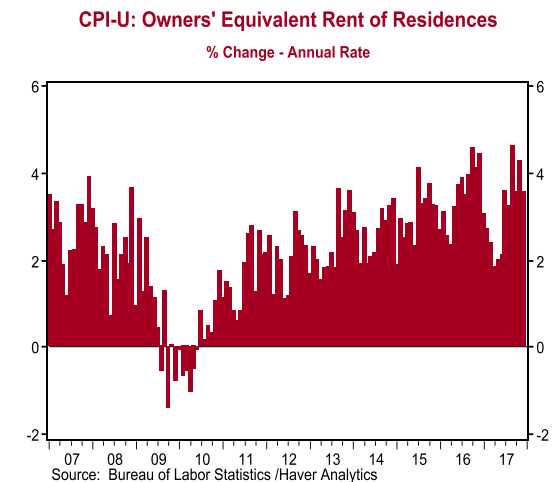
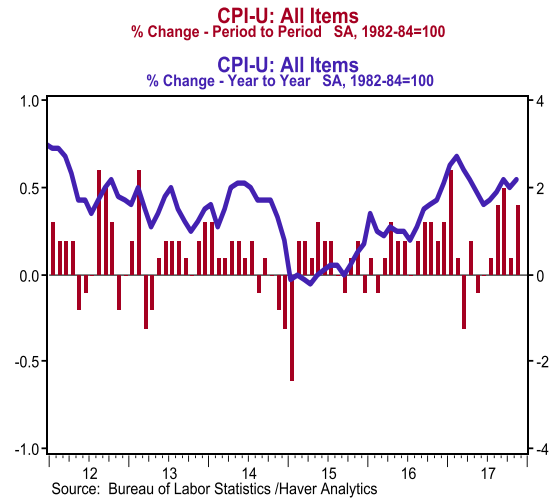


November CPI

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- The Consumer Price Index (CPI) rose 0.4% in November, matching consensus expectations. The CPI is up 2.2% from a year ago.
- “Cash” inflation (which excludes the government’s estimate of what homeowners would charge themselves for rent) rose 0.4% in November and is up 1.9% in the past year.
- Energy prices rose 3.9% in November, while food prices were unchanged. The “core” CPI, which excludes food and energy, increased 0.1% in November, below the consensus expected rise of 0.2%. Core prices are up 1.7% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.2% in November but are up 0.2% in the past year. Real average weekly earnings are up 0.8% in the past year.

Implications: The Fed now has the final piece of data to make its decision on monetary policy this afternoon, and November’s 0.4% increase in consumer prices – and 2.2% increase over the past twelve months - seals the deal on what already looked inevitable. Barring a significant deviation from their “data dependent” policy approach, a 25 basis point increase in the Fed funds rate can be penciled in for later today, ending 2017 with a total of three hikes, and setting the stage for three more hikes (possibly four) in 2018. A look at consumer prices in November shows energy leading the way, with gasoline prices rising 7.3%. Food prices were once again unchanged, while “core” prices – which exclude the typically volatile food and energy components – rose 0.1% in November. “Core” prices are up 1.7% in the past year, but up at a 1.9% annual rate over the past three and six-month periods. In other words, both headline and “core” inflation stand near or above the Fed’s 2% inflation target, and both have been rising as of late. Housing costs rose 0.2% in November and are up 2.8% in the past year, while prices for services also rose 0.2% in November and are up 2.5% over the past twelve months. Both remain key components keeping “core” prices steadily rising and should maintain that role in the year ahead. Add in [yesterday’s report on producer prices](#) that showed rising inflation in the pipeline and we expect consumer prices will continue to average at or above the 2.0% year-to-year pace in the months ahead. A look at today’s survey of economic projections (the Fed “dot plots”) released alongside the Fed statement will tell if the FOMC participants feel they are falling behind the curve with monetary policy, which is already too loose given the pace of economic growth.



CPI - U	Nov-17	Oct-17	Sep-17	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
Consumer Price Index	0.4%	0.1%	0.5%	4.2%	3.1%	2.2%
Ex Food & Energy	0.1%	0.2%	0.1%	1.9%	1.9%	1.7%
Ex Energy	0.1%	0.2%	0.1%	1.7%	1.7%	1.7%
Energy	3.9%	-1.0%	6.1%	41.7%	21.7%	9.4%
Food	0.0%	0.0%	0.1%	0.7%	0.7%	1.4%
Housing	0.2%	0.3%	0.2%	3.1%	2.7%	2.8%
Owners Equivalent Rent	0.2%	0.3%	0.2%	3.3%	3.5%	3.1%
New Vehicles	0.3%	-0.2%	-0.4%	-1.3%	-2.3%	-1.1%
Medical Care	0.0%	0.3%	-0.1%	0.9%	2.3%	1.7%
Services (Excluding Energy Services)	0.2%	0.3%	0.2%	2.8%	2.9%	2.5%
Real Average Hourly Earnings	-0.2%	-0.3%	-0.1%	-2.2%	-0.6%	0.2%

Source: U.S. Department of Labor