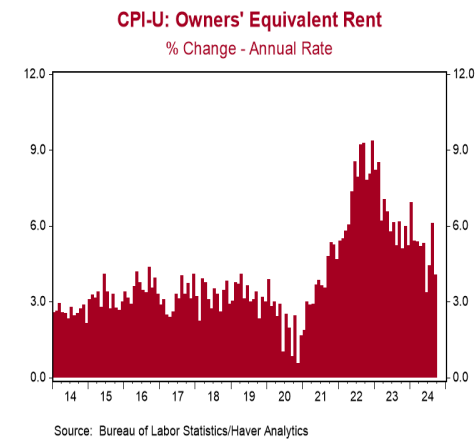
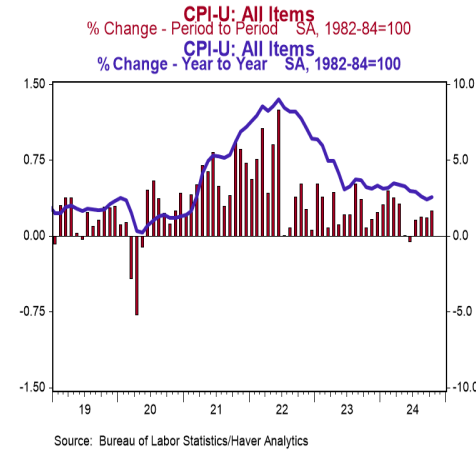


October CPI

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- The Consumer Price Index (CPI) rose 0.2% in October, matching consensus expectations. The CPI is up 2.6% from a year ago.
- Food prices rose 0.2% in October, while energy prices were unchanged. The “core” CPI, which excludes food and energy, rose 0.3% in October, also matching consensus expectations. Core prices are up 3.3% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 0.1% in October and are up 1.4% in the past year. Real average weekly earnings are also up 1.4% in the past year.

Implications: Inflation came in as expected in October but remains stubbornly above the Federal Reserve’s 2.0% mandate, warning investors that the inflation story is not over. Headline prices rose 0.2% in October (+3.0% annualized) while the twelve-month reading rose for the first time in six months to 2.6%. It’s worth noting that lately inflation has been held down by declining energy prices, which were unchanged in October but are down 4.9% in the last year. Excluding energy, prices are up 3.2% in the last year. Stripping out the often-volatile category as well as food prices (+0.2% in October) to get “core” prices shows that measure rose 0.3% in October (+3.4% annualized), while the year-ago comparison remained at 3.3%. The main driver of core inflation has been housing rents, which rose 0.4% and have shown little to no sign of slowing. Some analysts – including those at the Fed – have argued that housing rents have artificially boosted the inflation picture due to the way it’s measured and the lags at which those changes are reflected in the monthly reports. But a subset category of prices the Fed used to tell investors to watch closely but no longer seems to mention – known as the “Supercore” – which excludes food, energy, other goods, and housing rents, rose 0.3% in October and are up 4.4% in the last year, worse than the 3.7% reading in the year ending in October 2023. No matter which way you cut it, inflation is still running above the Fed’s 2.0% target, now for the 44th consecutive month. We have said for some time that easing in inflation will come should the Fed have the resolve to let the lagged effects of tighter monetary policy do its work. But the Fed has now cut rates a total of 75bps since September. And yet the embers of inflation continue burning. Since we have yet to see a significant or prolonged slowdown in growth, much less a recession, it remains to be seen whether inflation will reach 2.0% or less on a consistent basis. This month’s report did no favors proving that.



CPI - U	Oct-24	Sep-24	Aug-24	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	0.2%	0.2%	0.2%	2.5%	1.4%	2.6%
Ex Food & Energy	0.3%	0.3%	0.3%	3.6%	2.6%	3.3%
Ex Energy	0.3%	0.3%	0.3%	3.4%	2.5%	3.2%
Energy	0.0%	-1.9%	-0.8%	-10.1%	-12.6%	-4.9%
Food	0.2%	0.4%	0.1%	2.7%	2.5%	2.1%
Housing	0.4%	0.2%	0.3%	3.9%	3.6%	4.2%
Owners Equivalent Rent	0.4%	0.3%	0.5%	5.0%	4.7%	5.2%
New Vehicles	0.0%	0.2%	0.0%	0.6%	-1.4%	-1.3%
Medical Care	0.3%	0.4%	-0.1%	2.3%	2.0%	3.3%
Services (Excluding Energy Services)	0.3%	0.4%	0.4%	4.5%	3.6%	4.8%
Real Average Hourly Earnings	0.1%	0.2%	0.2%	1.8%	2.7%	1.4%

Source: U.S. Department of Labor