

MONDAY ECONOMIC REPORT



Consumer Prices Decelerate Slightly in October but Remain Elevated

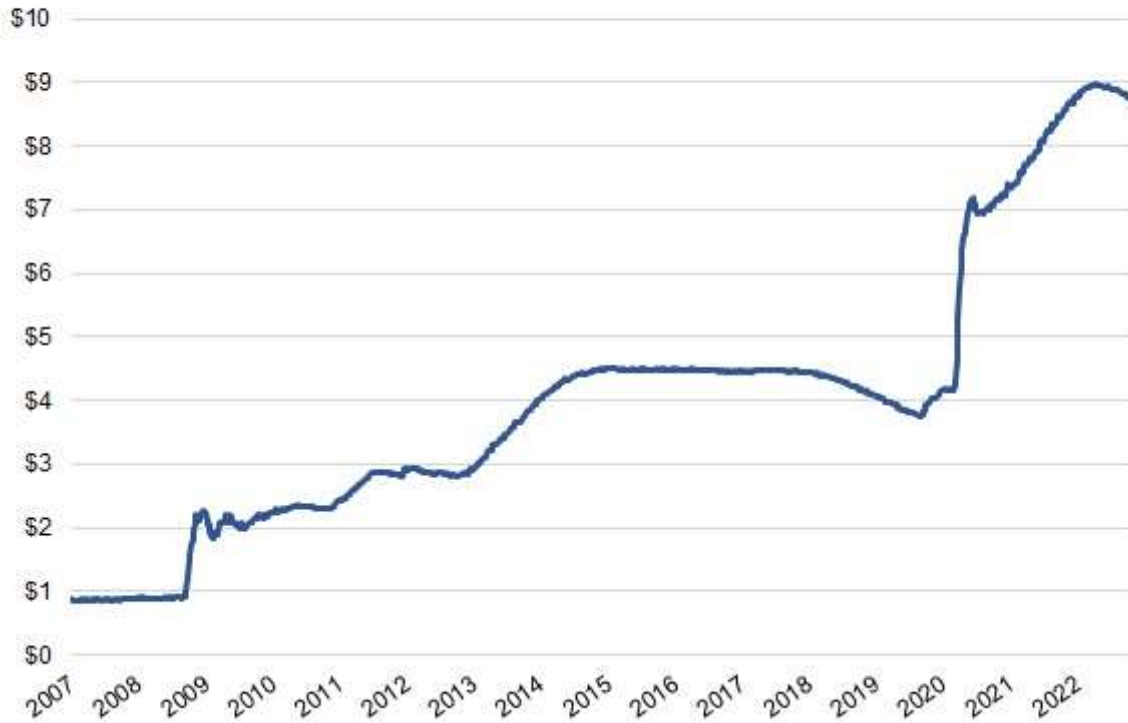
By Chad Moutray – November 14, 2022

The Weekly Toplines

- [Consumer prices](#) rose 0.4% in October, the same pace as in September. The Consumer Price Index has risen 7.7% over the past 12 months, decelerating from 9.1% in June, which was the fastest pace since November 1981. At the same time, core inflation (which excludes food and energy) increased 6.3% year-over-year in October, down from 6.6% in September, which was the highest since August 1982.
- Overall, pricing pressures for consumers remain very elevated, even with some moderation in the latest data. There continues to be solid price growth for items such as food, housing, new vehicles and transportation services, at least for now. The current forecast is for year-over-year growth in the CPI to be 7.25% at year's end, with core inflation at 6.0%.
- For its part, the Federal Reserve intends to stay aggressive in its attempts to wring inflation out of the U.S. economy, following its fourth consecutive 75-basis-point rate hike at the Nov. 1–2 meeting. The Federal Reserve is likely to do a 50-basis-point increase at its Dec. 13–14 meeting, with 25-basis-point increases at each of the next two meetings (Jan. 31 – Feb. 1, 2023, and March 21–22, 2023).
- The FOMC will also continue to reduce the holdings in its balance sheet, which had ballooned to being just shy of \$9 trillion in the spring before pulling back to roughly \$8.68 trillion today. Those actions will also put upward movement on interest rates.
- [U.S. consumer credit outstanding](#) rose 6.4% at the annual rate in September, continuing to expand solidly. Revolving credit, which includes credit cards and other credit lines, increased 8.7% in September.
- Overall, Americans have continued to be willing to take on new debt, helping to buoy increased consumer spending. Indeed, revolving credit has jumped 15.1% over the past 12 months. Total U.S. consumer credit outstanding has risen 7.9% over the past 12 months, the same rate as in August and remaining the strongest year-over-year reading since November 2011.
- The [Index of Consumer Sentiment](#) dropped from 59.9 in October to 54.7 in November, a four-month low, according to preliminary data from the University of Michigan and Thomson Reuters. Americans felt less upbeat about both current and future economic conditions in November, with consumers anxious about geopolitical and economic uncertainties and inflation.
- The [Small Business Optimism Index](#) declined from 92.1 in September to 91.3 in October. These data continue to reflect a weak small business sector, which remains challenged by inflation, supply chain issues, workforce shortages and economic

uncertainties. Respondents cited inflation as the top “single most important problem,” followed by difficulties in obtaining enough qualified labor.

Federal Reserve's Balance Sheet: Total Assets, 2007–2022 (in Trillions of U.S. Dollars)



Economic Indicators

Last Week's Indicators: (Summaries Appear Below)

Monday, Nov. 7
Consumer Credit

Tuesday, Nov. 8
NFIB Small Business Survey

Wednesday, Nov. 9
None

Thursday, Nov. 10
Consumer Price Index
Weekly Initial Unemployment Claims

Friday, Nov. 11
University of Michigan Consumer Sentiment
(Preliminary)

This Week's Indicators:

Monday, Nov. 14
None

Tuesday, Nov. 15
New York Fed Manufacturing Survey
Producer Price Index

Wednesday, Nov. 16
Industrial Production
NAHB Housing Market Index
Retail Sales

Thursday, Nov. 17
Housing Starts and Permits
Kansas City Fed Manufacturing Survey
Philadelphia Fed Manufacturing Survey
Weekly Initial Unemployment Claims

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Deeper Dive

- **Consumer Credit:** U.S. consumer credit outstanding rose 6.4% at the annual rate in September, slowing from the 7.8% gain in August but continuing to expand solidly. Revolving credit, which includes credit cards and other credit lines, increased 8.7% in September, easing from 18.1% growth in August. Overall, Americans have continued to be willing to take on new debt, helping to buoy increased consumer spending. Indeed, revolving credit has jumped 15.1% over the past 12 months.

Meanwhile, nonrevolving credit, which includes auto and student loans, increased 5.7% in September, up from 4.5% in August. On a year-over-year basis, nonrevolving credit has increased 5.8%. Overall, U.S. consumer credit outstanding has risen 7.9% over the past 12 months, the same rate as in August and continuing to be the strongest year-over-year reading since November 2011.

- **Consumer Price Index:** Consumer prices rose 0.4% in October, the same pace as in September. After falling for three straight months, energy costs rebounded somewhat,

increasing 1.8% in October, with gasoline prices up 4.0%. At the same time, food prices rose 0.6% for the month, easing slightly from 0.8% growth in the previous release but continuing to grow solidly. Over the past 12 months, food and energy costs have jumped 10.9% and 17.6%, respectively.

Excluding food and energy, core consumer prices rose 0.3% in October, easing from 0.6% growth in both August and September. The underlying data were mixed. Prices for shelter (up 0.8%), transportation services (up 0.8%) and new vehicles (up 0.4%) increased in October. In contrast, prices for used cars and trucks (down 2.4%), apparel (down 0.7%) and medical care services (down 0.6%) decreased.

The Consumer Price Index has risen 7.7% over the past 12 months, down from 8.2% in September and decelerating from 9.1% in June, which was the fastest pace since November 1981. At the same time, core inflation (which excludes food and energy) increased 6.3% year-over-year in October, down from 6.6% in September, which was the highest since August 1982.

Overall, pricing pressures for consumers remain very elevated, even with some moderation in the latest data. There continues to be solid price growth for items such as food, housing, new vehicles and transportation services, at least for now. The current forecast is for year-over-year growth in the CPI to be 7.25% at year's end, with core inflation at 6.0%.

For its part, the Federal Reserve intends to stay aggressive in its attempts to wring inflation out of the U.S. economy, following its fourth consecutive 75-basis-point rate hike at the Nov. 1–2 meeting. The Federal Reserve is likely to do a 50-basis-point increase at its Dec. 13–14 meeting, with 25-basis-point increases at each of the next two meetings (Jan. 31 – Feb. 1, 2023, and March 21–22, 2023).

- **[NFIB Small Business Survey](#)**: The Small Business Optimism Index declined from 92.1 in September to 91.3 in October. These data continue to reflect a weak small business sector, which remains challenged by inflation, supply chain issues, workforce shortages and economic uncertainties. The net percentage of respondents saying general business conditions would be better six months from now was -46% in October, down from -44% in September.

Respondents cited inflation as the top “single most important problem,” followed by difficulties in obtaining enough qualified labor. Inflationary pressures have decelerated from recent highs but remain very elevated. The net percentage of respondents reporting higher prices today than three months ago pulled back from 51% in September to 50% in October. At the same time, the net percentage planning a price increase over the next three months rose from 31% to 34%.

The labor market remained solid overall. The percentage of respondents suggesting they had job openings they were unable to fill remained at 46%. In addition, the percentage of respondents citing few or no qualified applicants for job openings edged down from 57% to a still sizable 55%. Yet, the net percentage of respondents planning to increase hiring over the next three months cooled from 23% to 20%. Meanwhile, the percentage of respondents suggesting that they made a capital expenditure in the past six months pulled back from 56% to 54%.

- **[University of Michigan Consumer Sentiment \(Preliminary\)](#)**: The Index of Consumer Sentiment dropped from 59.9 in October to 54.7 in November, a four-month low, according to preliminary data from the University of Michigan and Thomson

Reuters. Americans felt less upbeat about both current and future economic conditions in November, with consumers anxious about geopolitical and economic uncertainties and inflation. This measure tends to be highly correlated with gasoline prices, which have moved higher again of late, and as such, it should not be a surprise that consumer confidence would pull back for the month. Sentiment remains not far from the all-time low in June (50.0). Final data will be released on Nov. 23.

- [Weekly Initial Unemployment Claims](#): The week ending Nov. 5 saw 225,000 initial unemployment claims, up from 218,000 for the week ending Oct. 29. In addition, the week ending Oct. 29 saw 1,493,000 continuing claims, inching up from 1,487,000 for the week ending Oct. 22 and the highest reading since the end of March. With that said, the labor market remains solid, despite challenges in the economy overall.

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