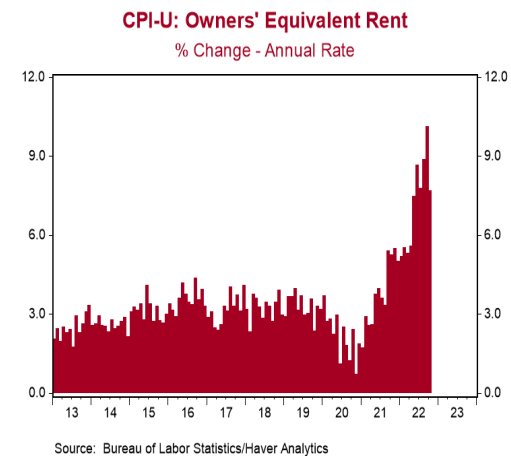
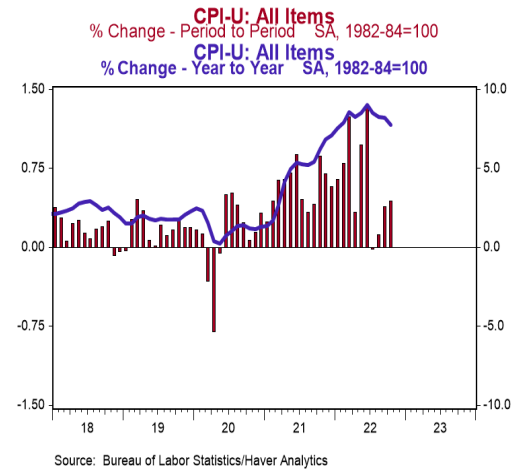


# October CPI

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- The Consumer Price Index (CPI) rose 0.4% in October, below the consensus expected +0.6%. The CPI is up 7.7% from a year ago.
- Energy prices increased 1.8% in October, while food prices rose 0.6%. The “core” CPI, which excludes food and energy, rose 0.3% in October, below the consensus expected +0.5%. Core prices are up 6.3% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.1% in October and are down 2.8% in the past year. Real average weekly earnings are down 3.7% in the past year.

**Implications:** Is inflation slowing down? On a year-over-year basis, that looks to be the case, as overall consumer prices rose 0.4% in October, falling short of the consensus expected +0.6%, and pushing the year-ago comparison down for the fourth month in a row to 7.7%. But let’s not break out the champagne bottles yet; inflation is still a major problem for the economy, and a 7.7% annual inflation rate is still far above the Federal Reserve’s long-term target of 2.0%. While it’s too early to tell for sure, there were several positive pieces of evidence in today’s report. First, the typically volatile energy sector was not the reason October inflation was relatively tame, as energy prices rose 1.8% for the month after falling a combined 11.3% in the three months prior. Excluding energy, consumer prices rose an almost respectable 0.3% in October. Meanwhile, food prices rose 0.6%, the smallest monthly gain in 2022. Stripping out these two categories show that “core” prices moderated in October, rising 0.3% versus an expected gain of +0.5%, pushing the year-ago comparison down to 6.3% (from 6.6% in September). Housing rents (for both actual tenants and the rental value of owner-occupied homes) continued to increase at an outsized pace, rising 0.6% for the month, but that’s below the back-breaking pace set last month where both categories posted their largest monthly increases in more than thirty years. Housing rents accounted for nearly half of the overall rise in consumer prices, and we expect it to continue to be key a driver of inflation in 2023-24 because they make up more than 30% of the overall CPI and still have a long way to go to catch up to home prices, which skyrocketed during COVID. Digging into the core data show inflation was held down by a handful of categories that declined in October, with one major caveat. That caveat came from the category for medical care services, which declined 0.6%, the largest drop for that category in more than fifty years. But that was due to the way the government tracks health care prices and makes adjustments once a year (in October) based on how often people go to the doctor. This drag on overall and core inflation should not be expected to repeat in the months ahead. Other categories that declined in October were prices for used vehicles (-2.4%), airline fare (-1.1%), and apparel (-0.7%). While today’s report may be a welcome sign to the markets – make no mistake – the Fed still has a very long way to go before it can say the inflation scare is over. In other news this morning, initial unemployment claims rose 7,000 last week to 225,000. Continuing claims rose 6,000 to 1.493 million. These figures are very low by historical standards, and suggest continued solid job growth in November.



CPI - U <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Oct-22	Sep-22	Aug-22	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<b>Consumer Price Index</b>	<b>0.4%</b>	0.4%	0.1%	3.8%	6.6%	7.7%
<b>Ex Food &amp; Energy</b>	<b>0.3%</b>	0.6%	0.6%	5.8%	6.3%	6.3%
<b>Ex Energy</b>	<b>0.3%</b>	0.6%	0.6%	6.3%	7.0%	7.0%
<b>Energy</b>	<b>1.8%</b>	-2.1%	-5.0%	-19.7%	1.9%	17.6%
<b>Food</b>	<b>0.6%</b>	0.8%	0.8%	9.1%	11.4%	10.9%
<b>Housing</b>	<b>0.5%</b>	0.7%	0.8%	8.6%	8.7%	7.9%
<b>Owners Equivalent Rent</b>	<b>0.6%</b>	0.8%	0.7%	8.9%	8.4%	6.9%
<b>New Vehicles</b>	<b>0.4%</b>	0.7%	0.8%	7.8%	8.5%	8.4%
<b>Medical Care</b>	<b>-0.5%</b>	0.8%	0.7%	4.0%	5.1%	5.0%
<b>Services (Excluding Energy Services)</b>	<b>0.5%</b>	0.8%	0.6%	7.8%	7.3%	6.7%
<b>Real Average Hourly Earnings</b>	<b>-0.1%</b>	-0.1%	0.2%	0.0%	-2.0%	-2.8%

Source: U.S. Department of Labor