

INFLATION – NOVEMBER 2016

The Bureau of Labor Statistics (BLS) Consumer Price (CPI) Index report shows that headline inflation (all items) and core inflation (all items less food and energy) increased 0.2% in November. Over 12 months, headline inflation and core inflation rose 1.7% and 2.1%, respectively.

On a monthly basis, energy commodities index rose 2.5% with the gasoline price index increasing 2.7%. New vehicles price index fell 0.1% and used cars and trucks price index edged up 0.3% in November. Over 12 months, utility gas service index increased the most by 6.2% followed by medical care commodities and medical care services price indices that rose 4.3% and 3.9%, respectively. The price index for shelter increased 3.6% over 12 months, according to the BLS.

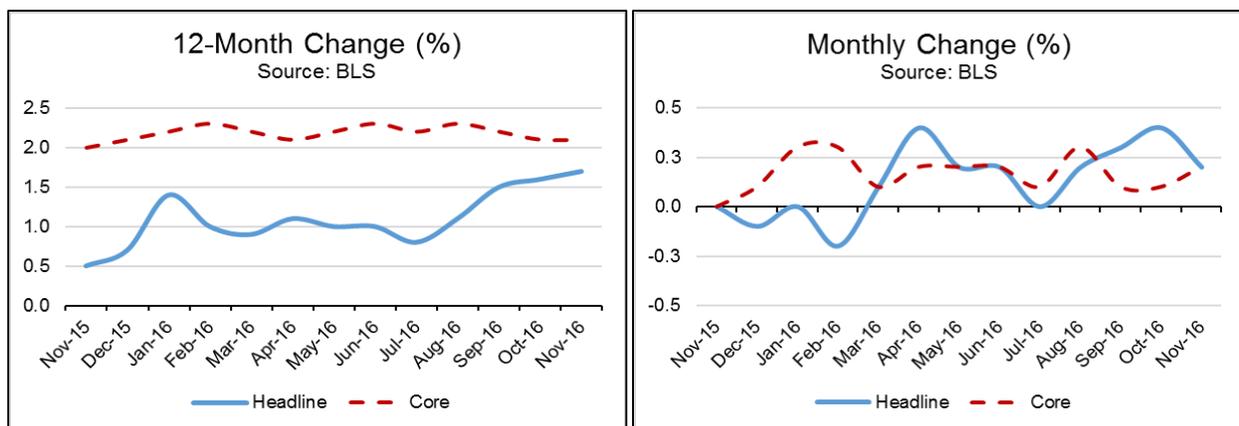
Credit Union Impact Meter: **Medium**

Core inflation continues to stay above 2.0% and headline inflation is catching up to core on a year-over-year basis. Oil prices end of November was 22.2% higher than a year ago. The latest employment cost index report from the BLS shows that wages and salaries increased 2.4% in the third quarter from a year ago. Benefit costs also increased 2.3% over the same period, according to the BLS. Higher production costs of goods and services, due to higher commodities and labor costs against the backdrop of increasing consumer spending, are exerting upward pressures on prices.

Over the past 12 months, used cars and trucks price index fell 3.8% and new vehicle price index rose marginally by 0.2%. Members in the market for used vehicles are more price sensitive than members looking for new vehicles. Stable new vehicle prices, strong job growth, and improving income and wealth will continue to support auto sales, hence continued healthy auto lending at credit unions.

November inflation numbers support CUNA economists' view of narrowing core and headline inflation gap. The FOMC's decision to raise the Fed funds rate last week by 25 basis points – taking the upper limit to 75 basis points – is in line with inflation on the horizon and further improvements in the labor market. The 4.6% unemployment rate in November was lower than the FOMC member's median estimate of longer-run unemployment rate of 4.9%.

Data Snapshot: Consumer Price Index – Periodic Change (%)



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