



UNITED STATES

Consumer prices post faster monthly growth

HIGHLIGHTS

- The consumer price index (CPI) ticked up 0.3% in December, after stagnating in November and dipping by 0.1% in October.
- Energy prices advanced by 2.1%, fuelled by accelerating gas prices. Food prices were up a modest 0.1%.
- The core index, which excludes food and energy, edged up by 0.1%, marking a slowdown in growth from the 0.2% recorded in November.
- The annual change in the total CPI shifted from 1.2% to 1.5%, while core inflation remained steady at 1.7%.
- For 2013 overall (annual average), total inflation was 1.5%, the weakest since 2009. Core inflation reached 1.8%.

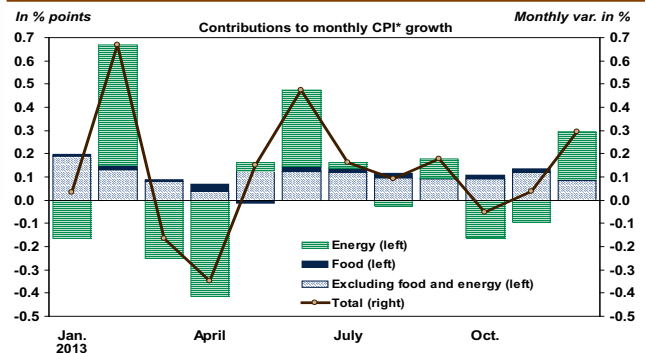
COMMENTS

After two months of drop or stagnation, the CPI recovered in December. The 0.3% acceleration recorded was driven primarily by rising gas prices at the very end of the year. Growth by gas prices at the pump was relatively modest, but since gas prices usually drop in December, the impact was inflated due to seasonal adjustments. This is the sharpest increase in seasonally-adjusted gas prices and total CPI since the start of summer.

Not much pressure was exerted on prices in December, other than energy prices. Clothing posted the only other noteworthy monthly increase, with prices rising 0.9%. This increase will deflate the 1.8% gain made by clothing stores in December. Over a longer horizon, the ramp-up of housing costs in the CPI was noted. Since the rest of core inflation is trending down, the effect has yet to have an impact on total inflation, but this situation will have to be watched closely in 2014.

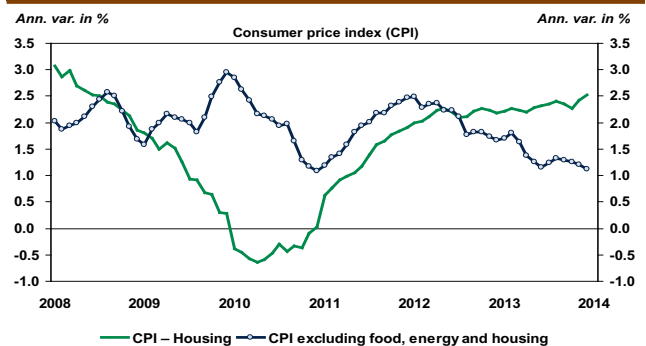
Implications: After reaching a four-year low in October, total inflation is up slightly and moving closer to more comfortable levels. Core inflation remains stable, but it is masking housing-related pressures. Recent shifts in prices

Energy drives up consumer prices in December



* Consumer price index.
Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Housing costs accelerate while the rest of core inflation slows



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

give the Federal Reserve all the leeway it needs to continue to taper its securities purchases.

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