

CPI: Ample Slack

The August consumer price index is on the mild side of expectations, with the overall figure up an in-line 0.6% (Consensus: +0.6%; Decision Economics: +0.8%), but the ex-food-and-energy, "core," index up a less-than-expected 0.1% (Consensus and Decision Economics: +0.2%).

The restrained core increase reflected a 0.2% decline in core goods prices and a 0.1% rise in core services prices.

The weakness in core goods prices was not isolated, appearing across a wide range of durable and non-durable merchandise categories. That should help transform the very flat retail sales performance--outside of autos, gasoline, and building materials--into a mild positive in real terms--cushioning any hit to GDP consumption estimates resulting from the sales surprise.

The mild rise in core services prices, meanwhile, reflected no clear special factor effect, but, instead, a scatter of price movements fairly typical lately.

Though the weakness in core goods prices might still be seen to reflect some seasonal adjustment oddity, the overall report supports the view that price motion is generally reflecting modest demand growth in an economy with ample slack.