The Daily Dish

Economic Data Roundup

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With Congress back home for the week, the economy and Federal Reserve officials took center stage. This week will feature speeches from James Bullard (St. Louis Fed President), Patrick Harker (Philadelphia Fed President), Lorie Logan (Dallas Fed President), Susan Collins (Boston Fed President), Lael Brainard (Fed Vice Chair), John Williams (New York Fed President), and Christopher Waller (Fed Governor). Expect the message to be the same: More tightening will be required. The only potential disagreement is whether the next hike should be 50 basis points or 25.

As for the data, the highlights were a relatively weak report on December retail sales and a modestly improved outlook for producer price inflation. Total retail sales fell 1.1 percent from November, but still remain 6.0 percent above December 2021. Stripping out motor vehicles, parts, and gasoline stations shows stronger core spending – down only 0.7 percent from November and up 7.2 percent year-over-year.

The Bureau of Labor Statistics report on the producer price index (PPI) for December looked a lot like the report for the consumer price index, with the top-line inflation down because of a sharp fall in energy prices but core inflation down only modestly. In this case, the PPI for final goods rose year-over-year at a 6.2 percent rate – down from 7.3 percent in November. Looking at the "core" (non-energy, non-food) PPI inflation, however, showed only a modest reduction from 8.0 percent to 7.8 percent. Progress, yes. Victory, no.

In addition, the data featured a weak Empire State Index of manufacturing activity and a rise in builder confidence for the first time in a year. The week's data do not signal any significant change in the trajectory of growth or inflation.

An anecdotal summary of the economy is contained in the Federal Reserve's Beige Book, the December version of which was released yesterday. Its summary said: "Overall economic activity was relatively unchanged since the previous report. Five Districts reported slight or

modest increases in overall activity, six noted no change or slight declines, and one cited a significant decline. On balance, contacts generally expected little growth in the months ahead. Consumer spending increased slightly, with some retailers reporting more robust sales over the holidays. Other retailers noted that high inflation continued to reduce consumers' purchasing power, particularly among low- and moderate-income households." The weak district was New York (unsurprising; see above) and the anecdotal evidence paints a more mixed picture than the December retail sales.