

Data Insights: Consumer Price Index, Producer Price Index

Thursday, October 13, 2022

Today's CPI data: what you need to know

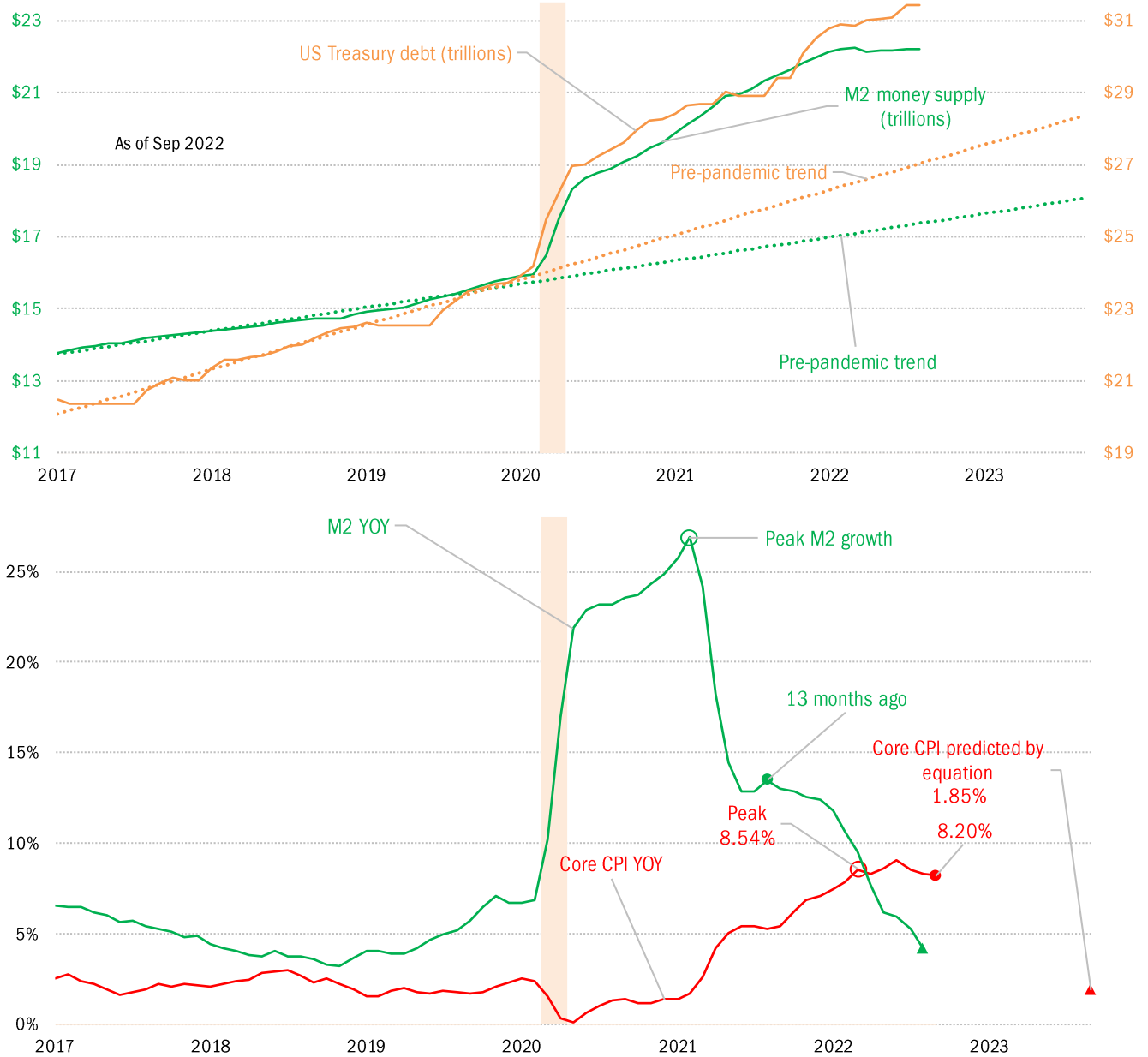
	12-mo YOY	3-mo ann	1-mo ann	12 / 3/ 1-mo	12-mo YOY history
All items	+8.20%	+2.0%	+4.7%		
Core	+6.63%	+6.0%	+7.1%		
OER	+6.7%	+8.9%	+10.1%		
All less OER	+8.9%	+1.0%	+4.1%		
Core less OER	+6.6%	+4.4%	+5.5%		
Energy	+19.9%	-38.0%	-22.5%		
All less energy	+7.3%	+6.7%	+7.5%		
Food	+10.8%	+10.8%	+9.2%		
All less food	+7.8%	+0.6%	+3.9%		
Health care	+6.0%	+8.0%	+10.0%		
All less health care	+8.4%	+1.4%	+4.3%		

Source: BLS Consumer Price Index, TrendMacro calculations

For more information contact us:

Donald Luskin: 312 273 6766 don@trendmacro.com
 Thomas Demas: 704 552 3625 tdemas@trendmacro.com

Relation of Treasury debt, M2 money supply and core CPI inflation rate and [TrendMacro's monetarist inflation prediction model](#)

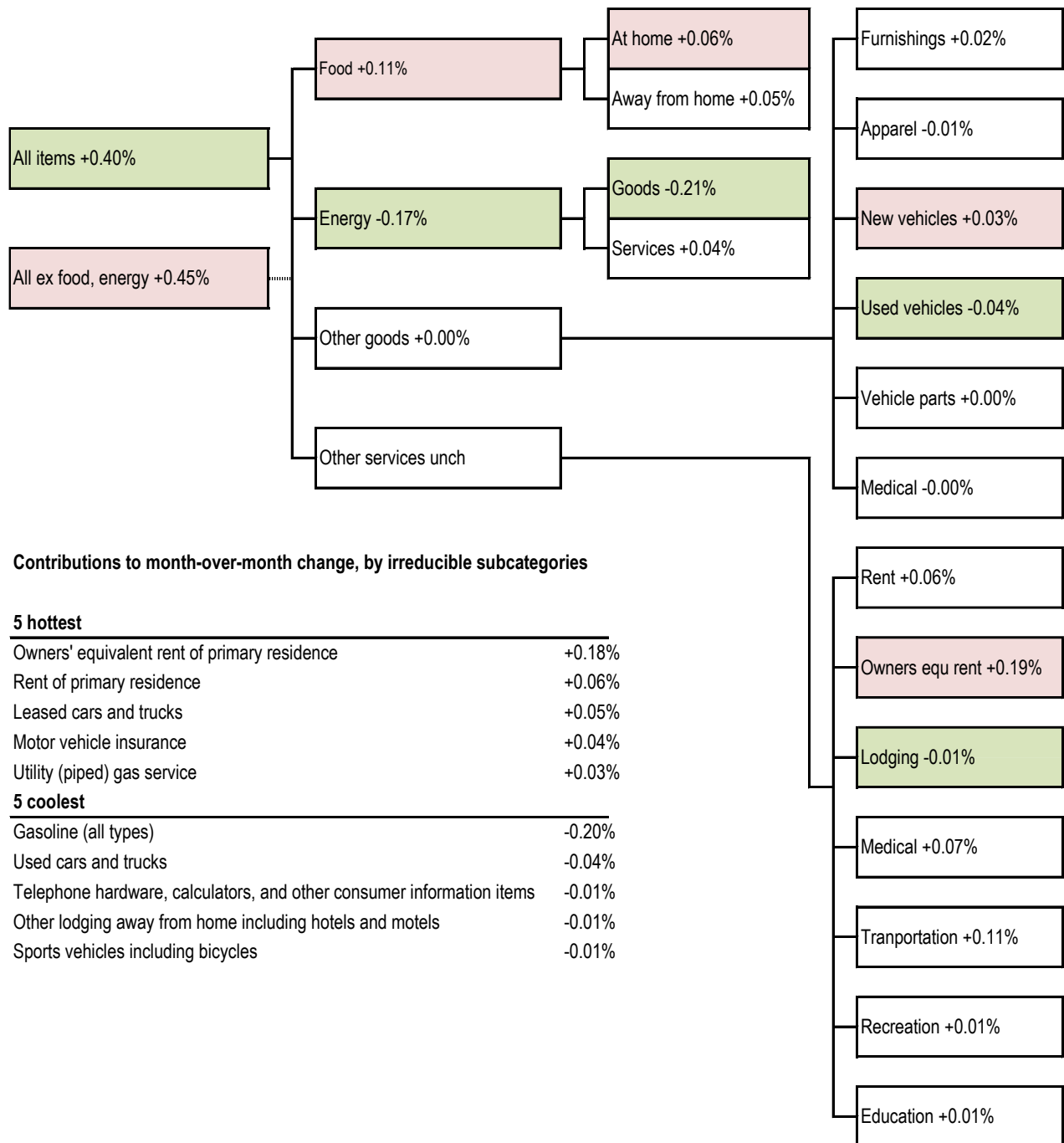


Source: FRB, BLS, US Treasury, TrendMacro calculations

Deconstructing today's CPI data: what explains this month's inflation?

Weighted contribution by subcategory

Biggest change per detail-level: ■ positive ■ negative



Contributions to month-over-month change, by irreducible subcategories

5 hottest

Owners' equivalent rent of primary residence	+0.18%
Rent of primary residence	+0.06%
Leased cars and trucks	+0.05%
Motor vehicle insurance	+0.04%
Utility (piped) gas service	+0.03%

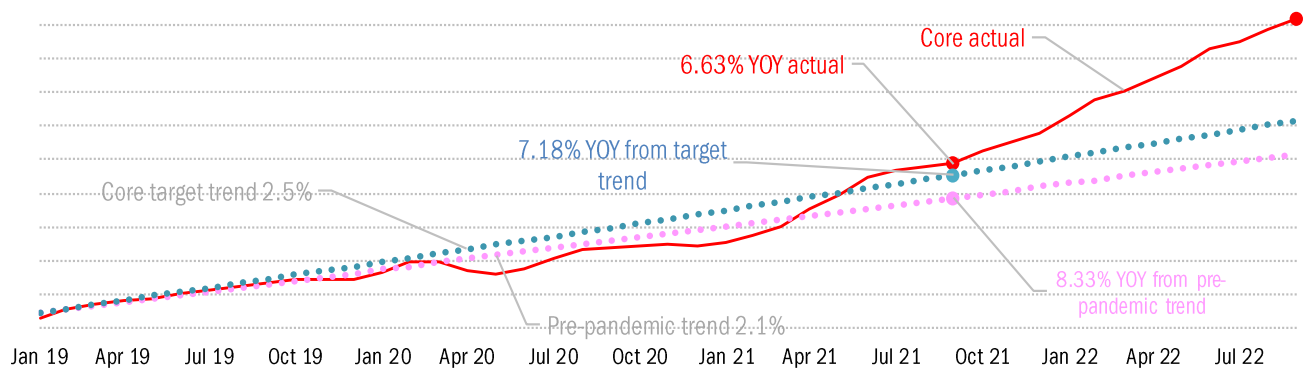
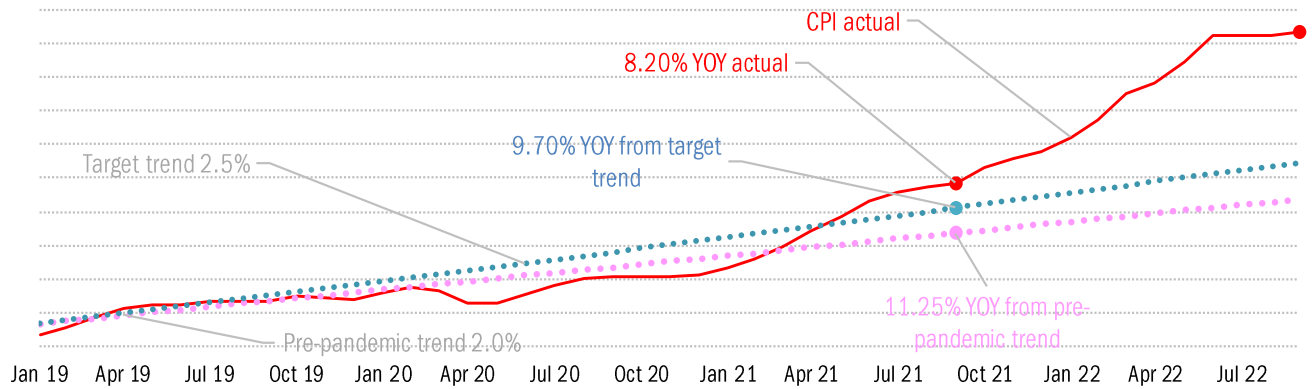
5 coolest

Gasoline (all types)	-0.20%
Used cars and trucks	-0.04%
Telephone hardware, calculators, and other consumer information items	-0.01%
Other lodging away from home including hotels and motels	-0.01%
Sports vehicles including bicycles	-0.01%

Source: BLS Consumer Price Index, TrendMacro calculations

“Transitory,” “base-effect” or “optimal control?”

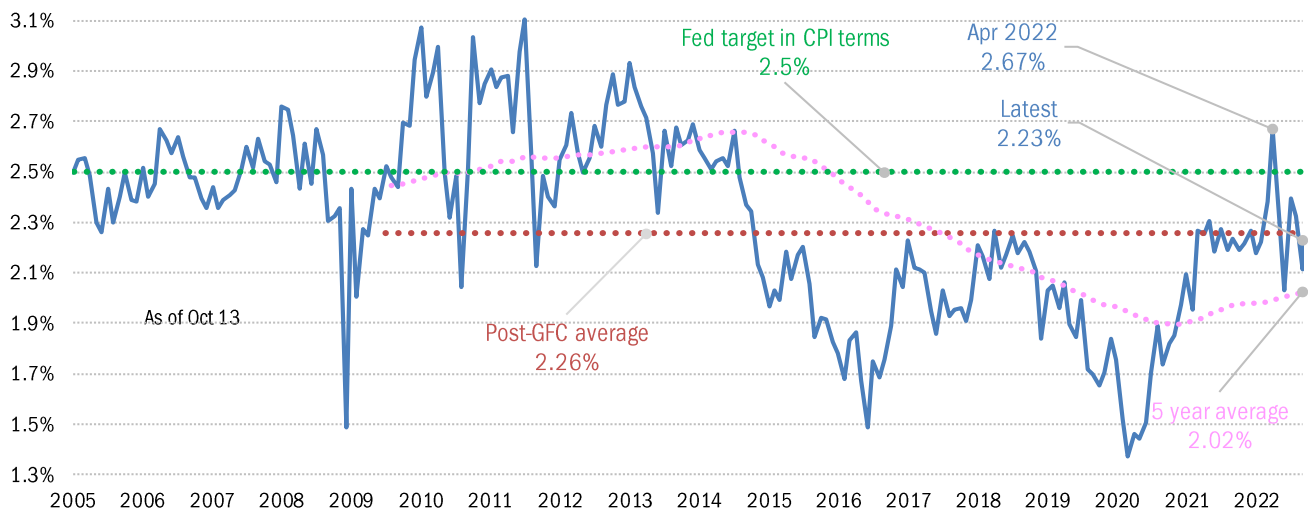
This month’s data in context with the pre-pandemic and ideal 12-month trends



Source: Bureau of Labor Statistics, TrendMacro calculations

Unhinged? Or too hinged?

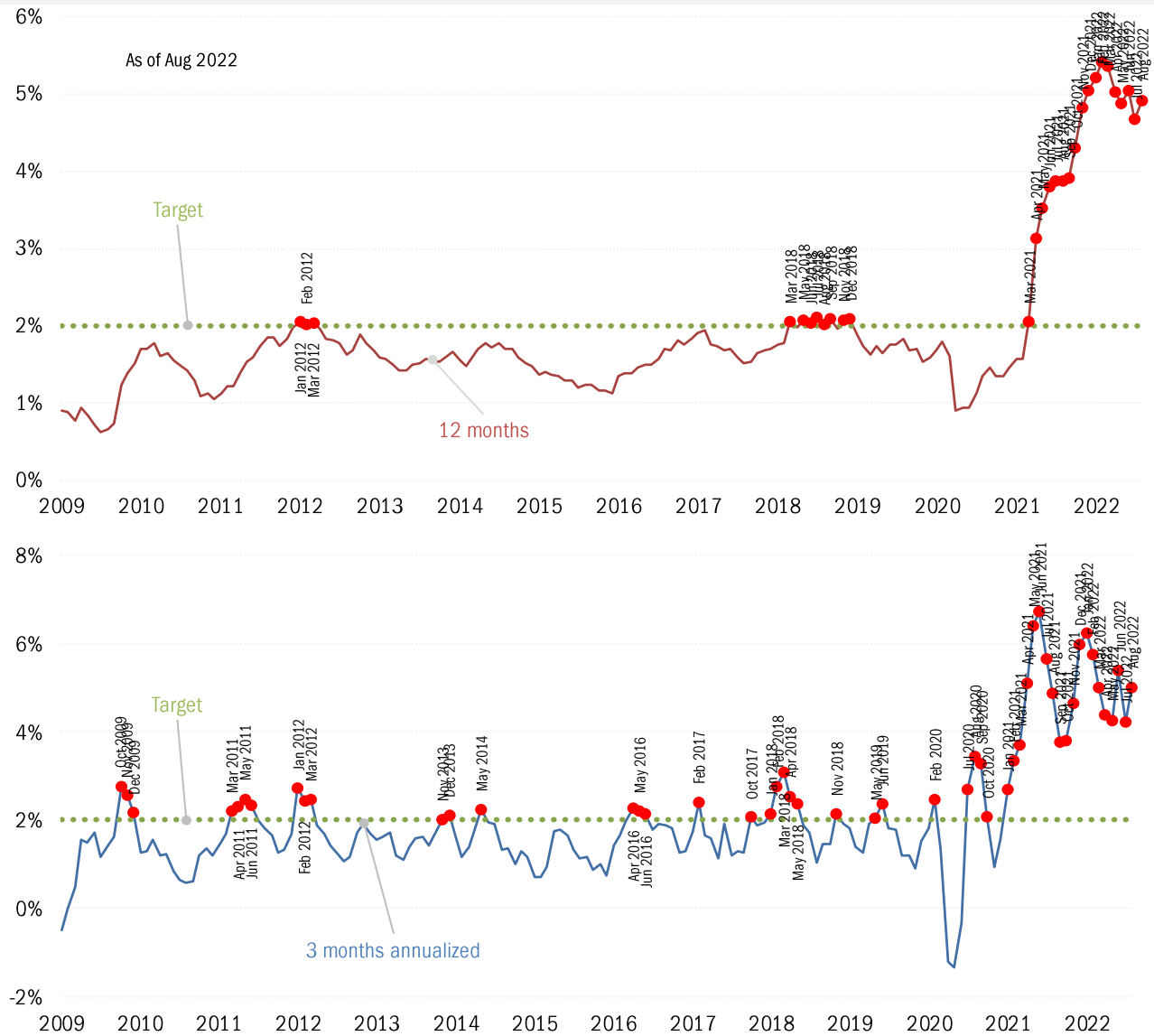
5-year 5-year-forward TIPS breakeven, adjusted 50 bp down to PCE equivalent



Source: Bloomberg, TrendMacro calculations

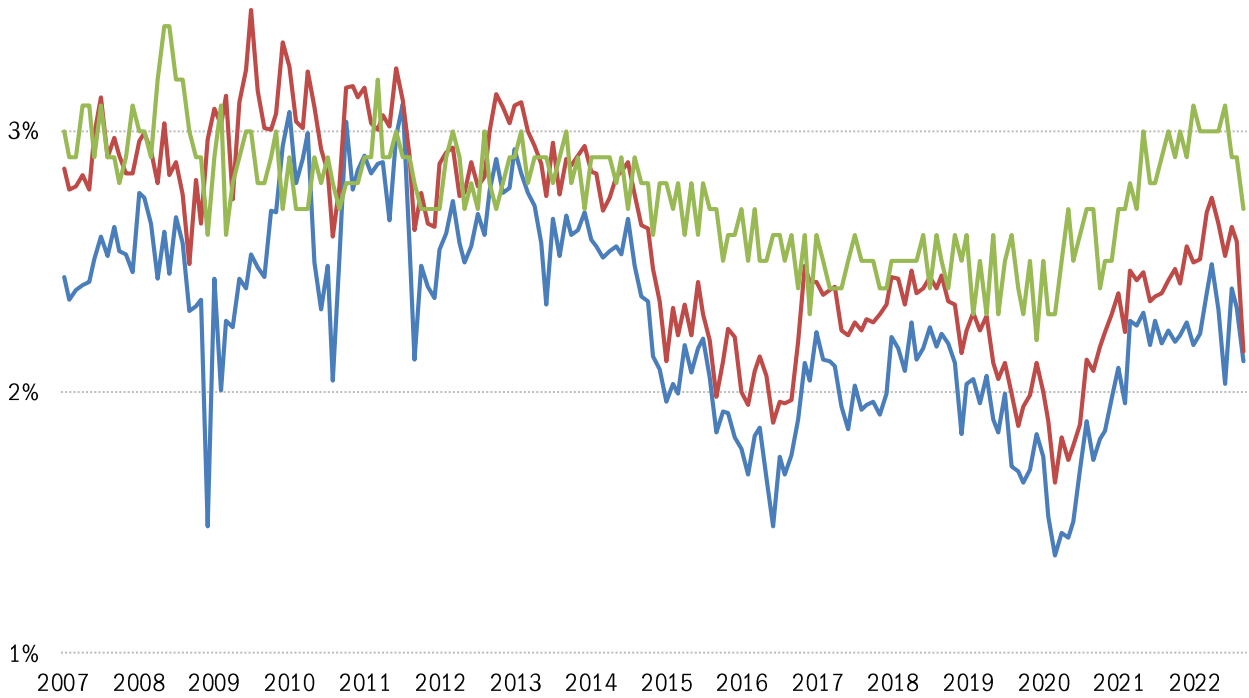
The Fed-eye view of inflation (or lack thereof)

Core PCE Price Index



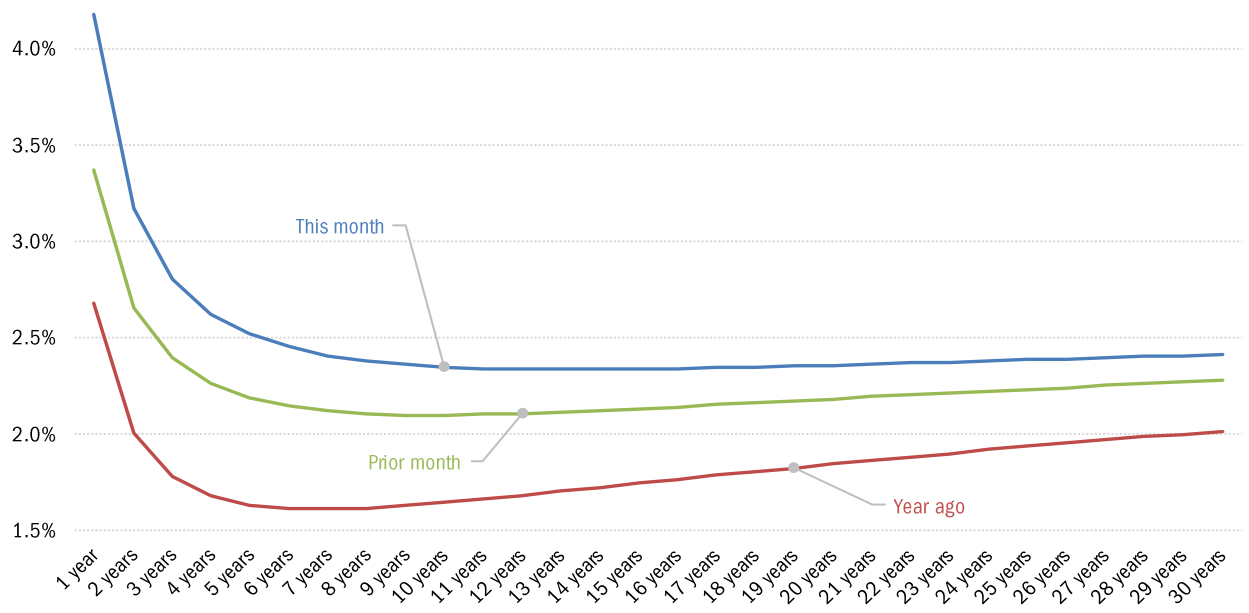
Source: Bureau of Economic Analysis, TrendMacro calculations

Implied 5-year inflation, 5 years forward — TIPS — Swaps — U. Michigan Survey



Source: Bloomberg, TrendMacro calculations

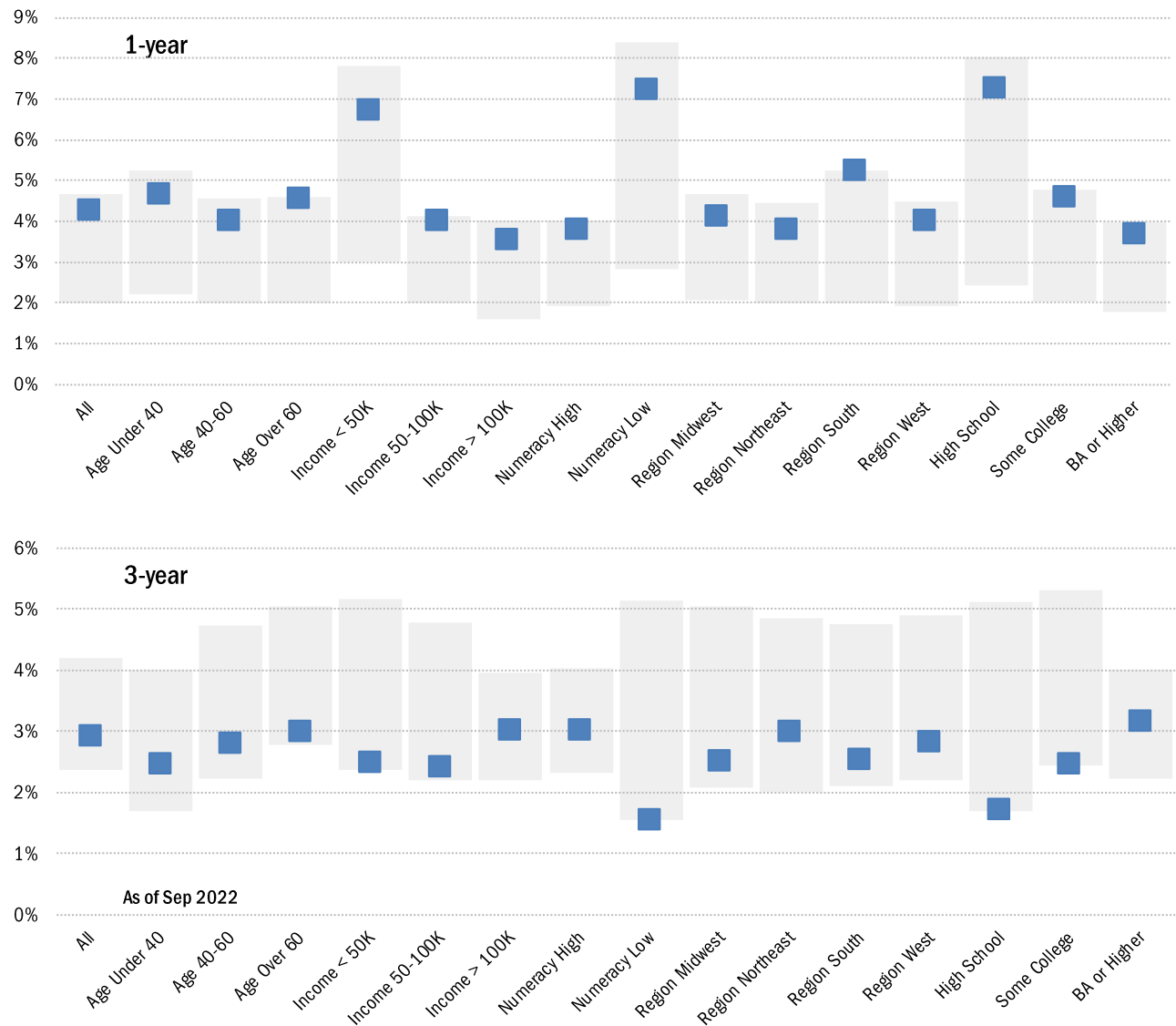
Modeled inflation yield curve, per annum — Based on swaps, forecasts and yields



Source: [Cleveland Fed](#), TrendMacro calculations

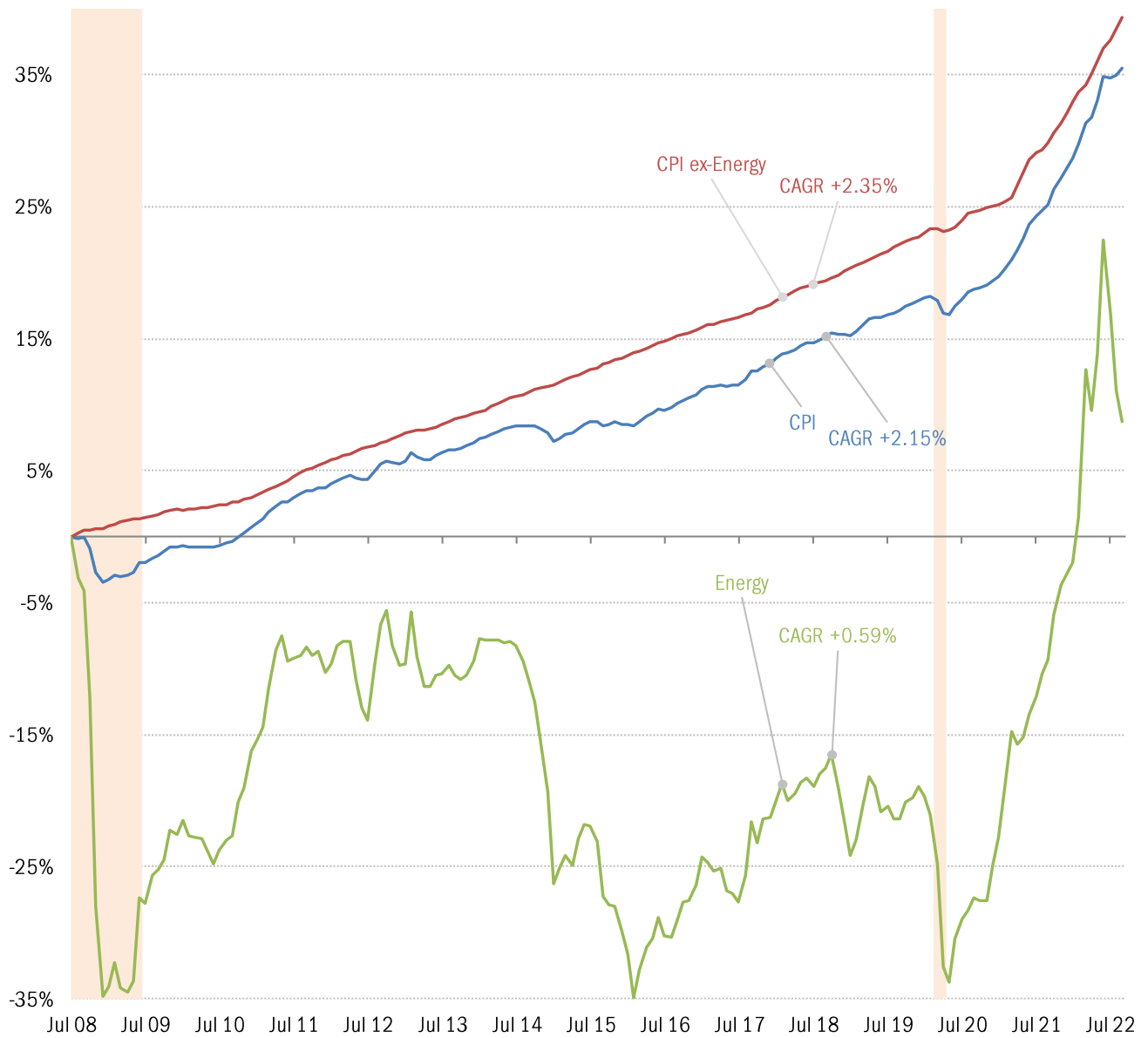
The demography of inflation expectations

■ Current median ■ 3-year range



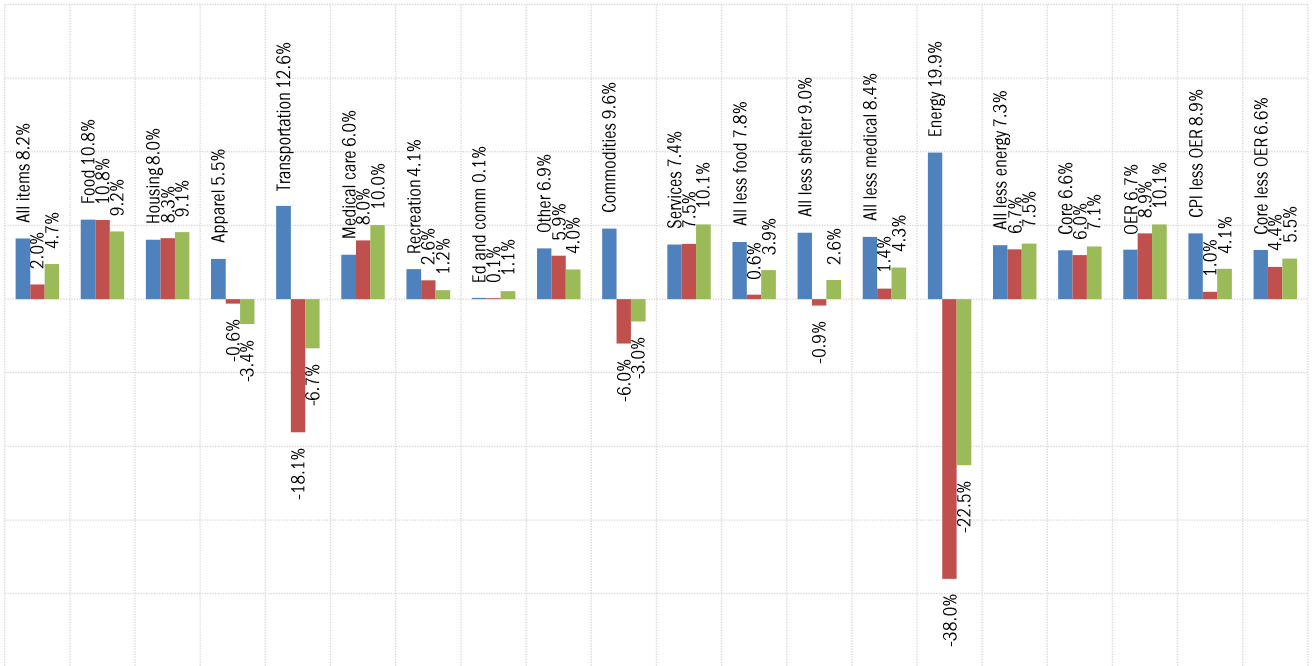
Source: [New York Fed Survey of Consumer Expectations](#), TrendMacro calculations

The deflation delusion: it's all about oil, and always has been
 Cumulative growth of CPI from July 2008, the all-time high oil price Recession



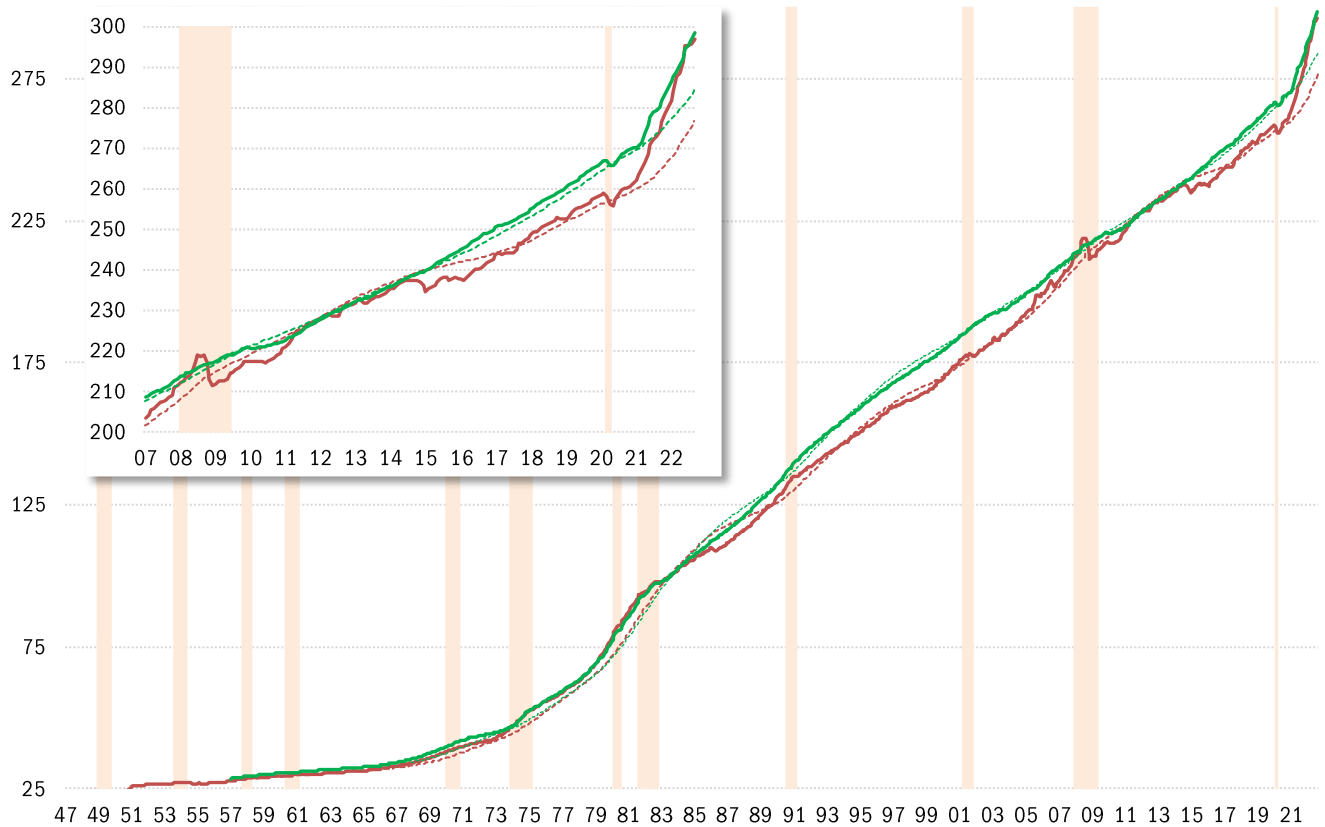
Source: Bloomberg, TrendMacro calculations

US CPI inflation by sector (SAAR) ■ 12-month ■ 3-month ■ 1-month



Source: BLS Consumer Price Index, TrendMacro calculations

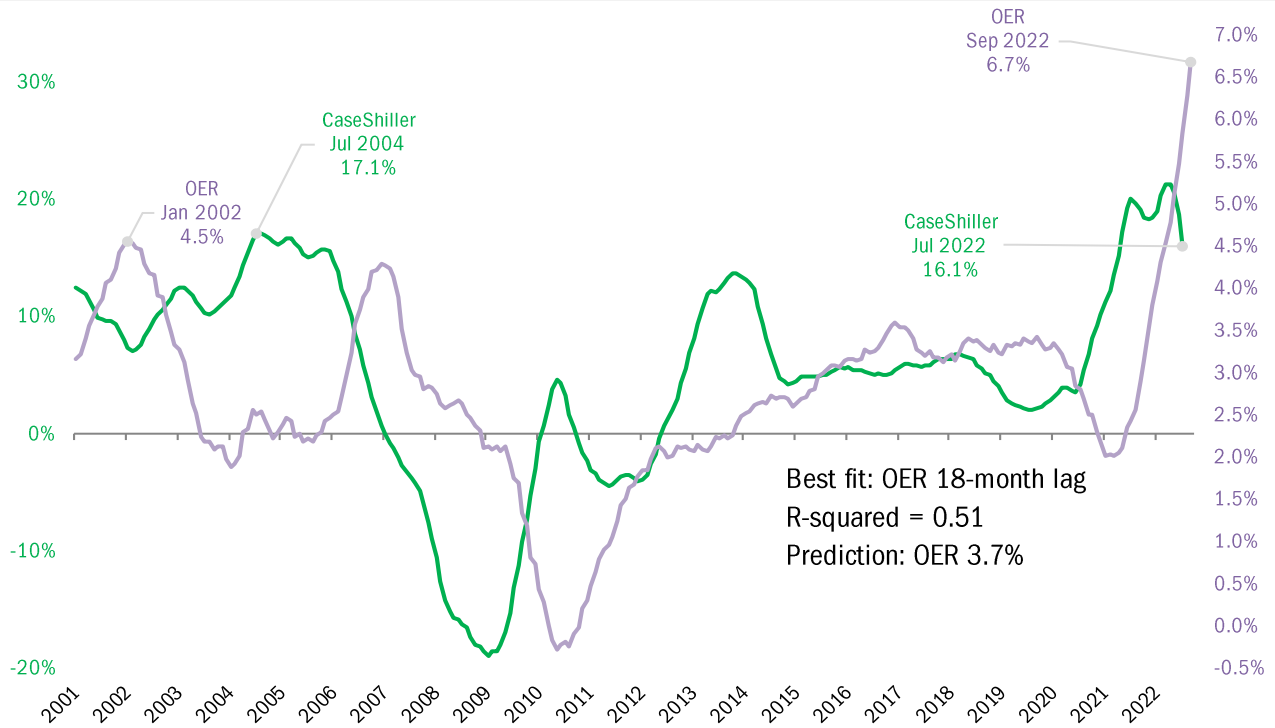
US CPI Core — Level ... 20-year trend ■ Recession



Source: BLS Consumer Price Index, TrendMacro calculations

Housing leads US CPI

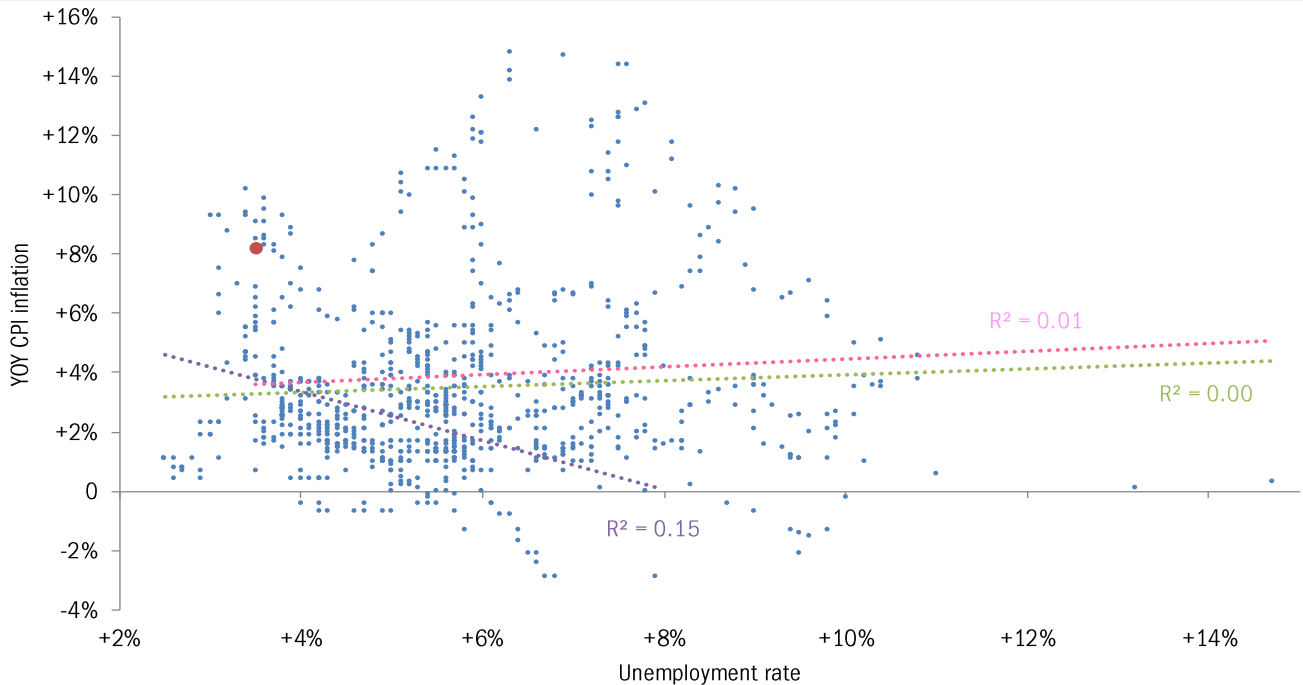
YOY change — Case Shiller 20-city avg — Owner's equivalent rent CPI component



Source: BLS, Standard & Poor's Case Shiller, TrendMacro calculations

The world is flat: the vanishing Phillips Curve

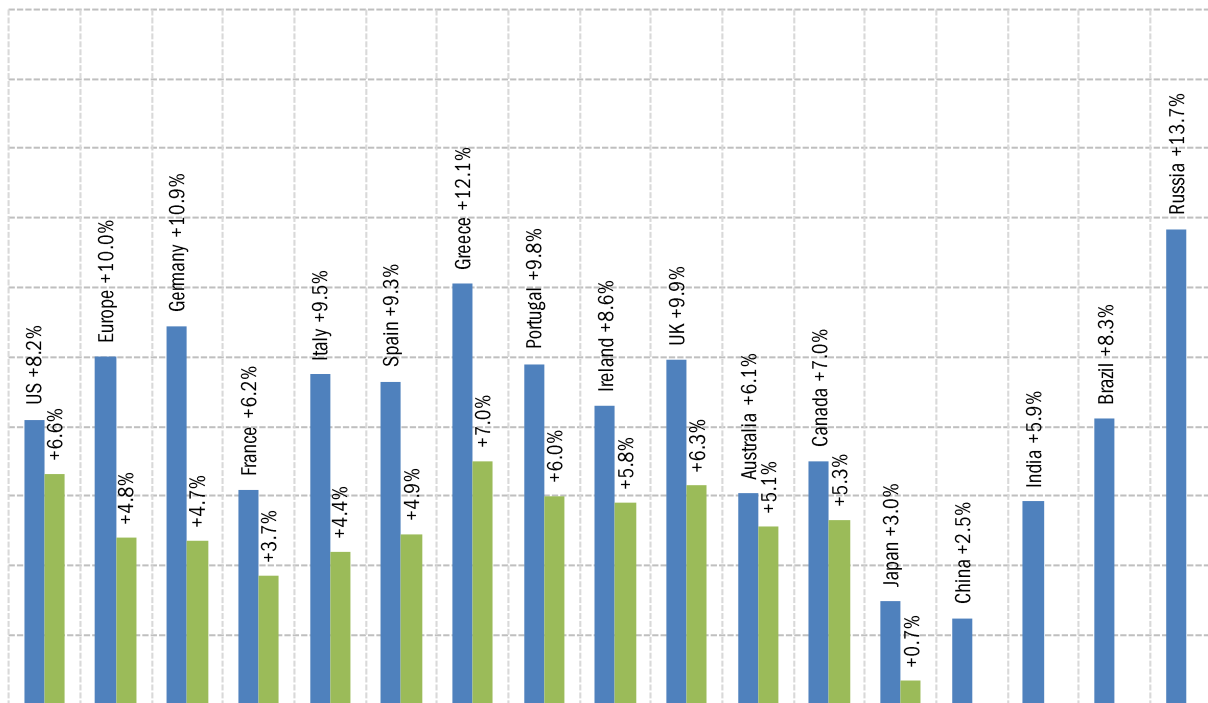
● Latest Linear trend: — Pre-74 — Post-74 — All



Source: BLS Consumer Price Index, Current Population Survey

Major economies CPI, year on year

■ Headline ■ Ex-food and energy



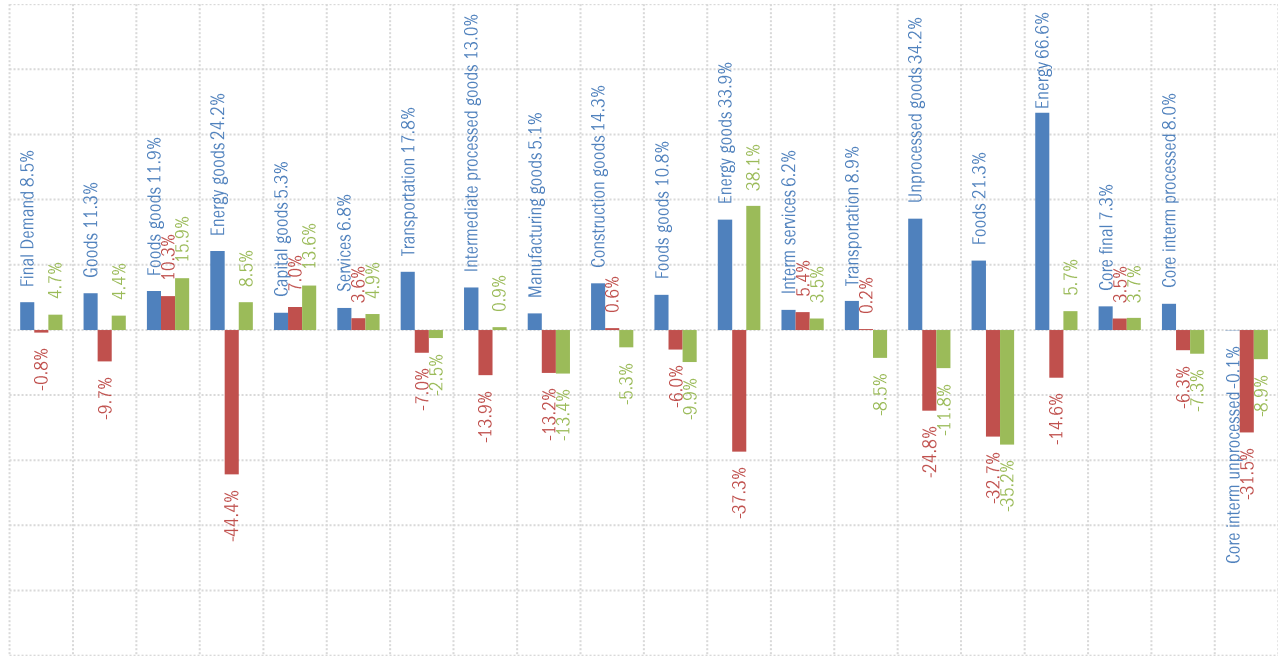
Source: Respective Statistical agencies, TrendMacro calculations

PPI data: what you need to know

	12-mo YOY	3-mo ann	1-mo ann	12 / 3 / 1-mo	13-mo YOY history
Final demand	+8.5%	-0.8%	+4.7%	[Bar chart showing 12, 3, and 1 month changes]	[Line chart showing 13-month history]
Core	+7.3%	+3.5%	+3.7%	[Bar chart showing 12, 3, and 1 month changes]	[Line chart showing 13-month history]
Intermediate processed	+13.0%	-13.9%	+0.9%	[Bar chart showing 12, 3, and 1 month changes]	[Line chart showing 13-month history]
Core	+8.0%	-6.3%	-7.3%	[Bar chart showing 12, 3, and 1 month changes]	[Line chart showing 13-month history]
Intermediate unprocessed	+34.2%	-24.8%	-11.8%	[Bar chart showing 12, 3, and 1 month changes]	[Line chart showing 13-month history]
Core	-0.1%	-31.5%	-8.9%	[Bar chart showing 12, 3, and 1 month changes]	[Line chart showing 13-month history]

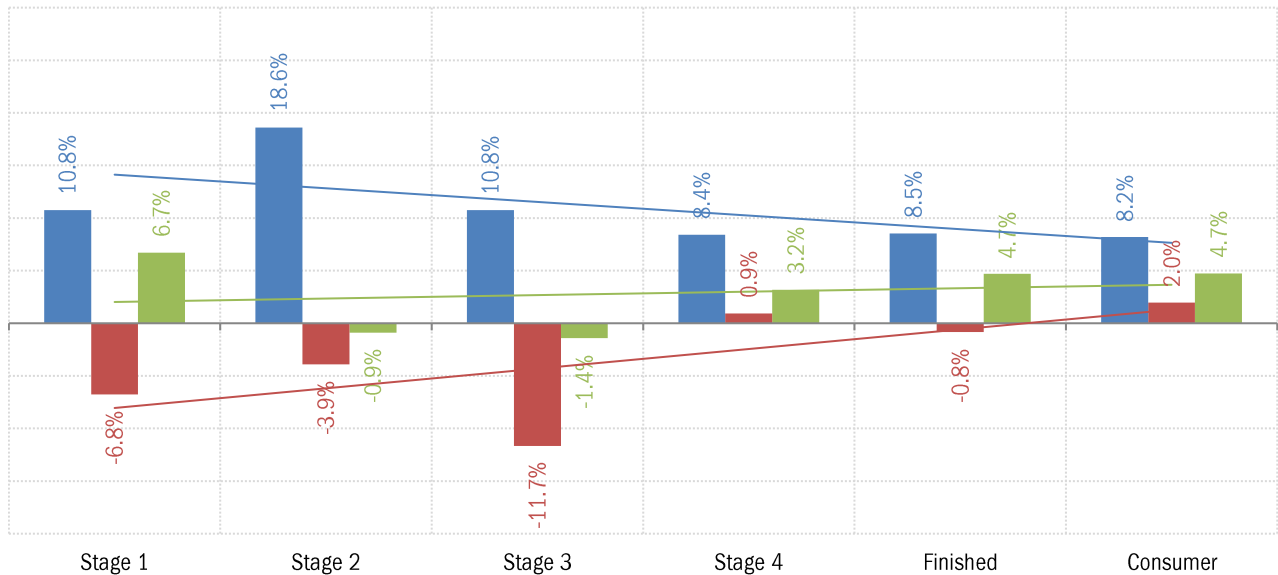
Source: BLS Producer Price Index, TrendMacro calculations

PPI inflation by sector (SAAR) ■ 12-mo ■ 3-mo ■ 1-mo



Source: BLS Producer Price Index, TrendMacro calculations

The inflation pipeline (SAAR) ■ 12-mo ■ 3-mo ■ 1-mo



Source: BLS Producer Price Index and Consumer Price Index, TrendMacro calculations