

- Topline CPI rose by 0.4% in December 2024 in seasonally adjusted terms, accelerating for a third straight month.
- Core CPI, less Food & Energy, rose 0.2% in December 2024, slightly below PNC's expectations.
- Housing inflation eased modestly to a 3.7% annualized pace.
- Energy CPI jumped sharply in December 2024, posting a 2.6% rise for the month.

The topline Consumer Price Index (CPI) inflation came at +0.4% for December 2024, riding higher energy prices to a third straight monthly acceleration in the growth measure. Core CPI inflation, which mirrors the metric that the Federal Reserve targets in its monetary policy impact goals (the Core Personal Consumption Expenditures Deflator), rose by 0.2% for the month – its softest result since July 2024 (+0.17%). Transportation and Energy components were the primary culprits pushing December's topline index higher while Core inflation cooled somewhat.

The +0.2% Core CPI gain in December 2024, which excludes volatile food and energy inputs, represents the first significant progress back towards the Fed's 2% average target since the metric saw a reacceleration above a 3% pace in mid-2024. The volatile Transportation category rose by 1.4% for December 2024 versus the month prior, with prices for both New Cars and Used Vehicles showing monthly gains not seen consistently since early 2023. On a year-over-year basis, prices for both vehicle classes finished 2024 down by 0.4% and 3.4%, respectively. But that compares to year-over-year declines of approximately 1.0% and 10.0% in July of last year, demonstrating the run-up in prices endured through the second half of the year, bringing pressure to bear on balance sheets from this big-ticket expense for households.

At a 2.6% month-over-month gain, Energy inflation posted its strongest single-month jump since August 2023 (+4.4%). After being down by 6.9% in September, Energy CPI finished the year down only 0.4%. Oil prices have spiked recently after spending much of 2024 around the \$70 per barrel mark (West Texas Intermediate). This jump will surely be felt by households in the months to come both at the gasoline pump as well as via passthrough of businesses' own costs for transportation and petroleum-based inputs for production.

Services CPI rebounded in December 2024, gaining 0.4% for the month and finishing 2024 4.1% above the year prior. Services price pressures have been supported by consumer demand over the past year, which has also fed ongoing wage growth in such industries. However, a note of concern is sounding on the supply side of the inflation equation, with manufacturers seeing goods production costs beginning to accelerate in the late stages of 2024, according to the Bureau of Labor Statistics' Producer Price Index data. With the U.S. economy's labor market holding strong and consumer confidence rising, the renewed combination of goods and services price growth, supported by different aspects of the demand/supply relationship, is a worrisome sign regarding further progress toward the Fed's 2% average consumer price inflation target over the coming months.

PNC is calling for two (2) 25 basis point rate cuts from the Fed in 2025 – a scaled back pace of easing that is looking more and more justified as monthly inflation data and related economic indicators have rolled in recently. The numbers themselves do not indicate fundamental weaknesses in the U.S. economy or even growing imbalances. Rather, data such as stubborn inflation trends point to a lack of progress toward policy goals.

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Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 1/29/25)	4.38%	4.38%	4.38%	4.38%. The FOMC leaves rates unchanged in January.
Dec Leading Indicators (1/22, Wednesday)	-0.2% to 0.2%	-0.1%	0.3% (Nov)	LEI growth to moderate to 0.1% in November.
Initial Claims, Week of 1/18/25 (1/23, Thursday)	212-227K	215K	217K (1/11/25)	Initial claims to edge up to 220K but remain historically low.
Dec Existing Home Sales (1/24, Friday)	4.000-4.300M	4.165M	4.150M (Nov)	Existing home sales to increase slightly to 4.220M in November.
Jan U. Mich. Consumer Sentiment (final) (1/24, Friday)	73.0-74.5	73.5	73.2 (Jan)	Consumer sentiment to climb marginally to 73.5 in the final January reading.

Monthly Calendar of Economic Data: January 2025

Jan 22

Leading Indicators	
Oct	-0.4
Nov	0.3
Dec	

Jan 24

Existing Home Sales (000)	
Oct	3.960
Nov	4.150
Dec	

Jan 23

Unemployment Claims (000)				
Sept	Oct	Nov	Dec	Jan
231	260	221	242	203
222	242	219	220	217
219	228	215	220	
225	218	215	211	
		225		

Jan U. Mich. Consumer Sentiment (final)

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