Stubborn Shelter Costs Keep CPI Elevated

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There were few surprises in the November Consumer Price Index (CPI), although stubbornly high housing costs continue to frustrate Fed efforts to wring out remaining price pressure. Overall CPI rose +0.1% last month after an unchanged reading in October. Within the headline, gasoline prices fell -6.0% last month and -8.9% year-over-year.

The unfortunate counterbalance to the drop in pump prices was a +0.4% increase in shelter costs. Within the shelter index, both the rent and owner's equivalent rent subindexes climbed +0.5%, while the *lodging away from home* subindex fell -0.9%. On an annual basis, housing costs are up +6.5%. This single component makes up roughly 70% of the service price index and is the key to driving core inflation down to the Fed's +2.0% target.

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