

January 12, 2024

- **Topline CPI grew at a 0.3% pace in December 2023 versus November in seasonally-adjusted terms**
- **Core CPI, less Food & Energy, maintained a 0.3% pace of gain in December 2023**
- **Energy prices increased 0.4% in December 2023, a turnaround from declines in October & November**
- **No month-over-month declines were posted across major CPI categories, suggesting broad pricing trends are coalescing around stability.**

Consumer Price Index (CPI) inflation came in at +0.3% in December 2023 versus November. This translates to a 3.4% rise from one year ago. Core CPI inflation maintained +0.3% growth in December, the fourth month out of the past five to see prices rise at that pace. The Fed's target of 2.0% inflation remains well off from December's +3.4% and 3.9% topline and core inflation results, respectively, implying that caution is warranted regarding expectations for early or aggressive Fed rate cuts in 2024.

Core CPI inflation's steady 0.3% monthly growth rate equates to an annualized pace of inflation that has remained close to 3.5% since mid-2023. This core measure, excluding volatile food and energy prices and akin to the Fed's preferred Personal Consumption Expenditure Deflator metric, continues to be supported by price growth in housing-related expenditures. Services price growth also clearly remains a stumbling block to the Fed's 2.0% inflation target, with Services less Rent of Shelter posting a 6.8% annualized monthly gain in December, down only modestly from November's 7.1% annualized pace.

December's report saw Transportation prices jump to a 2.5% annualized pace of growth (+0.2% month-over-month), adding pressure to Core inflation. Although Gasoline prices were part of the overall inflation story for the month, having posted a turnaround from two consecutive monthly declines to a 2.1% annualized pace of growth in December – which did not influence the Core metric, both Used and New Vehicle prices were up for the month at 6.0% and 3.3%, respectively. And the gain in Used Vehicle prices represents an outlier after declines in the category for most of the second half of 2023.

Inflation in Recreation categories followed the holiday season's lead and bounced to a 5.4% annualized growth rate in December 2023. October and November had suggested that cooling prices for discretionary categories had potential to take hold, with a +1.3% and -2.6% annualized monthly change, respectively. With holiday shopping and the attendant leisure & hospitality spending that comes with it now past, Recreation CPI price trends in the early months of 2024 will be telling as to how much spending power and appetite households have in the face of higher debt loads.

The December 2023 CPI inflation results interrupted what had been three consecutive months of a downward trend in year-over-year topline CPI growth, falling from 3.7% in August to 3.2% in November before increasing modestly to December's 3.4% pace. While the December report is not encouraging, the results are also not cause for significant concern that progress on taming inflation is set to reverse course. Oil prices remain subdued – despite ongoing geopolitical risks – and producer prices show very little momentum regarding production cost pass-through. As was the case throughout 2023, inflation's trend entering 2024 will rely almost exclusively on consumer demand trends. If exhausted consumer savings and rapidly rising debt loads tamp down households' consumption, inflation will have a clear path toward the Fed's goal of 2.0%.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 1/31/24)	5.38-5.38%	5.38%	5.38%	FOMC on hold at 5.25-5.50% until the first of three 25 bps cuts this year starts in July.
Dec Retail Sales (1/17, Wednesday)	0.0-0.6%	0.4%	0.3% (Nov)	Up 0.5%.
Dec Retail Sales (ex-auto) (1/17, Wednesday)	-0.2 to 0.6%	0.2%	0.2% (Nov)	Up 0.3. Control sales (excluding motor vehicles, building materials, gasoline and restaurant sales) rose 0.4%.
Dec Export Price Index (1/17, Wednesday)	-1.0 to -0.5%	-0.7%	-0.9% (Nov)	Down 0.5%.
Dec Import Price Index (1/17, Wednesday)	-0.8 to -0.3%	-0.5%	-0.4% (Nov)	Down 0.4%.
Dec Industrial Production (1/17, Wednesday)	-0.3 to 0.3%	-0.1%	0.2% (Nov)	Unchanged. A 0.1% decline in manufacturing output is offset by higher mining and utilities output.
Dec Capacity Utilization (1/17, Wednesday)	78.5-79.0%	78.6%	78.8% (Nov)	Down to 78.7%.
Nov Business Inventories (1/17, Wednesday)	-0.1 to 0.3%	-0.1%	-0.1% (Oct)	Down 0.1%. Sales up 0.3%.
Dec Housing Starts (1/18, Thursday)	1.375-1.541M	1.425M	1.560M (Nov)	Down to 1.43 million. Building permits down to 1.47 million.
Initial Claims, Wk of 1/13/24 (1/18, Thursday)	205-212K	205K	202K (1/6/24)	Up to 212K.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Jan U of Mich Consumer Sentiment (prelim) (1/19, Friday)	66.0-72.0	70.1	69.7 (Dec final)	Up to 71.5.
Dec Existing Home Sales (1/19, Friday)	3.750-3.950M	3.825M	3.820M (Nov)	Unchanged at 3.82 million.
Dec Leading Indicators (1/22, Monday)	-0.3 to -0.1%	-0.3%	-0.5% (Nov)	Down 0.2%.
Q4 GDP Advance Report (1/25, Thursday)	1.2-5.0%	1.5%	4.9% (Q3)	Up 2.1%.
Q4 Chain Price Index Advance Report (1/25, Thursday)	1.8-3.4%	2.2%	3.3% (Q3)	Up 2.0%.
Dec Durable Goods Orders (1/25, Thursday)	-3.5 to 3.8%	0.5%	5.4% (Nov)	Down 3.0%. A drop in civilian aircraft orders accounts for all of the decline in this very volatile series.
Dec Advance Trade in Goods (1/25, Thursday)	-\$89.0 to -\$88.0	-\$88.5	-\$89.3 (Nov)	A narrowing to -\$88.7 billion.
Dec New Home Sales (1/26, Friday)	0.550-0.700M	0.650M	0.590M (Nov)	Up to 0.700 million as a sharp drop in fixed mortgage rates got buyers to sign on the bottom line.
Dec Personal Income (1/26, Friday)	0.2-0.3%	0.3%	0.4% (Nov)	Up 0.3%.
Dec Personal Consumption Expend. (1/26, Friday)	0.2-0.3%	0.2%	0.2% (Nov)	Up 0.3%. The headline PCED rose 0.2% and Y/Y was unchanged at 2.6%. The core PCED also rose 0.2% and the Y/Y dipped to 3.0%.

Monthly Calendar of Economic Data: January 2024

Jan 17

Retail Sales		
	Total	Ex-Autos
Oct	-0.2	0.0
Nov	0.3	0.2
Dec		

	Industrial Prod	Cap Util
Oct	-0.9	78.7
Nov	0.2	78.8
Dec		

Mfg and Trade		
	Inv	Sales
Sept	0.2	0.9
Oct	-0.1	-1.0
Nov		

Dec Import Price Index

Jan 18

Housing (000)		
	Starts	Permits
Oct	1.359	1.498
Nov	1.560	1.467
Dec		

Unemployment Claims (000)				
Sept	Oct	Nov	Dec	Jan
217	211	218	221	202
221	200	233	203	
202	212	211	206	
205	220	219	220	
209			203	

Jan 19

Existing Home Sales (000)	
Oct	3.790
Nov	3.820
Dec	

Jan 22

Leading Indicators	
Oct	-1.0
Nov	-0.5
Dec	

Jan U. Mich. Consumer Sentiment (prelim)

Jan 25

Gross Domestic Product		
4th Qtr (1st estimate)		
	Real GDP	Price Index
Q1'23	2.2	3.9
Q2'23	2.1	1.7
Q3'23(1 st)	4.9	3.5
Q3'23(2 nd)	5.2	3.6
Q3'23(3 rd)	4.9	3.3
Q4'23(1 st)		

Durable Goods		
	Total	Ex-Transp.
Oct	-5.1	-0.3
Nov	5.4	0.5
Dec		

Jan 26

New Home Sales	
Oct	672
Nov	590
Dec	

Personal		
	Income	Spending
Oct	0.3	0.1
Nov	0.4	0.2
Dec		

Disclaimer: The material presented is of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation to buy or sell any security or adopt any investment strategy. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

© 2024 The PNC Financial Services Group, Inc. All rights reserved.

Visit pnc.com/economicreports for more information from PNC Economics.