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Weekly Commentary

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Slow to rise; slow to fall

Economists often refer to the "core" Consumer Price Index (CPI) measure of inflation as "sticky" because it excludes components that can change rapidly, most prominently food and energy prices. Shelter costs, medical expenses and tuition payments are among those elements of the index that are slow to revert after they rise. Some never return to previous levels.

It is concerning, then, that September's core CPI jumped from August's level, rising to 6.6% from 6.3%, even though the headline number that includes food and energy decreased to 8.2% from 8.1% (not that the latter was much of a drop). This report, which the Bureau of Labor Statistics released last week, immediately moved the needle in the fed funds futures market. There are precious few traders who now expect something other than the Federal Reserve pushing rates up by 75 basis points on Nov. 2. Adding to that conviction is the Producer Price Index, which also rose over September.

Consumers continue to defy these figures, in part because the robust labor market and rising wages. Transfer payments also have joined this trend. The federal government announced a sizable cost of living increase in 2023 for those collecting Social Security.

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