

Data Insights: Consumer Price Index, Producer Price Index

Wednesday, April 12, 2023

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	+4.98%	+3.8%	+0.6%		
Core	+5.59%	+5.1%	+4.7%		
OER	+8.0%	+7.7%	+6.0%		
All less OER	+3.9%	+1.7%	-1.6%		
Core less OER	+4.2%	+3.6%	+4.0%		
Energy	-6.4%	-8.4%	-35.0%		
All less energy	+6.0%	+4.9%	+4.0%		
Food	+8.2%	+3.5%	+0.3%		
All less food	+4.4%	+3.8%	+0.7%		
Health care	+1.5%	-0%	-0%		
All less health care	+5.3%	+4.6%	+1.0%		

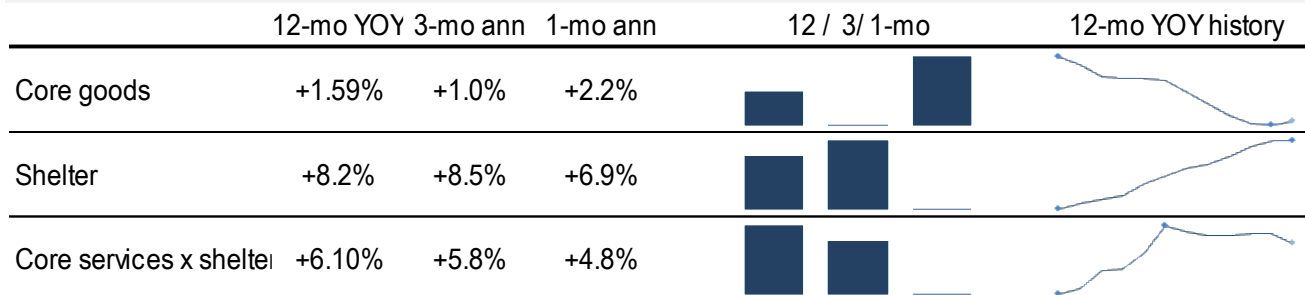
Source: BLS Consumer Price Index, TrendMacro calculations

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Today's CPI data: [what Fed chair Jerome Powell thinks you need to know](#)

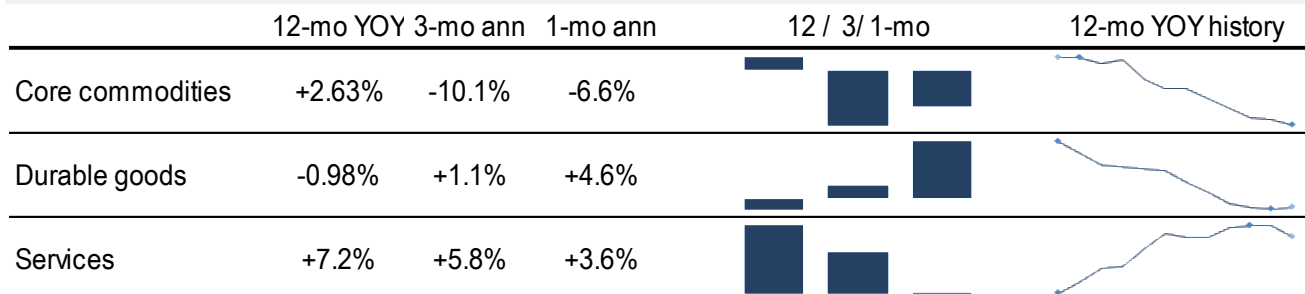
"To assess what it will take to get inflation down, it is useful to break core inflation into three component categories: core goods inflation, housing services inflation, and inflation in core services other than housing."



Source: BLS Consumer Price Index, TrendMacro calculations

Today's CPI data: [what NY Fed president John Williams thinks you need to know](#)

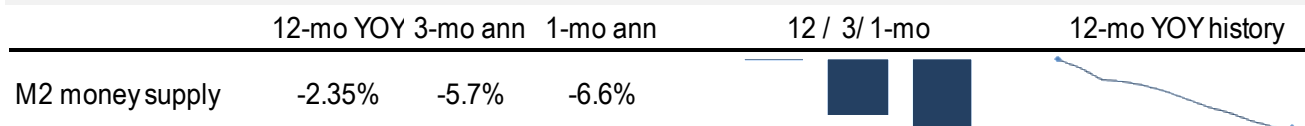
"I will start to peel the 'inflation onion'... The outermost layer consists of prices of globally traded commodities... The middle layer of the inflation onion is made up of products – especially durable goods... the innermost layer: underlying inflation... Prices for services..."



Source: BLS Producer Price Index (may be lagged one month), Consumer Price Index, TrendMacro calculations

Today's CPI data: [what Nobel laureate Milton Friedman thinks you need to know](#)

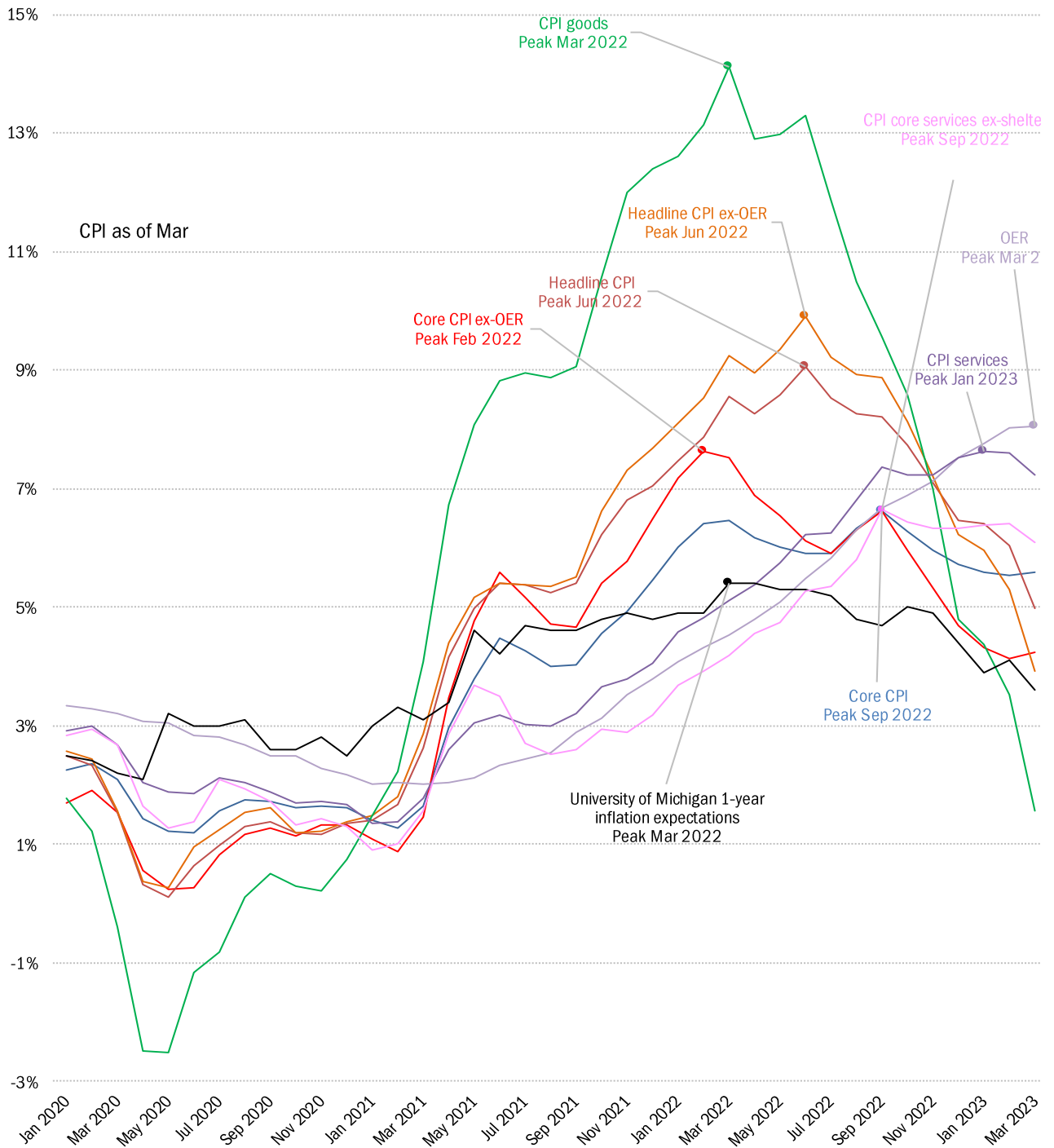
"...inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output. However, there are many different possible reasons for monetary growth, including gold discoveries, financing of government spending, and financing of private spending..."



Source: Federal Reserve Board (lagged one month), TrendMacro calculations

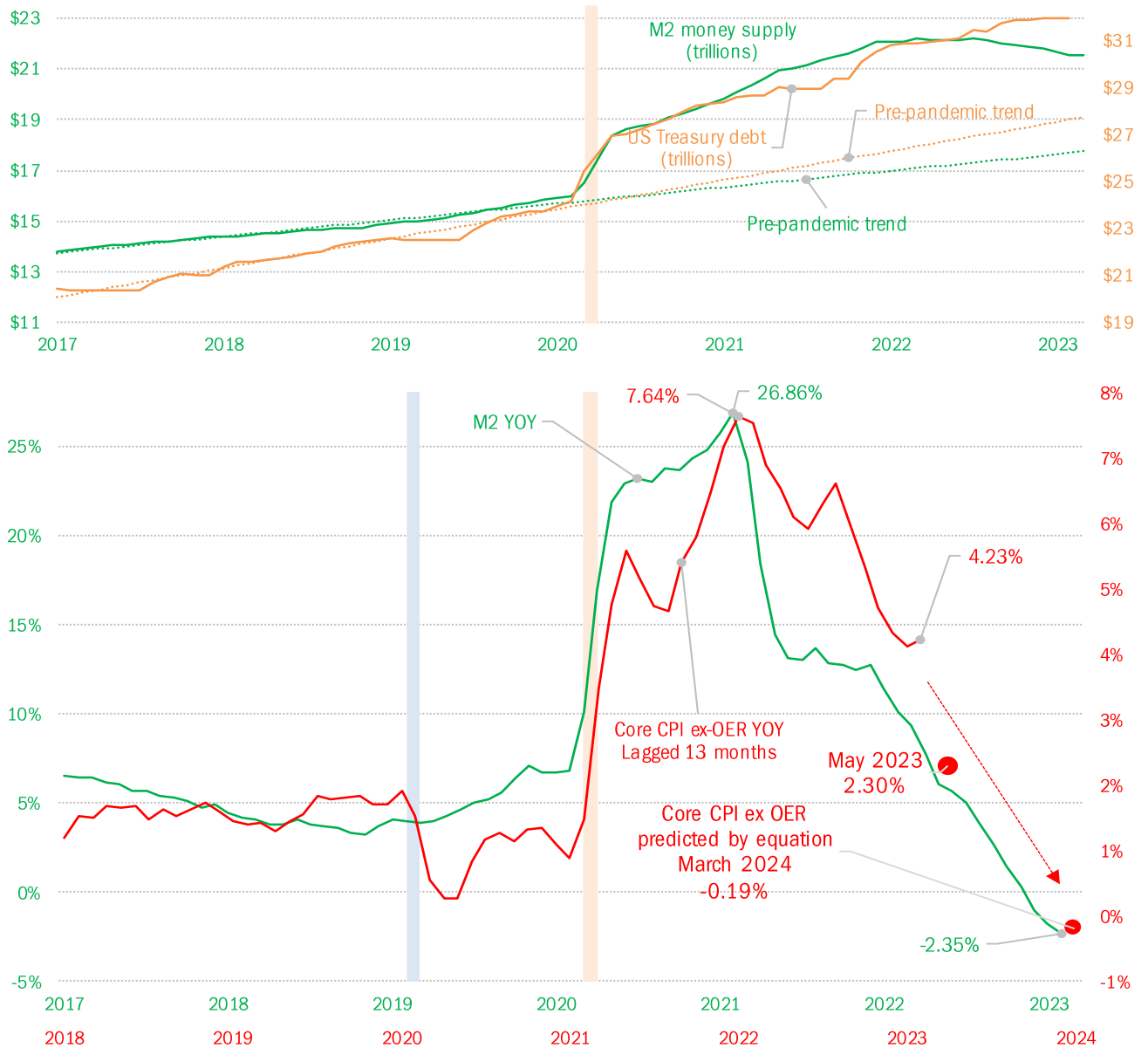
Slow and steady wins the race – the tortoise on the track, in his many variations

Year-on-year change ● Month of peak



Source: FRB, BLS, US Treasury, TrendMacro calculations

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

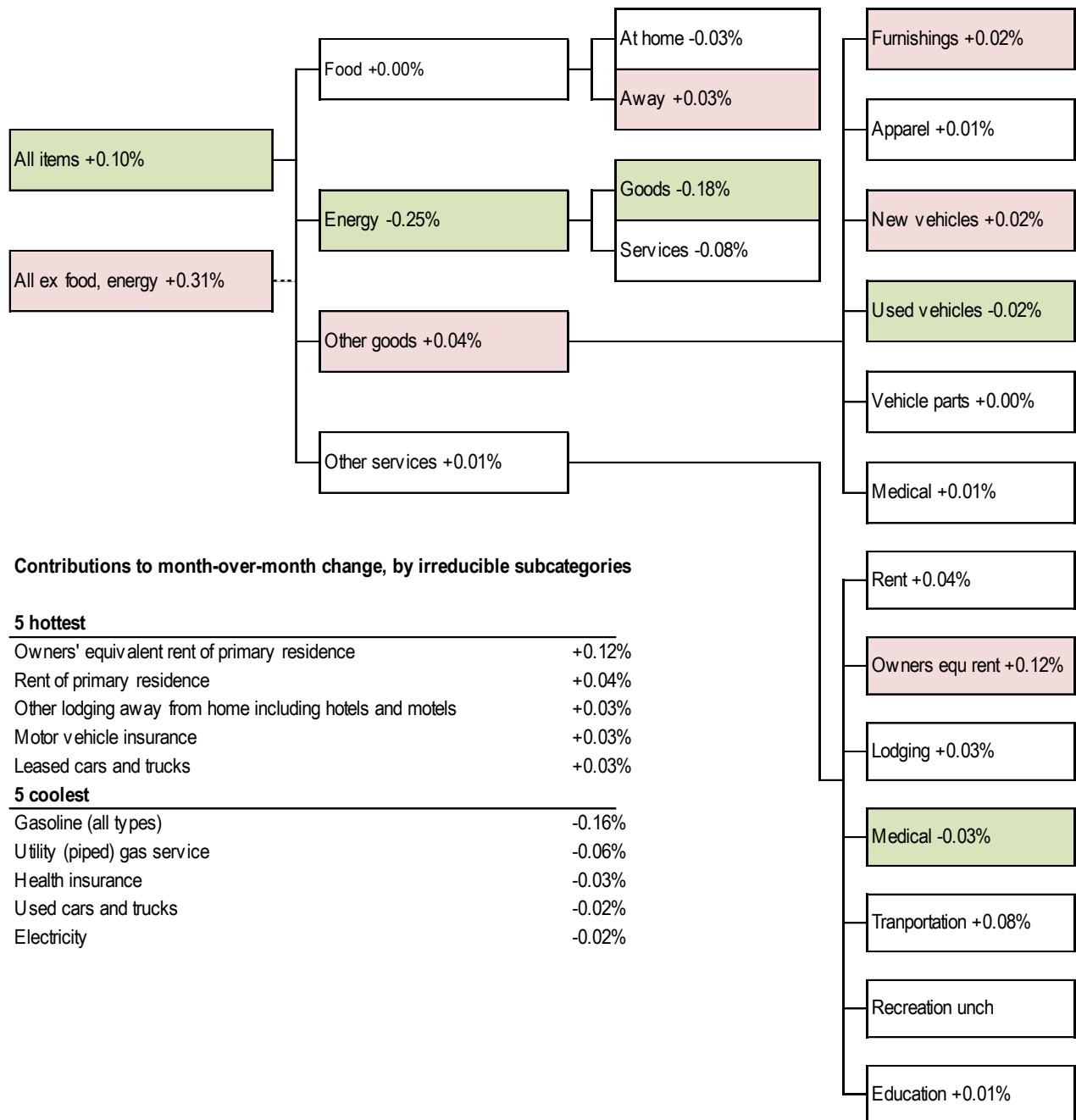


Source: FRB, BLS, US Treasury, TrendMacro calculations

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	+0.12%
Rent of primary residence	+0.04%
Other lodging away from home including hotels and motels	+0.03%
Motor vehicle insurance	+0.03%
Leased cars and trucks	+0.03%

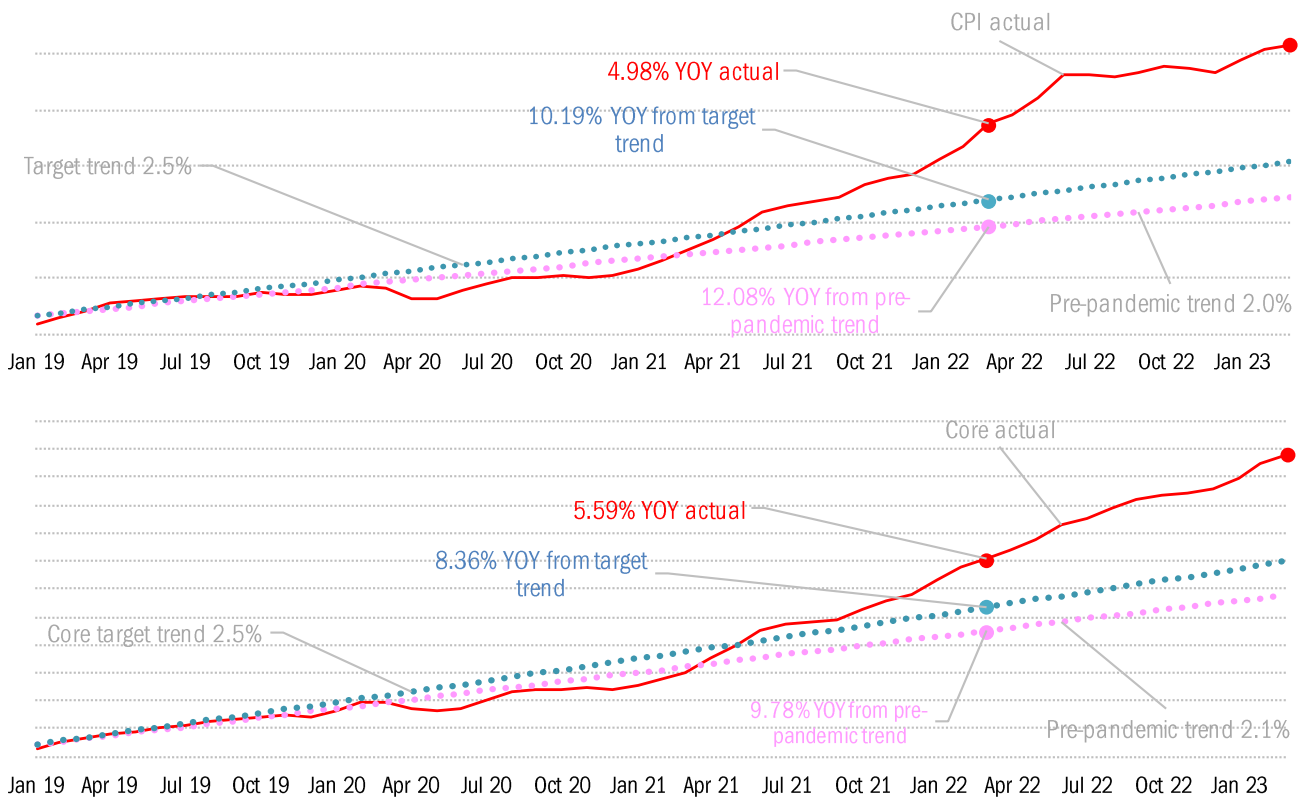
5 coolest

Gasoline (all types)	-0.16%
Utility (piped) gas service	-0.06%
Health insurance	-0.03%
Used cars and trucks	-0.02%
Electricity	-0.02%

Source: BLS Consumer Price Index, TrendMacro calculations

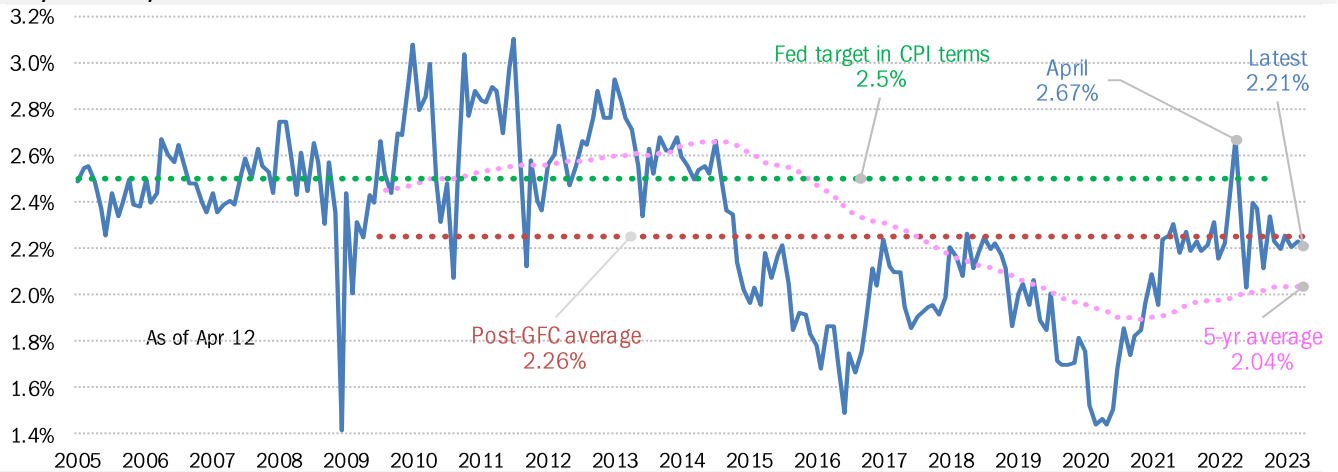
“Transitory,” “base-effect” or “optimal control”?

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



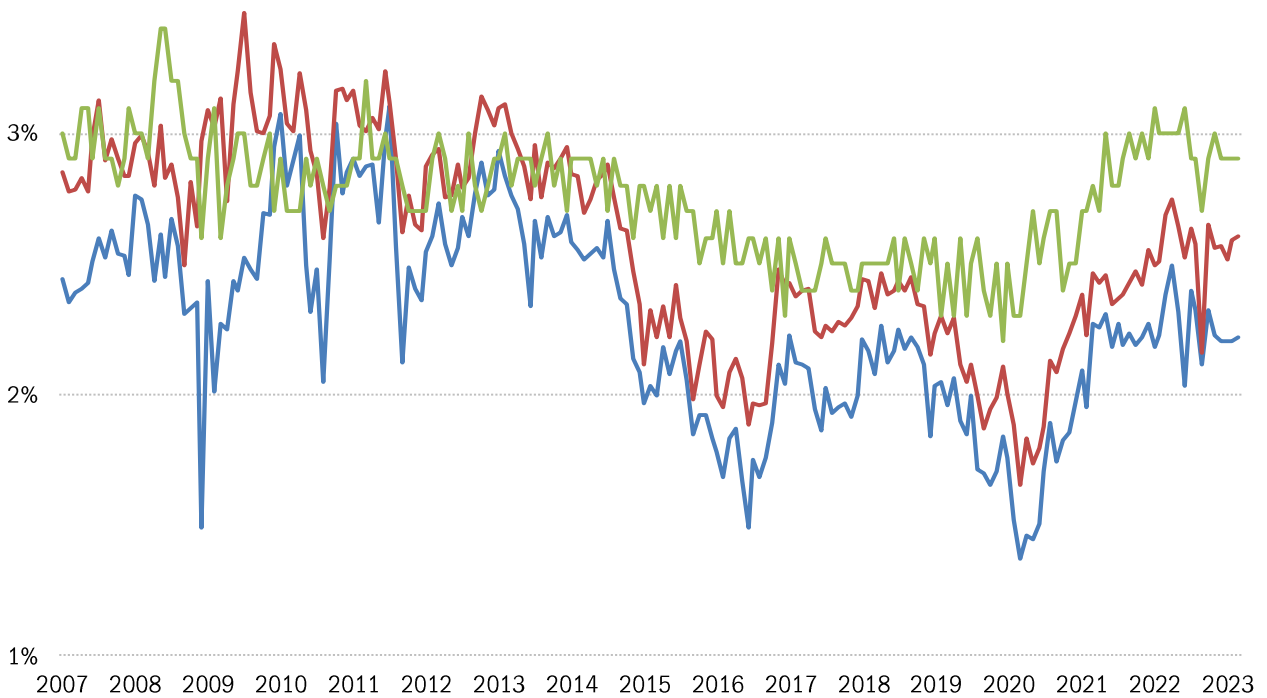
Source: Bureau of Labor Statistics, TrendMacro calculations

Unhinged? Or too hinged? 5-year 5-year-forward TIPS breakeven



Source: Bloomberg, TrendMacro calculations

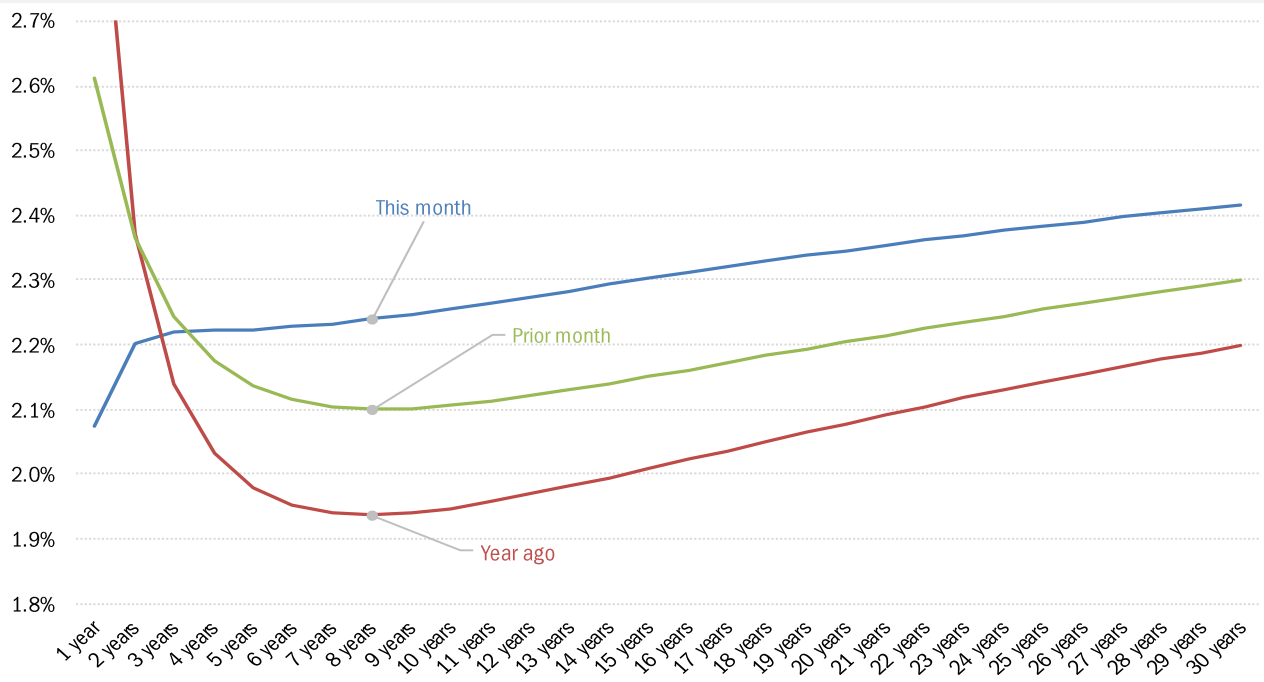
Implied 5-year inflation, 5 years forward — TIPS — Swaps — U. Michigan Survey



Source: Bloomberg, TrendMacro calculations

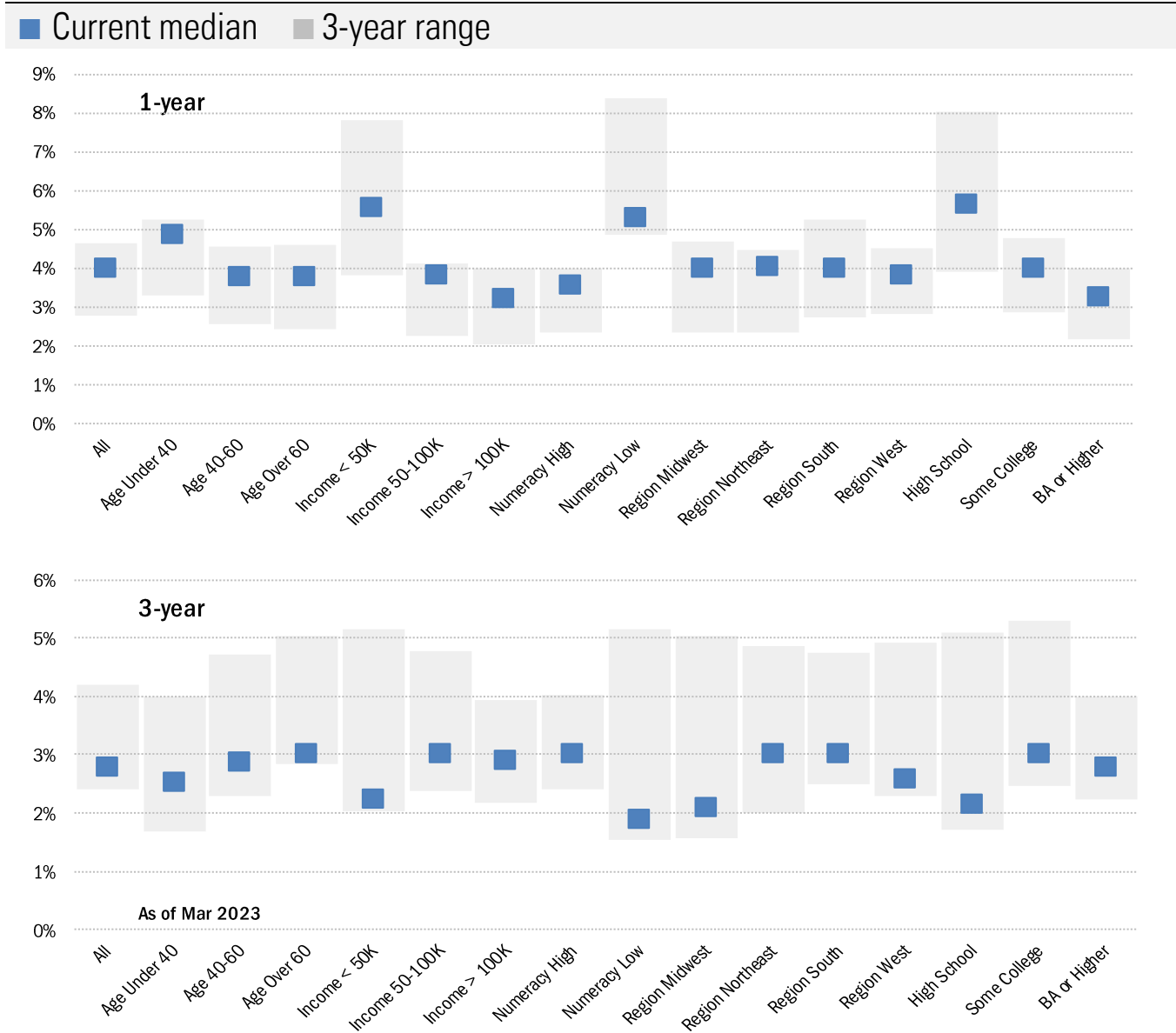
Modeled inflation yield curve, per annum

Based on swaps, forecasts and yields



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

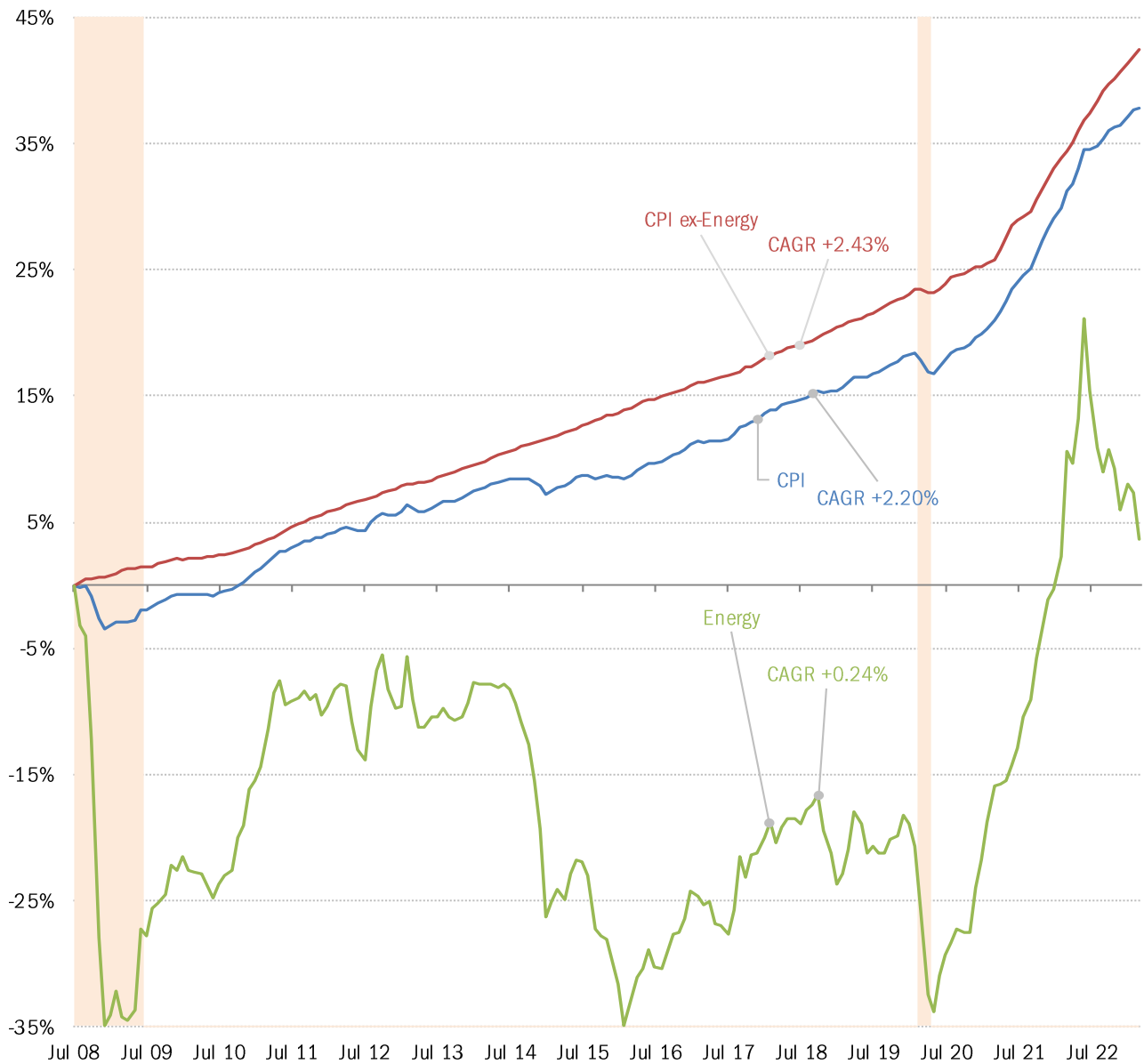
The demography of inflation expectations



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

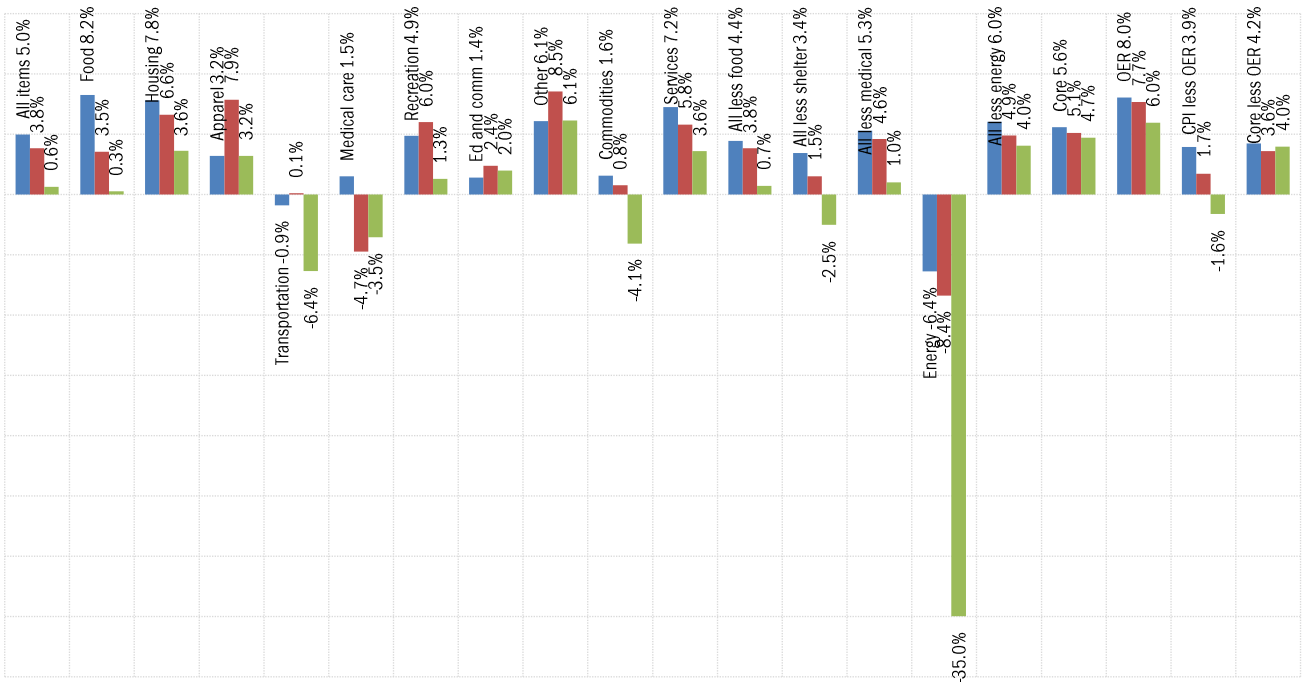
The deflation delusion: it's all about oil, and always has been

Cumulative growth of CPI from July 2008, the all-time high oil price Recession



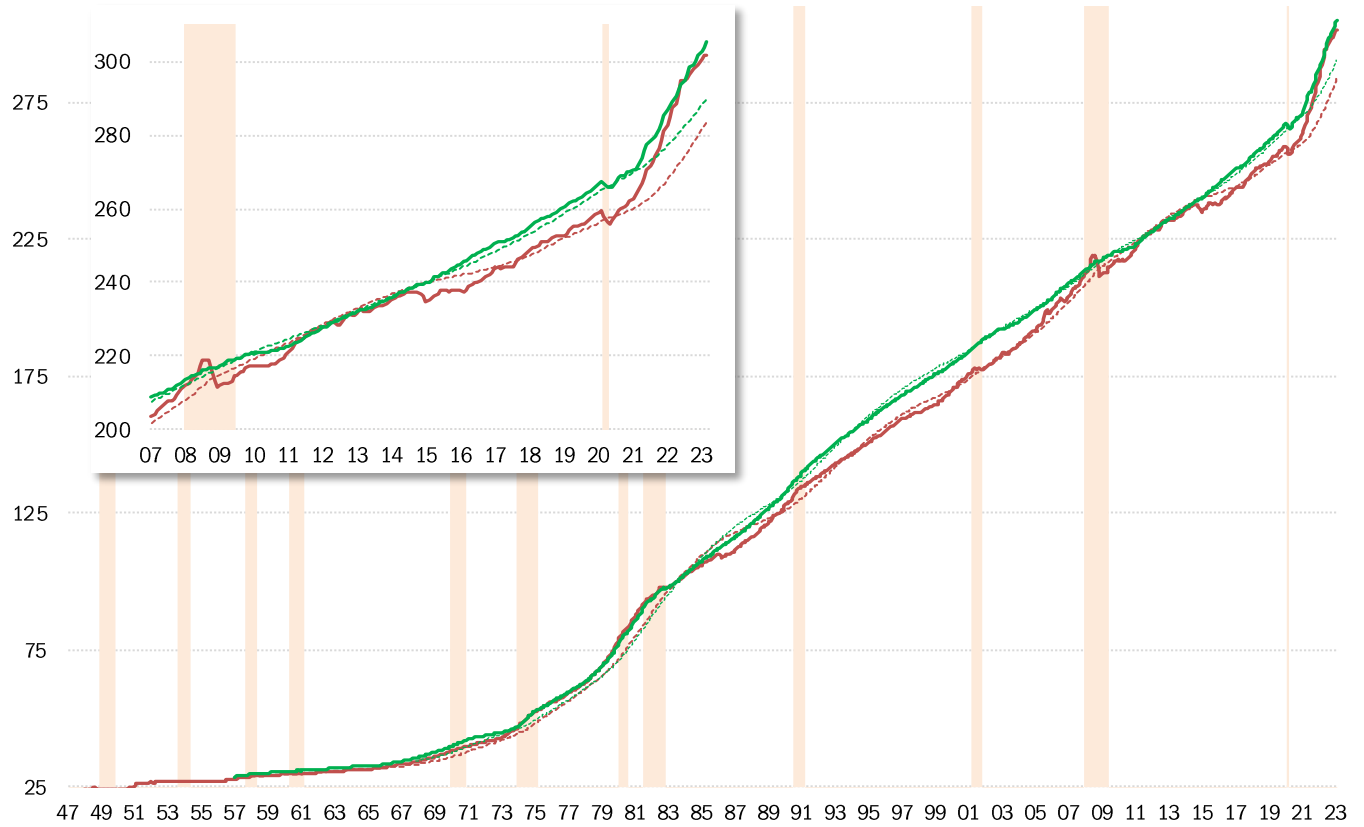
Source: Bloomberg, TrendMacro calculations

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



Source: BLS Consumer Price Index, TrendMacro calculations

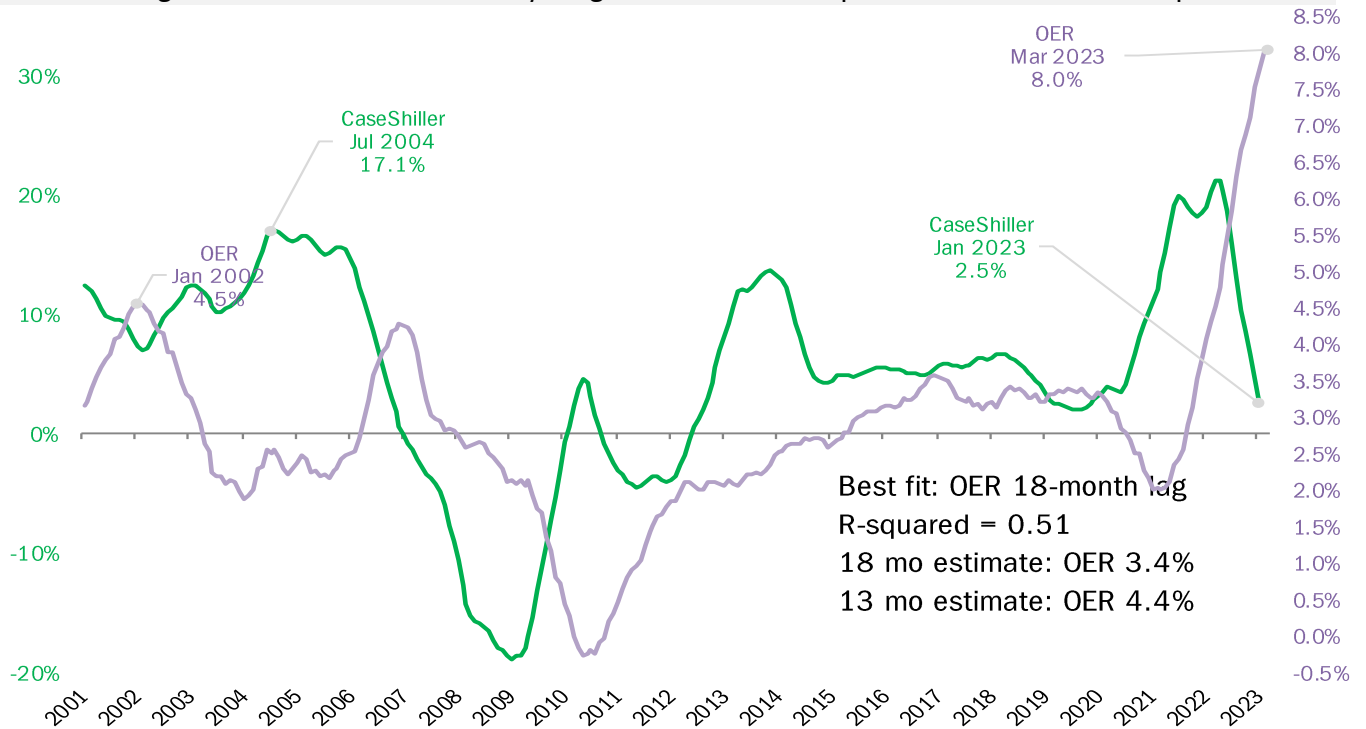
US CPI Core — Level ... 20-year trend ■ Recession



Source: BLS Consumer Price Index, TrendMacro calculations

Housing leads US CPI

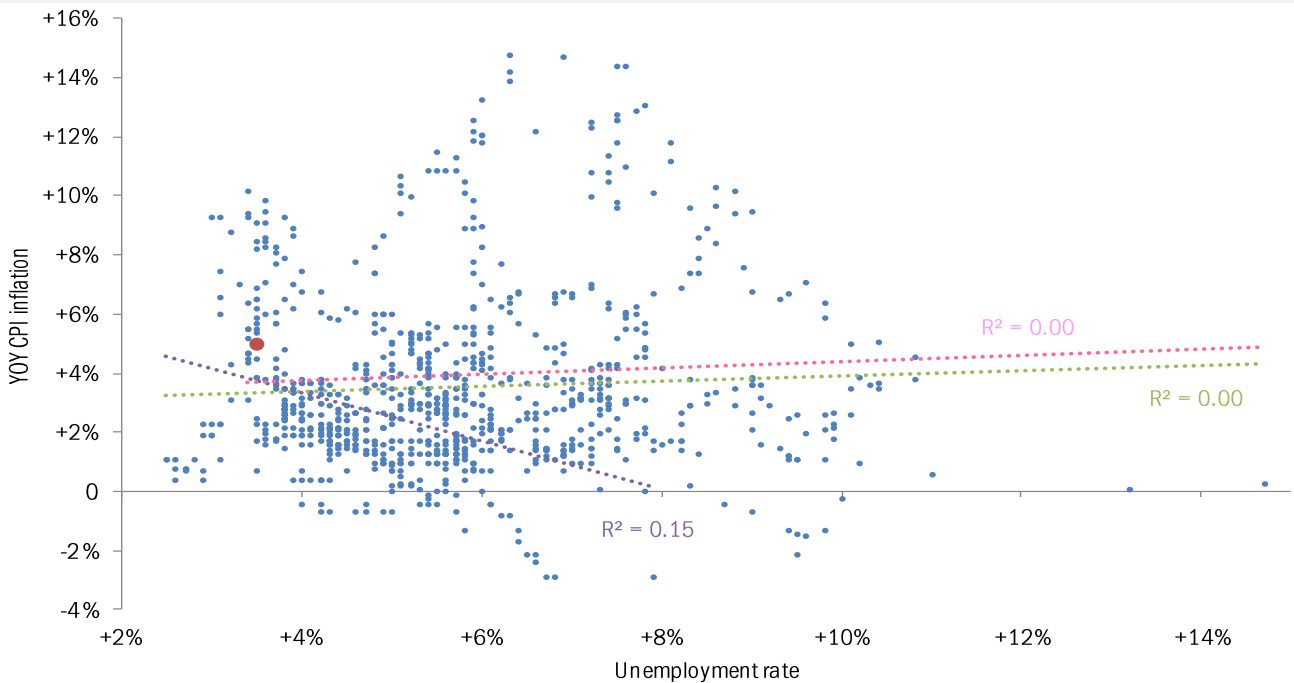
YOY change — Case Shiller 20-city avg — Owner's equivalent rent CPI component



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

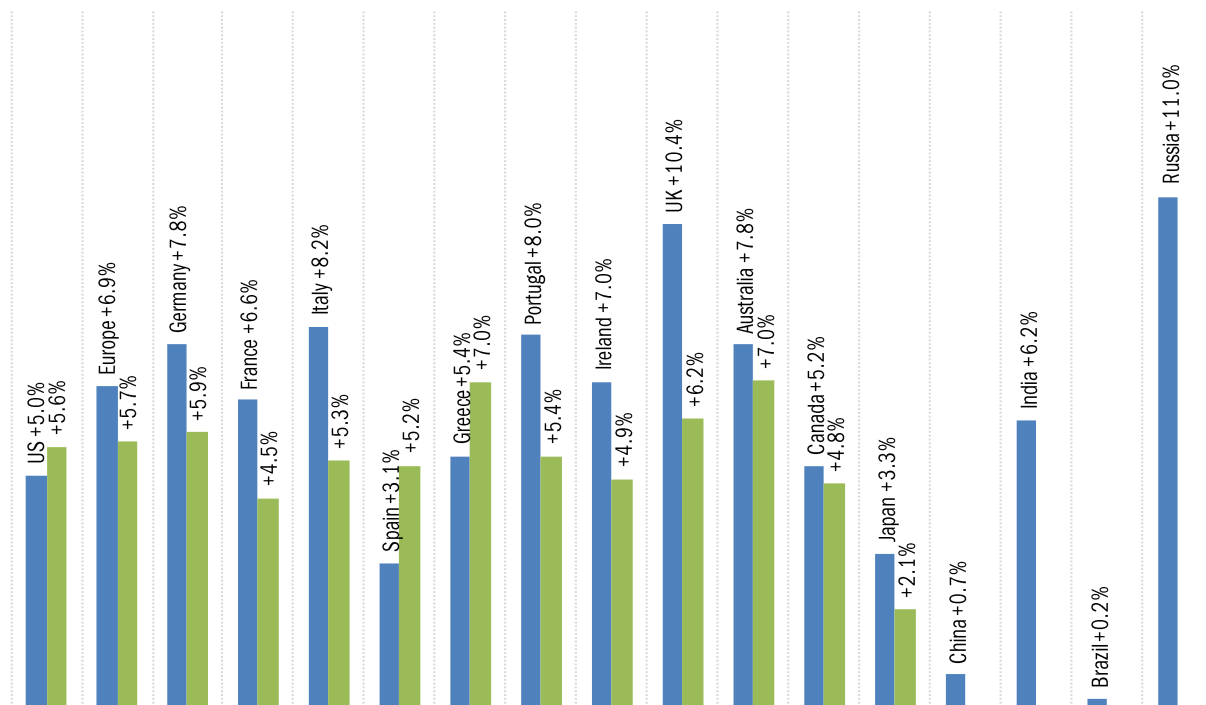
Going, going, gone: the vanishing Phillips Curve

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



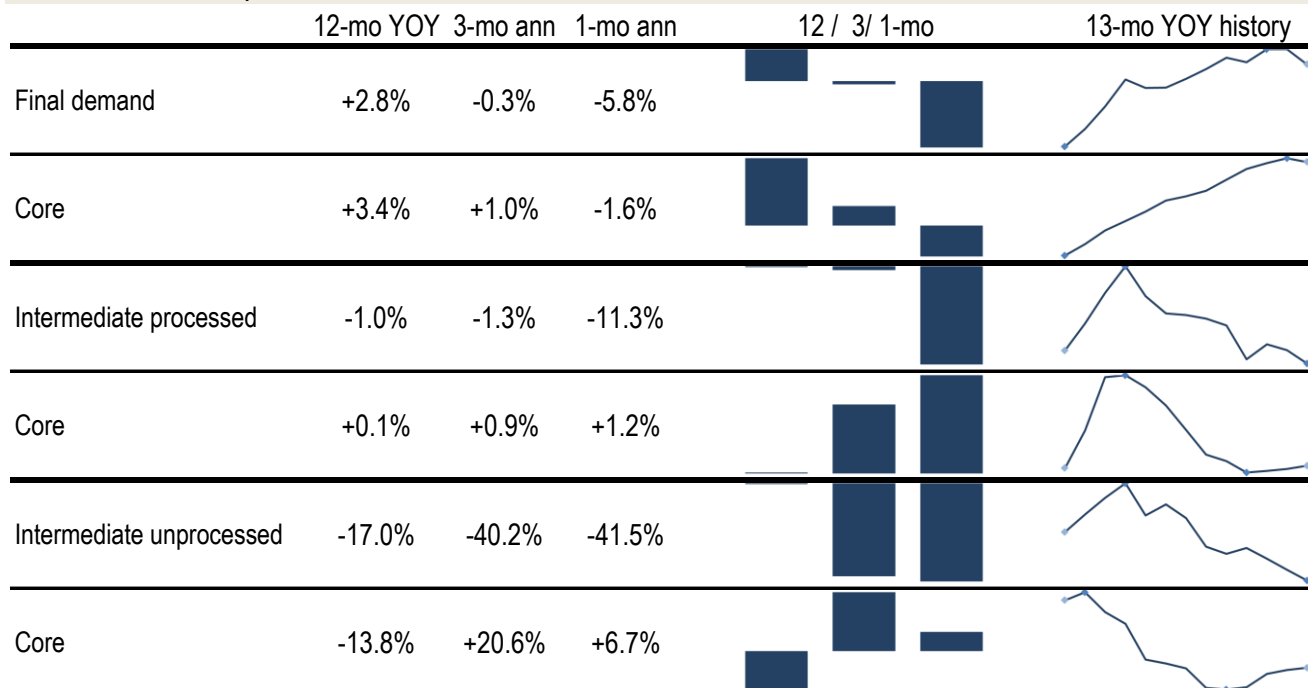
Source: BLS Consumer Price Index, Current Population Survey

Major economies CPI, year on year



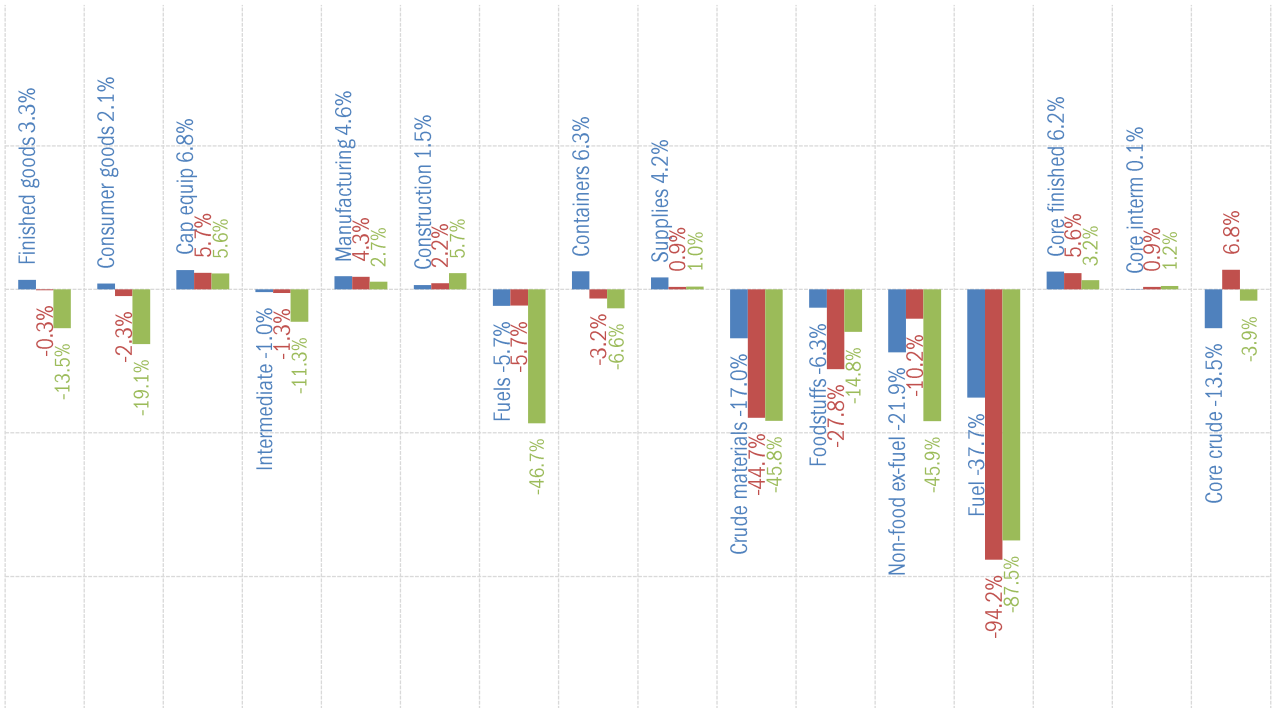
Source: Respective Statistical agencies, TrendMacro calculations

PPI data: what you need to know



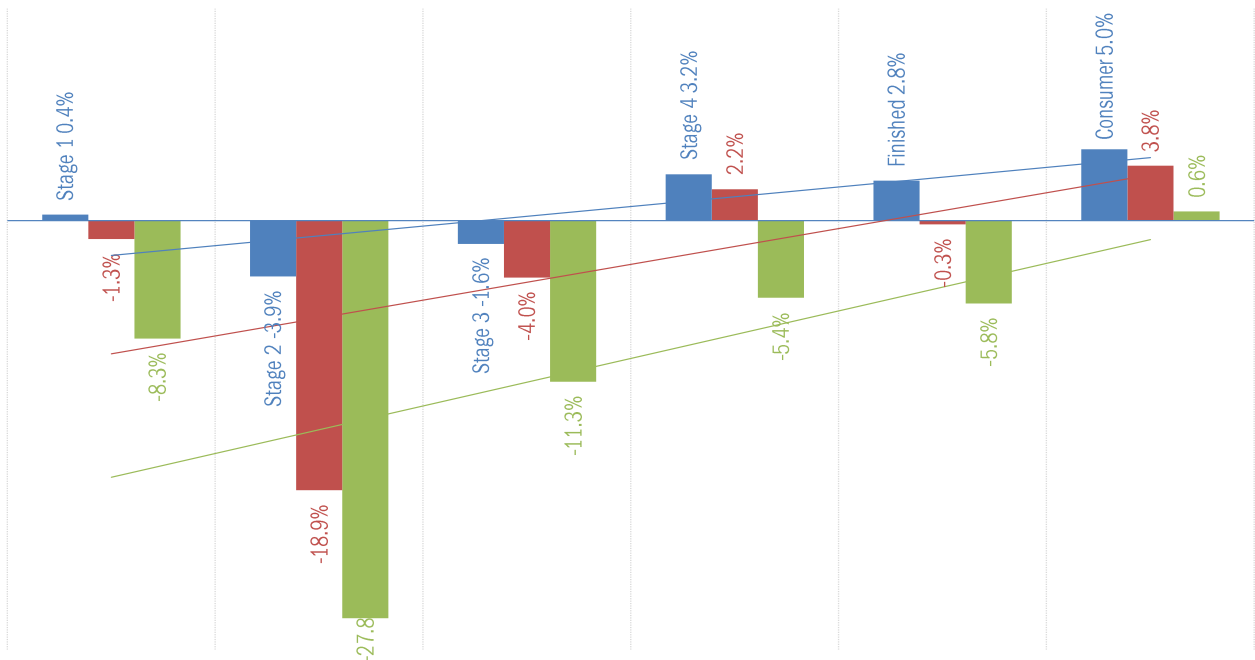
Source: BLS Producer Price Index, TrendMacro calculations

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