Consumers Lean on Credit to Sustain Spending, Producer Prices Moderate

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Following yesterday's softer than expected October consumer price index (CPI), investors were looking for corroboration from today's retail sales and producer price index (PPI). The results were mixed as PPI was generally weaker than expected while retail sales were a bit better than expected.

The October PPI headline fell -0.5%, well below the expected gain of +0.1% as a huge -15.3% drop in gasoline prices drove the headline down. The year-over-year reading was pulled down to +1.3, well short of the +1.9% median estimate in Bloomberg's survey and a huge drop from +2.2% in the 12-months through September. Ex food and energy, PPI was unchanged last month and up +2.4% year-over-year, the smallest annual increase since January 2021.

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