

Consumer Price Index November 2024

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Year-end inflation stickiness

- Headline Consumer Price Index (CPI) rose 0.3% month over month (m/m) in November, as expected, with energy prices up a modest 0.2% and food prices up 0.4%. Core CPI also rose a moderate 0.3% as it did in the three prior months, pointing to a sticky patch of inflation even as shelter costs posted their lowest post-pandemic gain.
- Headline CPI inflation firmed 0.1 percentage point (ppt) to 2.7% year over year (y/y) – still near the lowest since February 2021 – while core CPI inflation held at 3.3% y/y – still near its lowest since April 2021. Core disinflation has recently stalled with core CPI inflation hovering around 3.3% over the past six months.
- Short-term inflation dynamics also underscored the persistent core inflation pressures, largely concentrated in housing and auto insurance. Core CPI inflation edged 0.1ppt higher to 3.7% on a three-month annualized basis and increased 0.3ppt to 2.9% on a six-month annualized basis. Similarly, headline CPI inflation firmed 0.5ppt to 3.0% on a three-month annualized basis and rose 0.7ppt to 2.1% on a six-month annualized basis.
- Despite recent CPI bumpiness, economic fundamentals remain disinflationary with a moderation in final demand and a cooling labor market pointing to easing inflationary pressures. We expect the moderating trend in inflation will remain in place into early 2025, though it could then change as deregulation could support upside risks to growth and inflation, while potential immigration restrictions and tariffs could lead to a renewed inflation impulse. We foresee headline CPI inflation at 2.7% in Q4 2024, easing to 2.2% in Q4 2025 and picking up to 2.3% in Q4 2026.
- We believe economic fundamentals of gently decelerating labor market momentum, strong productivity growth and disinflationary undercurrents would support a further 25 basis points (bps) federal funds rate cut at the upcoming Federal Open Market Committee meeting. This would still leave monetary policy in restrictive territory and would provide policymakers with the optionality to pause and observe in early 2025.
- Still, the current market's pricing of over 99% odds of a 25bps rate cut seems misaligned with Fed Chair Jerome Powell's agnostic optionality approach. Powell is unlikely to go into next week's meeting with a preconceived view to ease policy, especially as the new summary of economic projections will show faster GDP growth, lower unemployment and higher inflation. Given recent Fed communication and policymakers' extreme data dependence, the odds of a rate cut should be much closer to a coin toss.



Energy prices rose modestly by 0.2% as a 0.6% increase in gasoline prices and a 1% gain in utility gas service prices were partially offset by a 0.4% decline in electricity prices.

Food prices regained some momentum with a moderate 0.4% increase following a 0.2% increase in October. The increase was led by grocery prices, which have been trending higher in recent months and rose 0.5%, the strongest increase since January 2023. Restaurant prices rose a more moderate 0.3%. Grocery prices are up 1.6% y/y while restaurant prices are up 3.7% y/y – the lowest since March 2021.

Core goods prices surprised on the upside with a 0.3% increase and have been rising for the past three months, breaking a trend of price declines that started in mid-2023. Apparel prices rebounded 0.2% following a large 1.5% decline in October. New vehicle prices registered their largest monthly gain since October 2022, up 0.6%. And used vehicle prices rose by another 1% over the month following a 2.7% jump in October. Overall, core goods prices are still falling, down 0.6% vs. a year ago, but at an increasingly slower pace.

Core services prices posted a more moderate 0.3% gain in November – following three consecutive 0.4% advances. Encouragingly, shelter costs rose a more moderate 0.3% following a 0.4% increase in October. The moderation reflected a 0.2% rise in rents – the smallest monthly increase since July 2021. Owners' equivalent rent also registered its smallest monthly gain since April 2021, up only 0.2%. In contrast, hotel prices jumped 3.2%. Shelter cost inflation eased 0.2ppt to 4.7% y/y, its lowest since February 2022, with rent inflation at 4.8% y/y and owners' equivalent rent inflation at 4.9%. Both are gradually trending lower.

Medical care service prices rose 0.4% for a second consecutive month. Airfare showed some moderation in November and posted a 0.4% monthly advance following strong price increases in the prior three months, surpassing 3%. Still, base effects pushed airfare inflation up to a moderate 4.7% y/y. And auto insurance prices saw a mild increase of 0.1% following a 0.1% decline in October. Though it remains elevated, the pace of inflation has moderated markedly from a peak of 22.6% y/y in April 2024 to 12.7% y/y.

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