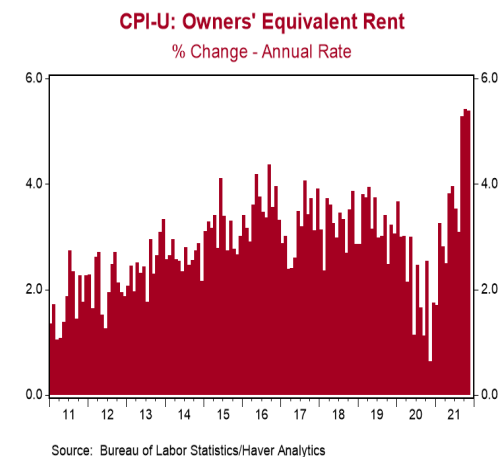
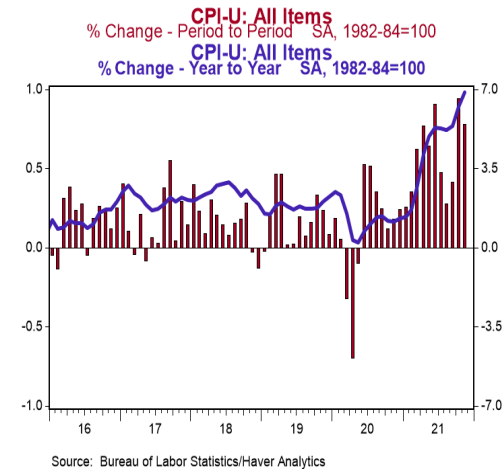


**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist  
**Strider Elass** – Senior Economist  
**Andrew Opdyke, CFA** – Senior Economist

## November CPI

- The Consumer Price Index (CPI) increased 0.8% in November, more than the consensus expected +0.7%. The CPI is up 6.8% from a year ago.
- Energy prices increased 3.5% in November, while food prices increased 0.7%. The “core” CPI, which excludes food and energy, rose 0.5% in November, matching consensus expectations. Core prices are up 4.9% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.4% in November and are down 1.9% in the past year. Real average weekly earnings are also down 1.9% in the past year.

**Implications:** Consumer prices continued to surge in November, rising 0.8% for the month, and pushing the 12-month increase to 6.8%, the largest in nearly 40 years. Like last month, inflation in November was broad-based, with gas, shelter, food, and vehicles all making significant contributions. Energy prices rose 3.5%, mostly due to higher prices for gasoline, which rose 6.1% for the second consecutive month. Meanwhile, housing rents rose 0.4% (rents for both actual tenants and the rental value of owner-occupied homes). Rents are important to watch now that a national eviction moratorium has ended and home prices are up a blistering 27% since February 2020. Rents make up more than 30% of the overall CPI, so we expect it to remain a source for persistently high inflation as we continue into 2022. In addition, vehicle prices continued to rise steeply for both new and used cars (1.1% and 2.5%, respectively), likely due to industry-wide material shortages, especially in semiconductors. Finally, food prices increased 0.7%, as the index for food at home increased 0.8%; for the third consecutive month, all six major grocery food groups rose in November. Stripping out the volatile food and energy components, “core” prices still rose 0.5% for the month and are up 4.9% in the past year, which is also a multi-decade high. It’s important to recognize the inflation experienced today is not merely a rebound from the steep price declines in 2020 when COVID first hit the US; consumer prices are up at a 4.4% annual rate since February 2020 and core prices are up 3.5%. This inflation has never been transitory, and the Fed seems to have finally arrived at the same conclusion, with Jerome Powell suggesting to retire the word while testifying in front Congress last week. The current economic environment does not just warrant tapering, but rate hikes. And while inflation was a key factor pushing the Fed to announce the start of tapering asset purchases, what matters most for the economy – and markets – is when the Fed will lift the Federal Funds rates. Unfortunately, that is likely to be a long way off, but we do expect the Fed to announce a pickup in the pace of tapering at the next FOMC meeting on Wednesday and signal a willingness to increase short-term rates multiple times in 2022. In other news this morning, initial unemployment claims fell 43,000 to 184,000 last week, the lowest level since 1969. Continuing claims rose 38,000 to 1.992 million. These figures suggest strong job growth in December.



<b>CPI - U</b>	<b>Nov-21</b>	<b>Oct-21</b>	<b>Sep-21</b>	<b>3-mo % Ch.</b>	<b>6-mo % Ch.</b>	<b>Yr to Yr</b>
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<b>annualized</b>	<b>annualized</b>	<b>% Change</b>
<b>Consumer Price Index</b>	<b>0.8%</b>	0.9%	0.4%	8.9%	7.8%	6.8%
<b>Ex Food &amp; Energy</b>	<b>0.5%</b>	0.6%	0.2%	5.6%	5.5%	4.9%
<b>Ex Energy</b>	<b>0.6%</b>	0.6%	0.3%	6.4%	6.1%	5.1%
<b>Energy</b>	<b>3.5%</b>	4.8%	1.3%	45.3%	33.3%	33.3%
<b>Food</b>	<b>0.7%</b>	0.9%	0.9%	10.7%	9.2%	6.1%
<b>Housing</b>	<b>0.5%</b>	0.7%	0.5%	7.4%	6.1%	4.8%
<b>Owners Equivalent Rent</b>	<b>0.4%</b>	0.4%	0.4%	5.4%	4.4%	3.5%
<b>New Vehicles</b>	<b>1.1%</b>	1.4%	1.3%	16.2%	18.8%	11.1%
<b>Medical Care</b>	<b>0.2%</b>	0.5%	0.0%	2.9%	2.2%	1.7%
<b>Services (Excluding Energy Services)</b>	<b>0.4%</b>	0.4%	0.2%	4.3%	3.6%	3.4%
<b>Real Average Hourly Earnings</b>	<b>-0.4%</b>	-0.6%	0.2%	-3.5%	-2.8%	-1.9%

Source: U.S. Department of Labor