

U.S. Data Review

- CPI: upward pressure on food and energy; subdued elsewhere, partly pandemic-related

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Consumer Prices

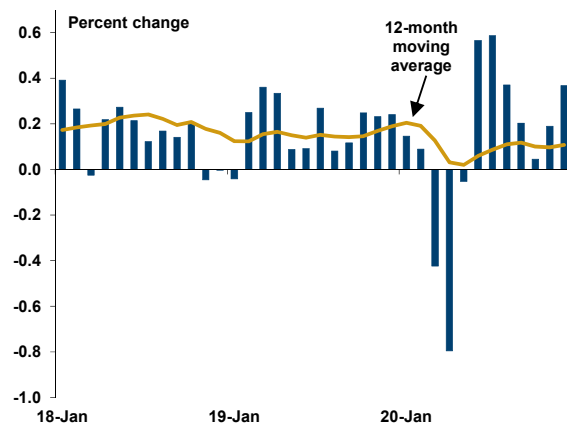
The CPI rose 0.4 percent in December, matching expectations. Most of the pressure came in the energy sector, where prices rose 4.0 percent, led by a jump of 10.0 percent in the price of fuel oil and reinforced by an increase of 8.4 percent in the price of gasoline. Charges for electrical services rose modestly and prices of natural gas fell. The food component also contributed to the above-average increase in the headline index with an increase of 0.4 percent. Prices of food away from home remained on an upward trend with a larger-than-normal increase of 0.4 percent. Prices of food for home consumption also rose 0.4 percent, representing a partial offset to the gentle downward trend that followed a surge earlier in the year.

Excluding food and energy, prices rose 0.1 percent, matching expectations and reinforcing a soft trend that has been in place since the onset of the pandemic. The influence of the pandemic was evident in December, as several virus-sensitive areas posted soft results. Airfares and charges for car rentals fell, offsetting attempted recoveries in prior months and keeping these fees at low levels. The costs of recreation services also fell, reflecting lower admission charges to entertainment events. Rates for hotel rooms were unchanged, keeping them at a low level. Increases in rental rates for primary residences have eased in recent months, most likely because of resistance to living in dense accommodations. Rents in December rose only 0.1 percent (as they did in four of the prior six months), a contrast to the typical increase of 0.3 percent before the pandemic. The cost of medical care fell 0.2 percent in December, marking the fourth consecutive month of decline or no change. The softness perhaps reflects a drop in usage of elective medical care.

Prices of cars and light trucks have surged since the onset of the pandemic, most likely because of resistance to the use of public transportation. Prices of used vehicles surged from July through September. They have inched lower in the past three months, but those declines represented only modest offsets to prior jumps. Prices of used vehicles remain sky-high relative to pre-virus levels. The recent easing in prices of used vehicles might have reflected a shift in demand toward new cars and trucks because of relative cost. Prices of new vehicles increased noticeably in two of the past three months and also are well above levels seen earlier in the year.

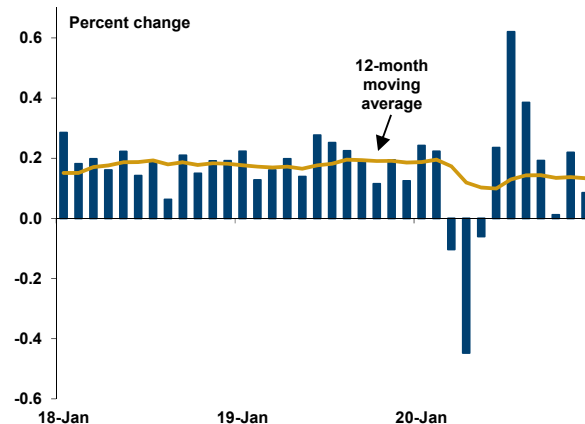
The December report included one shift that perhaps reflects an easing in the effects of the pandemic. Apparel prices rose 1.4 percent in December after an increase of 0.9 percent in November, moving to the highest level since the onset of the pandemic. The recent changes were sizeable, but earlier reductions were far larger and the level of the apparel index remained far below pre-virus levels.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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