U.S. Data Review

- CPI: pandemic-related reversals
- Unemployment claims: marked increases

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Consumer Prices

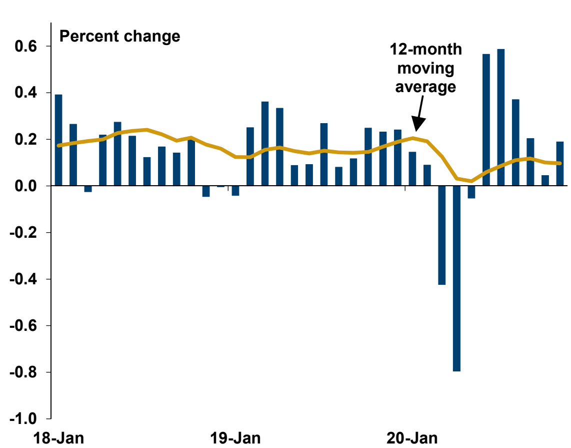
The headline CPI and the core component both rose 0.2 percent in November, exceeding the expected increases of 0.1 percent. The changes, although firmer than expected, were not especially troubling, as they followed no change in October (charts). The year-over-year increases remained tolerable, even soft, with the headline measure rising 1.2 percent and the core component increasing 1.6 percent. Both readings were the same as in the prior month and down from firmer results in early 2020 (January showed an increase of 2.5 percent for the headline index while the core component was up 2.4 percent in February).

The energy component rose 0.4 percent in November. Gasoline prices fell, but the drop of 0.4 percent was more than offset by higher charges for electrical services (0.5 percent) and a surge of 3.1 percent in the price of natural gas. The food component was soft (-0.1 percent), continuing a largely sideways trend since July after pandemic-related demand drove prices higher from April through June.

The increase in the core component was influenced by reversals of Covid-related discounting that had occurred in earlier months. Airfares, hotel fees, and apparel prices all rose noticeably after marked reductions in prior months. The levels of these indexes all remained well shy of readings before the onset of the pandemic. Charges for recreation services also rose noticeably in November, with demand in areas boosted by the pandemic apparently having an influence (cable TV charges and fees for pet services).

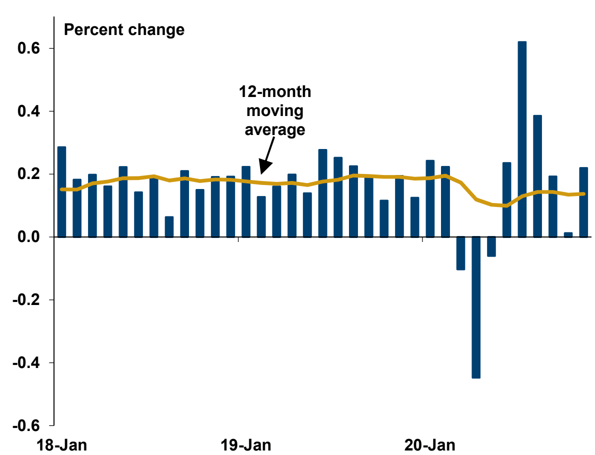
Rental rates remained weak, with both rent of primary residence and owners' equivalent rent showing no change (minuscule increases that rounded down to 0.0 percent). These items had been steady and firm before the onset of the pandemic (usually increases of 0.3 percent per month), but they have shown modest increases in recent months.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

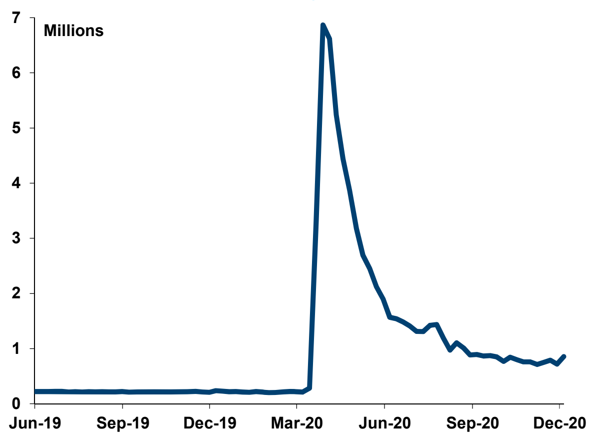
Unemployment Claims

Most high-frequency economic indicators (daily or weekly statistics) have been holding up reasonably well despite an acceleration in the number of new Covid cases. However, claims for unemployment insurance showed a noticeable adverse break from previous trends. Initial claims in regular state programs jumped 137,000 in the latest week (chart, left). A few other recent weeks have posted increases, but this was the first sizeable jump (five other increases since September averaged 33,000). Initial claims under the Pandemic Unemployment Assistance program (PUA) jumped 139,000. We do not put much weight on this figure because it has been associated with reporting problems and potential fraud, but it should not be ignored. Given the increase in claims in regular state programs and risks associated with the spread of Covid, it probably has information value.

Continuing claims for unemployment insurance (the number of individuals receiving benefits) probably has more value at this time, because it shows the combined influence of layoffs and worker recalls. This measure had been trending lower, signaling that reemployment exceeded layoffs, but the measure jumped in the latest week (up 230,000 in regular state programs for the week of November 28, lagged one week). The increase could be random, as two other weeks since June have shown increases and one showed no change, but again, considering the risks associated with the pandemic, the increase is concerning.

The increase in continuing claims occurred even though some individuals undoubtedly exhausted their benefits. A better measure is continuing clams in regular state programs plus benefits received under regular extended programs plus benefits received under the Pandemic Emergency Unemployment Compensation program (PEUC). Unfortunately, statistics on these programs lag regular continuing claims by one week (and initial claims by two weeks). Claimants under these programs have been increasing on balance, and the latest results on initial claims and continuing claims in regular programs lead us to suspect that further increases (probably larger) occurred in late November and early December. (The chart below assumes no change in late November. Thus, the latest observation (November 28) reflects only the increase of 230,000 in continuing claims under regular state programs).

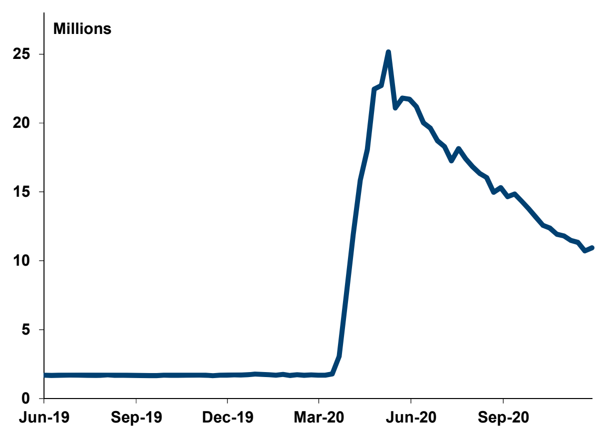
Initial Claims for Unemployment Insurance*



** Initial claims filed via regular state programs. The last observation is for the week ended December 5, 2020.*

Source: U.S. Department of Labor, Employment and Training Administration via Haver Analytics

Continuing Claims for Unemployment Insurance*



** Continuing claims include regular state programs, extended benefits programs, and the Pandemic Emergency Unemployment Compensation (PEUC) program. Continuing unemployment claims (regular state programs) lag initial claims by one week; claims numbers published today are for the week ended November 28th versus the week ended December 5th for initial claims. Reporting on pandemic-related programs is lagged one additional week, with the latest data available for the week ended November 21st. The chart shows an observation for November 28 which assumes no change in the level of pandemic-related claims from those reported in the week ended November 21st.*

Source: U.S. Department of Labor, Employment and Training Administration via Haver Analytics; Daiwa Capital Markets America