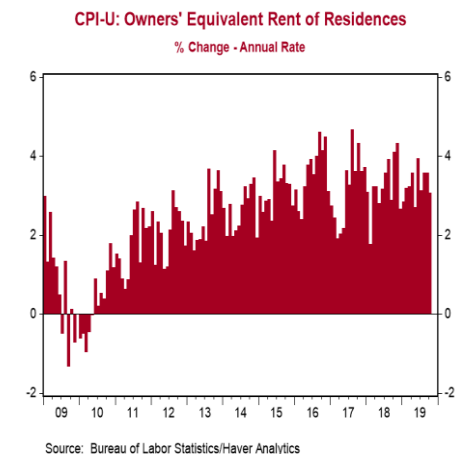
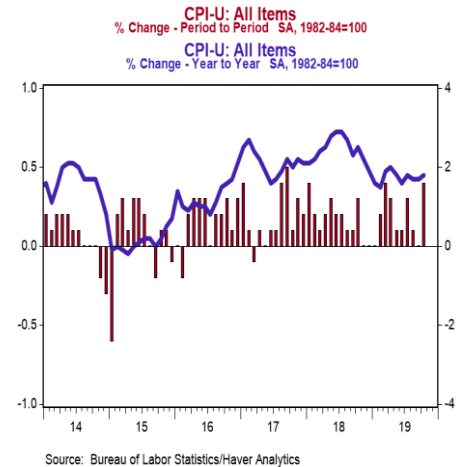


October CPI

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- The Consumer Price Index (CPI) rose 0.4% in October, coming in above the consensus expected increase of 0.3%. The CPI is up 1.8% from a year ago.
- Energy prices rose 2.7% in October, while food prices rose 0.2%. The “core” CPI, which excludes food and energy, increased 0.2% in October, matching consensus expectations. Core prices are up 2.3% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.2% in October, but are up 1.2% in the past year. Real average weekly earnings are up 0.9% in the past year.

Implications: Consumer prices jumped in October by the fastest pace in seven months, coming off a September breather. Energy prices rose 2.7% in October, while medical care costs rose 1.0%, both key drivers in the headline 0.4% increase in consumer prices, which came in above consensus expectations. If you pull out the typically volatile food and energy sectors, “core” prices rose 0.2%, matching forecaster estimates. Overall consumer prices are up 1.8% in the past year, just a hair below the Fed’s 2% inflation target. And consumer prices have been held back by declining costs for energy. Core prices are up 2.3% in the past year, just a tick off the highest annual increase we have seen since the recovery started. Given the Fed’s 2% inflation target, that should be a signal that everything is looking A-OK. Not too fast, not too slow, just right. Add in employment data continuing to show strength, and it makes sense that the Fed signaled after the last meeting that it plans to hold rates pat for the foreseeable future. Looking at the details of today’s report shows that rising costs for medical care, housing, and used vehicles more than offset declining costs for new vehicles and apparel. The most disappointing news in today’s report was that real average hourly earnings declined 0.2% in October. That said, these earnings remain up 1.2% in the past year, and, with the strength in the labor market, we believe earnings will trend higher in the months ahead. Healthy consumer balance sheets, a strong job market, inflation in-line with Fed targets, and the continued tail winds from improved tax and regulatory policy, all reinforce our belief that the economy will continue to grow at a healthy pace.



CPI - U	Oct-19	Sep-19	Aug-19	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%	0.0%	0.1%	1.7%	1.8%	1.8%
Ex Food & Energy	0.2%	0.1%	0.3%	2.2%	2.5%	2.3%
Ex Energy	0.2%	0.1%	0.2%	2.1%	2.4%	2.3%
Energy	2.7%	-1.4%	-1.9%	-2.6%	-4.5%	-4.2%
Food	0.2%	0.1%	0.0%	1.5%	1.4%	2.1%
Housing	0.2%	0.3%	0.1%	2.2%	2.5%	2.9%
Owners Equivalent Rent	0.2%	0.3%	0.2%	2.7%	3.0%	3.3%
New Vehicles	-0.2%	-0.1%	-0.1%	-1.6%	-0.9%	0.1%
Medical Care	1.0%	0.2%	0.7%	7.8%	6.0%	4.3%
Services (Excluding Energy Services)	0.2%	0.3%	0.3%	3.1%	3.1%	3.0%
Real Average Hourly Earnings	-0.2%	0.0%	0.4%	0.7%	1.3%	1.2%

Source: U.S. Department of Labor