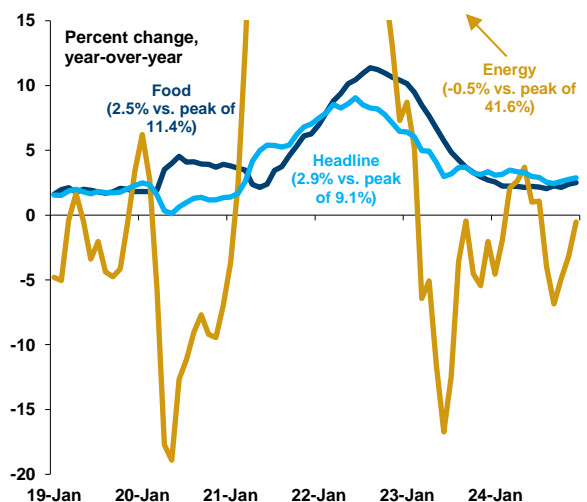
### Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

- The energy component surged 2.6 percent in December, but the latest jump followed benign readings in the prior seven months (including sizable declines in four) and it eased on a year-over-year basis (-0.5 percent; chart, right). In the latest month, an increase of 4.4 percent in gasoline prices (the largest of 2024) drove a gain of 4.3 percent in the costs of energy commodities. The costs of energy services rose as well (+0.8 percent), with both prices of electricity (+0.3 percent) and utility piped gas service (+2.4 percent) contributing.

### CPI: Food & Energy

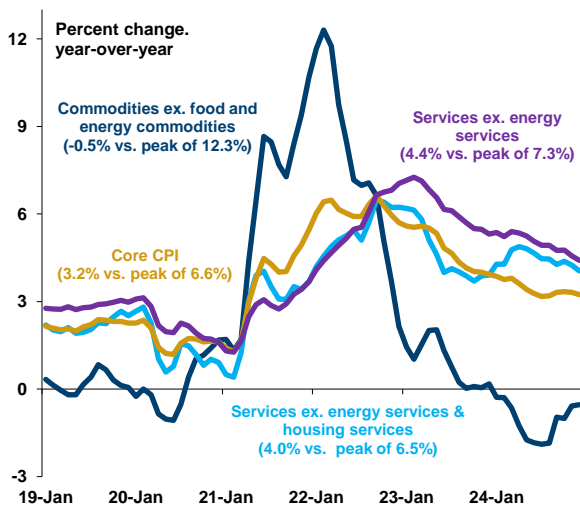


Source: Bureau of Labor Statistics via Haver Analytics

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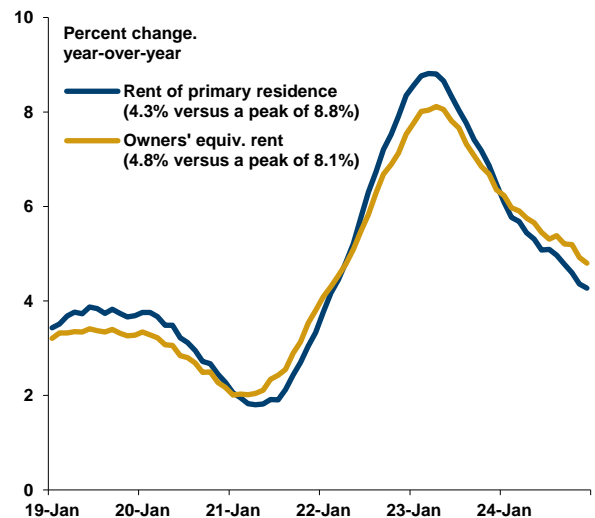
- The food component increased 0.3 percent in December, with recent readings hinting of a pickup in prices after subdued changes earlier in 2024 (average of +0.316 percent per month from September through December versus +0.148 percent in the first eight months of the year). The recent shifts nudged the year-over-year change in the food component one tick higher to 2.5 percent (chart, prior page). Recent readings are tracking above the pre-pandemic trend in the upper-one-percent area.
- The change in the core CPI (+0.2 percent) corresponded with a modest change in commodities less food and energy (+0.054 percent, rounding up to +0.1 percent) and an advance of 0.3 percent in services less energy services (+0.265 percent in December, close to the +0.276 percent observation in the prior month and slower than the average of +0.383 percent in the first 10 months of 2024). The shifts corresponded with a year-over-year decline of 0.5 percent and an advance of 4.4 percent, respectively, in the core commodities and services areas, respectively, versus -0.6 percent and +4.6 percent in November (chart, below left). Additionally, the so-called supercore measure (services excluding energy, primary rents, and owners' equivalent rent) rose 0.2 percent, the slowest reading since June (+4.0 percent year-over-year, down from +4.3 percent in the prior month).
- A few areas within core were notable. On the goods side, many areas recorded modest shifts in the latest month, although vehicle prices stood out on the firm side. New vehicle prices rose 0.5 percent after an advance of 0.6 percent in November, and used vehicle prices increased 1.2 percent (average of +2.0 percent per month in Q4). Vehicle prices had cooled from recent peaks, which had far exceeded pre-pandemic levels, but the latest results suggest that the period of modest discounting may have concluded. On the service side, airline fares surged 3.9 percent (average of +2.9 percent in the five months ending December), with recent readings again reversing a portion of discounting after a spike earlier in the expansion. On a more encouraging front, both the rent of primary residence and owners' equivalent rent of residences components increased 0.3 percent after readings of +0.2 percent in November. Annual readings of +4.3 percent and +4.8 percent, respectively, in December slowed from +4.4 percent and +4.9 percent in the prior month -- indicating ongoing moderation in shelter costs back toward pre-pandemic trends (chart, below left).

### Decomposition of Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

### CPI: Rents



Source: Bureau of Labor Statistics via Haver Analytics

- As mentioned earlier, the latest inflation readings are unlikely to prompt a rethink in views by policymakers ahead of the January FOMC meeting (i.e., a cautionary pause in rate cuts amid limited further progress on inflation, along with favorable labor-market data). Moreover, possible tariffs by the Trump administration may contribute to an upturn in core goods inflation later this year (although any of a variety of scenarios may unfold regarding import levies). With that said, we remain open to the possibility of further reductions in the target range for the federal funds rate at the March and June meetings, contingent on the evolution of the data and specific actions of the incoming administration.