

# U.S. Data Review

- Headline CPI: weak energy prices, cooling in the food component
- Core CPI: soft goods prices, rent-led advance in service prices

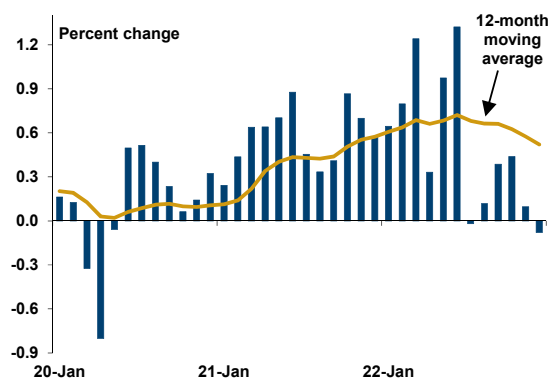
**Michael Moran**  
**Lawrence Werther**

Daiwa Capital Markets America  
 michael.moran@us.daiwacm.com  
 lawrence.werther@us.daiwacm.com

## Consumer Prices

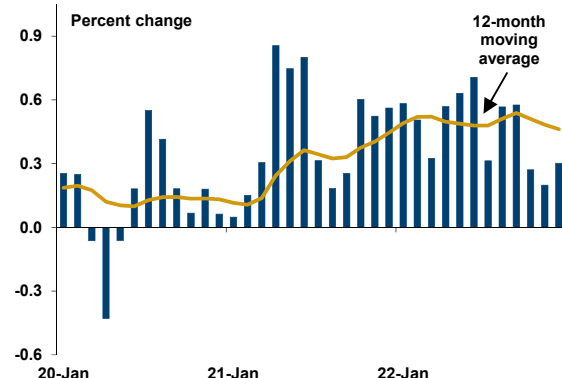
- The consumer price index fell 0.1 percent in December, matching expectations (-0.079 percent with less rounding; chart, left). The drop of 4.5 percent in the energy component led the decline, with gasoline and fuel oil prices both easing noticeably (off 9.4 percent and 11.7 percent, respectively); charges for electricity and natural gas rose moderately. Food prices are starting to cool, as this component rose only 0.3 percent in December after increases of 0.5 and 0.6 percent in the prior two months, a marked improvement from the average of 1.0 percent in the first nine months of the year.
- Prices excluding food and energy rose 0.3 percent, matching expectations (0.303 percent with less rounding; chart, right). This component has now increased either 0.2 or 0.3 percent for three consecutive months, a noticeable improvement from the average of 0.5 percent in the first nine months of the year. All of the improvement has occurred in the goods sector, where prices have declined for three consecutive months with an average drop of 0.4 percent. This sector rose at an average rate of 0.4 percent in the first nine months of the year. Vehicle prices represent the most notable change in the goods sector, as the prices of used vehicles have declined for six consecutive months and for nine of the past 11. Prices of new vehicles were essentially flat in the past two months, ending a long string of increases. Vehicle prices seem to have more downside potential, as they remain well above pre-pandemic levels.
- Service prices remained under pressure in December, increasing 0.5 percent, a reading in the middle of the range of observations for 2022. Much of the pressure in the service area reflects sizeable increases in rents, and this area misbehaved again in December with increases of 0.8 percent in both rent of primary residence and owners' equivalent rent. Prices of core services excluding rents were more restrained, increasing 0.3 percent after an increase of 0.1 percent in November, slower than the average of 0.6 percent in the first nine months of the year.
- While service prices other than energy and rents were tame in the past two months, the restraint might be fleeting. Airfares played a role in the restraint, but recent softness appears to be normal random volatility rather a fundamental turn, as recent declines merely offset surges in the spring. In addition, the cost of health insurance has been surprisingly soft falling more than four percent in October and November and retreating 3.4 percent in December.

### Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

### Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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