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Updated: 01/16/2002 EST

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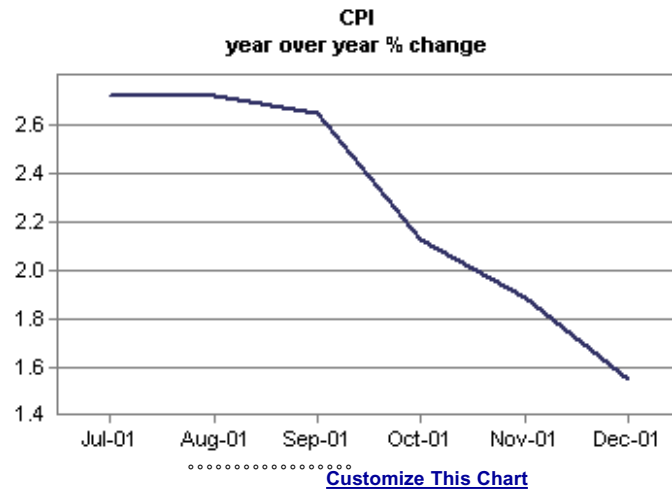
Coverage: Dec. 2001

Actual: -0.2%

Consensus\*: -0.1%

Next Release: [2/20/2002](#)Analysis by: [David Ingram](#)

\*Source: Thomson IFR

**First Take**

The headline consumer price index fell by 0.2% from the previous month in December, after holding steady in November. The core rate decelerated from last month's 0.4% monthly gain, and increased just 0.1% during December. Medical care prices posted their lowest monthly gain since July, and prices for new cars pulled back from last month's sizeable gain.

	CPI, (SA)							
CPI	Dec-01	Nov-01	Oct-01	Sep-01	Aug-01	Jul-01	% Chg. Mo. Ago	% Chg. Yr. Ago
<a href="#">All Items</a>	177.3	177.6	177.6	178.2	177.5	177.4	-0.2	1.5
<a href="#">...Ex Food &amp; Energy</a>	188.6	188.4	187.7	187.4	187.0	186.6	0.1	2.8
<a href="#">...Health Care</a>	278.3	277.9	276.5	275.3	274.5	273.0	0.1	4.7
<a href="#">...Energy</a>	112.5	116.2	121.6	129.8	126.5	128.9	-3.2	-13.1
<a href="#">...Gasoline, Unleaded Regular</a>	95.9	101.8	114.0	129.2	117.2	120.0	-5.8	-25.8

Source: [Economy.com's FreeLunch](#)**The Numbers**

- The headline rate of inflation contracted in December for just the third time in the last year.
- Energy prices continue to fall, though at a slower pace. During December, energy prices were off by 3.2% from November, which compares to a —4.4% monthly decline in November and a —6.3% decrease in October.
- Medical care prices increased by just 0.1% during December, which is well below trend for this series. Inflation was lower for commodities and services, though hospital services continues to lead the category in price gains.
- Prices for new vehicles were just 0.2% higher during December after the 0.6% gain during November.

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## Behind the Numbers

The December report on consumer prices revealed that cost pressures pulled back in December, after a strong showing for the core rate in November. Last month, a spike in car prices helped to propel the core rate of inflation to 2.8% on a year-ago basis from the previous month's pace of 2.6%. Car prices displayed the dramatic monthly increase because many dealers are replacing cash-back incentives with 0% financing. The cash-back incentives lower the price of a new vehicle, and are reflected in a lower CPI for new vehicles. When they are replaced with 0% financing, the price of a purchasing a new vehicle jumps, even though the sticker price has not changed. As aggressive incentives are phased out over the next couple of months, car prices will likely show further price gains that will boost the core rate.

## Additional Information

Additional information on this release and other subjects is available for purchase on [Research@Economy.com](mailto:Research@Economy.com). A sample of products that may be of interest follows:

- [Pr cis Consumer: Consumer Prices](#)
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All calls 2:00pm EDT

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