Trend Macrolytics, LLC
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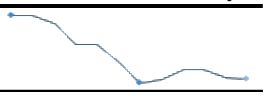
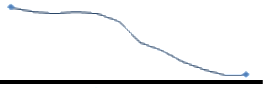
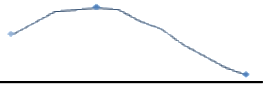
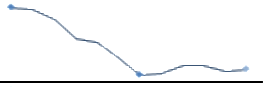
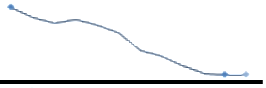
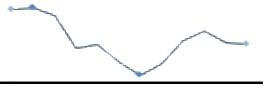
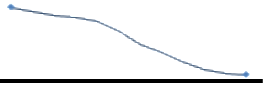
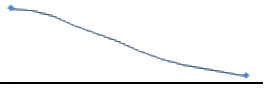
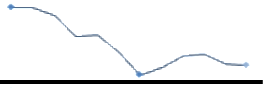
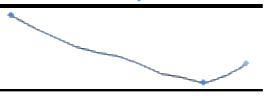
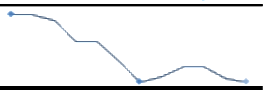
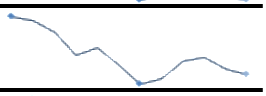
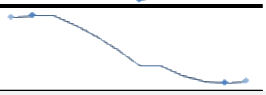
Data Insights: Consumer Price Index, Producer Price Index

Tuesday, December 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	+3.14%	+2.17%	+1.17%		
Core	+4.01%	+3.39%	+3.47%		
OER	+6.68%	+6.50%	+6.69%		
All less OER	+1.78%	+1.40%	+0.55%		
Core less OER	+2.39%	+1.49%	+1.50%		
Energy	-5.38%	-12.33%	-24.30%		
All less energy	+3.84%	+3.34%	+3.36%		
Food	+2.96%	+3.09%	+2.47%		
All less food	+3.14%	+2.03%	+0.93%		
Health care	+0.16%	+4.57%	+7.14%		
All less health care	+3.38%	+1.97%	+0.68%		
Goods	-0.10%	-3.92%	-7.58%		
Services	+5.18%	+5.96%	+6.63%		

Source: BLS Consumer Price Index, TrendMacro calculations

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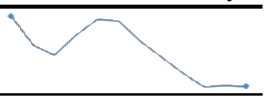
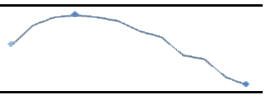
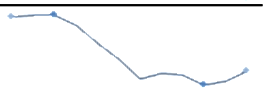
Today's CPI data: what Fed chair Jerome Powell thinks you need to know

"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."

CPI equivalent of the Fed's preferred Personal Consumption Expenditures inflation

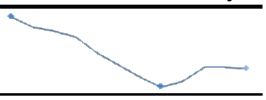
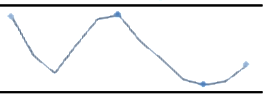
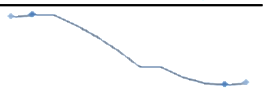
	12-mo YOY	3-mo ann	1-mo ann	12 / 3/ 1-mo	12-mo YOY history
Core goods	-0.04%	-3.08%	-3.57%		
Shelter	+6.53%	+5.86%	+5.50%		
Core services x shelte	+4.89%	+5.62%	+5.81%		

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…"

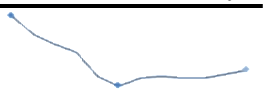
CPI equivalent of the Fed's preferred Personal Consumption Expenditures inflation

	12-mo YOY	3-mo ann	1-mo ann	12 / 3/ 1-mo	12-mo YOY history
Core commodities	-5.75%	+9.05%	-7.94%		
Durable goods	-1.60%	-4.81%	-4.38%		
Services	+5.18%	+5.96%	+6.63%		

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

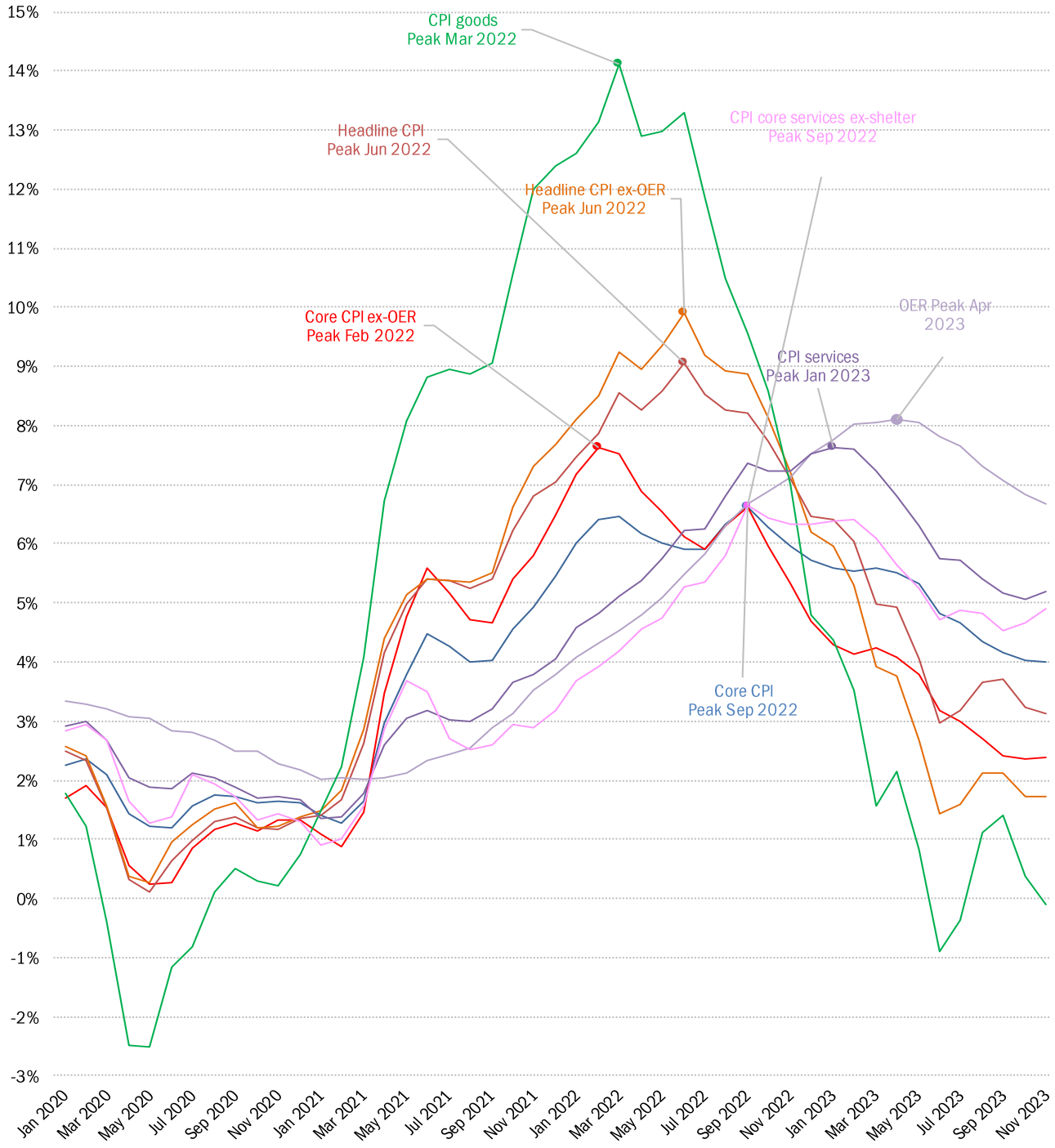
"…inflation is always and everywhere a monetary phenomenon in the sense that it is and can be produced only by a more rapid increase in the quantity of money than in output. However, there are many different possible reasons for monetary growth, including gold discoveries, financing of government spending,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

	12-mo YOY	3-mo ann	1-mo ann	12 / 3/ 1-mo	12-mo YOY history
M2 money supply	-3.30%	-2.62%	-1.69%		

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

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

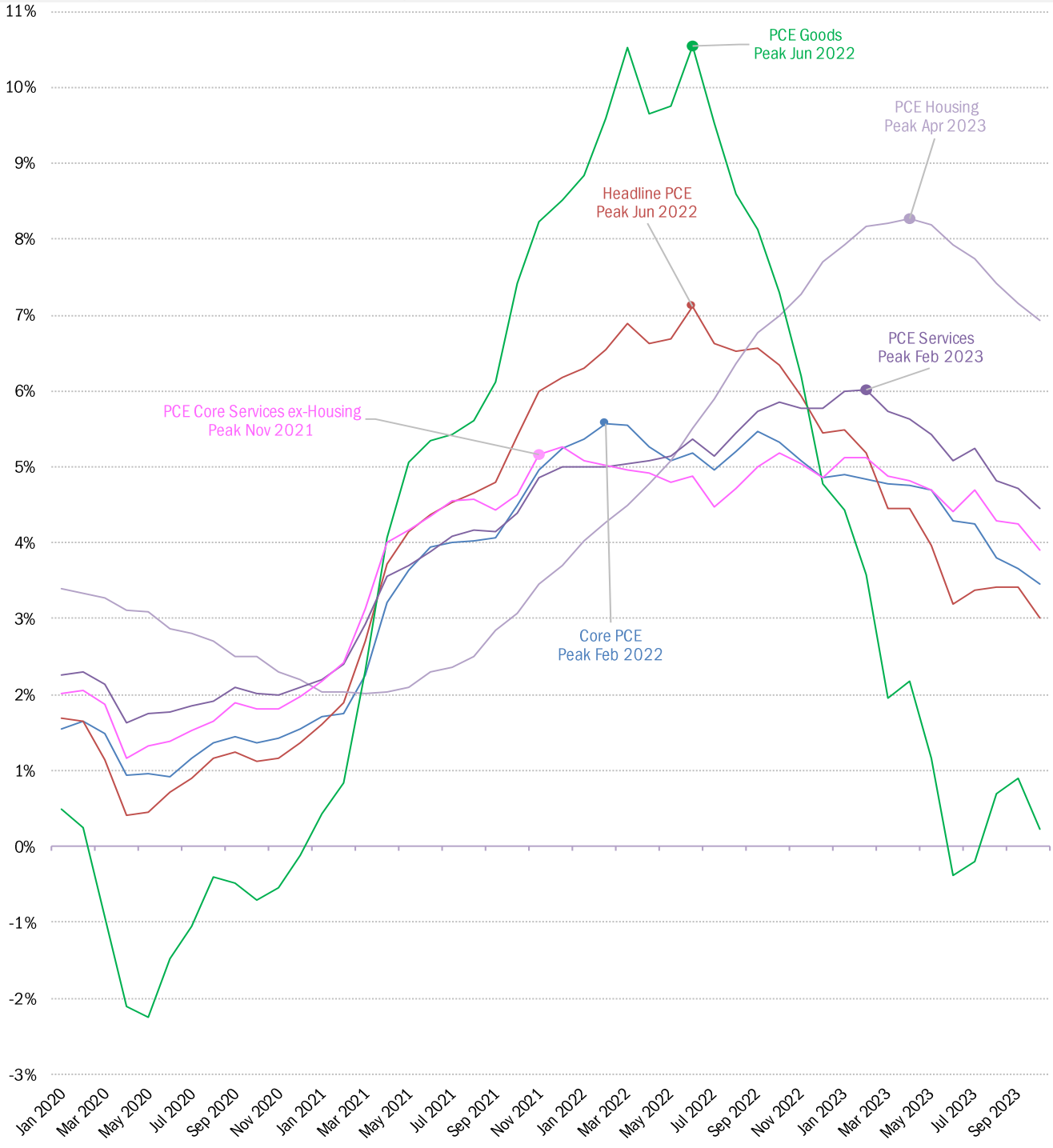
Year-on-year change ● Month of peak



Source: FRB, BLS, US Treasury, TrendMacro calclations

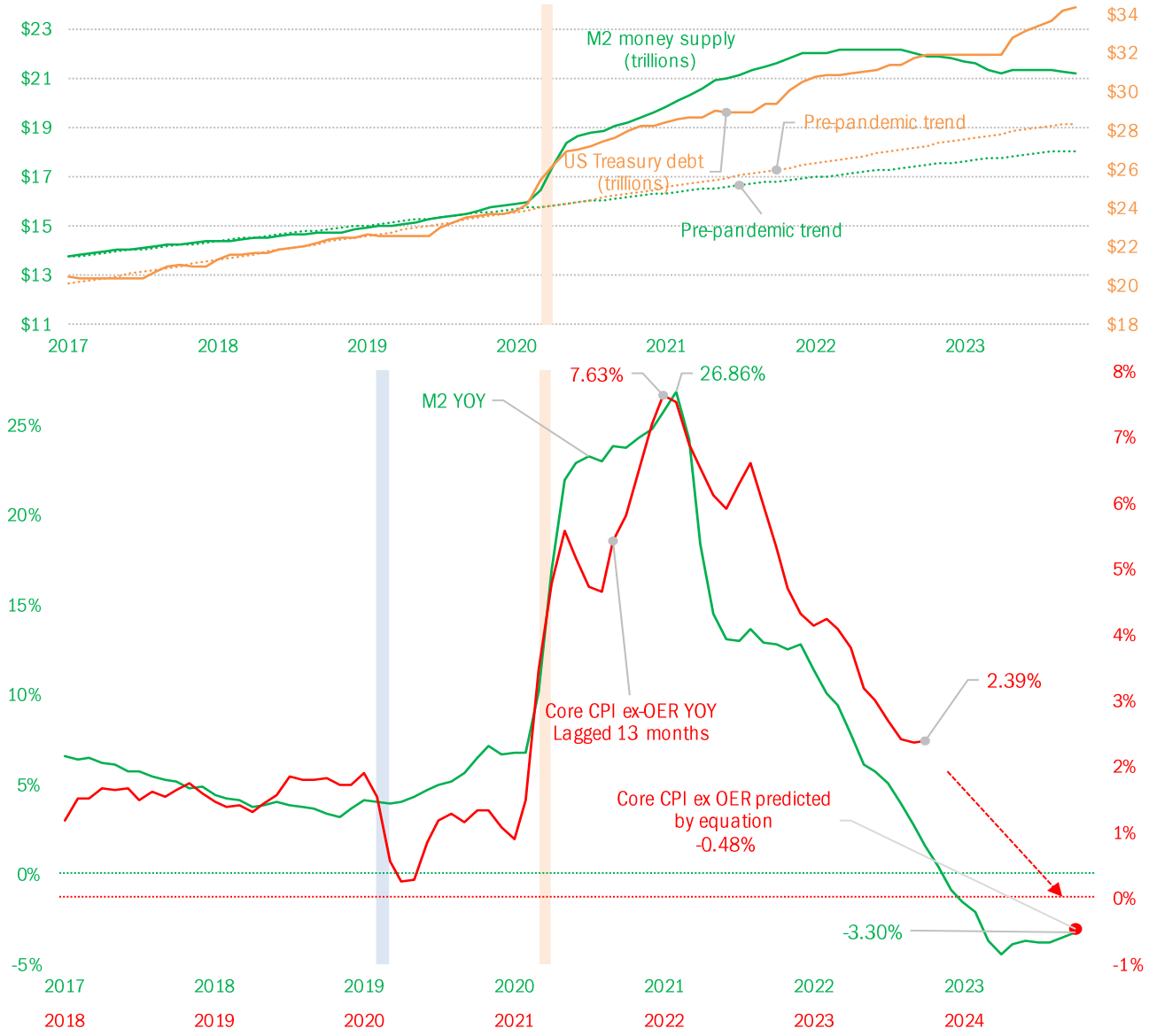
PCE inflation – the Fed's preferred way of tracking the tortoise

Year-on-year change ● Month of peak



Source: FRB, BLS, US Treasury, TrendMacro calclations

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

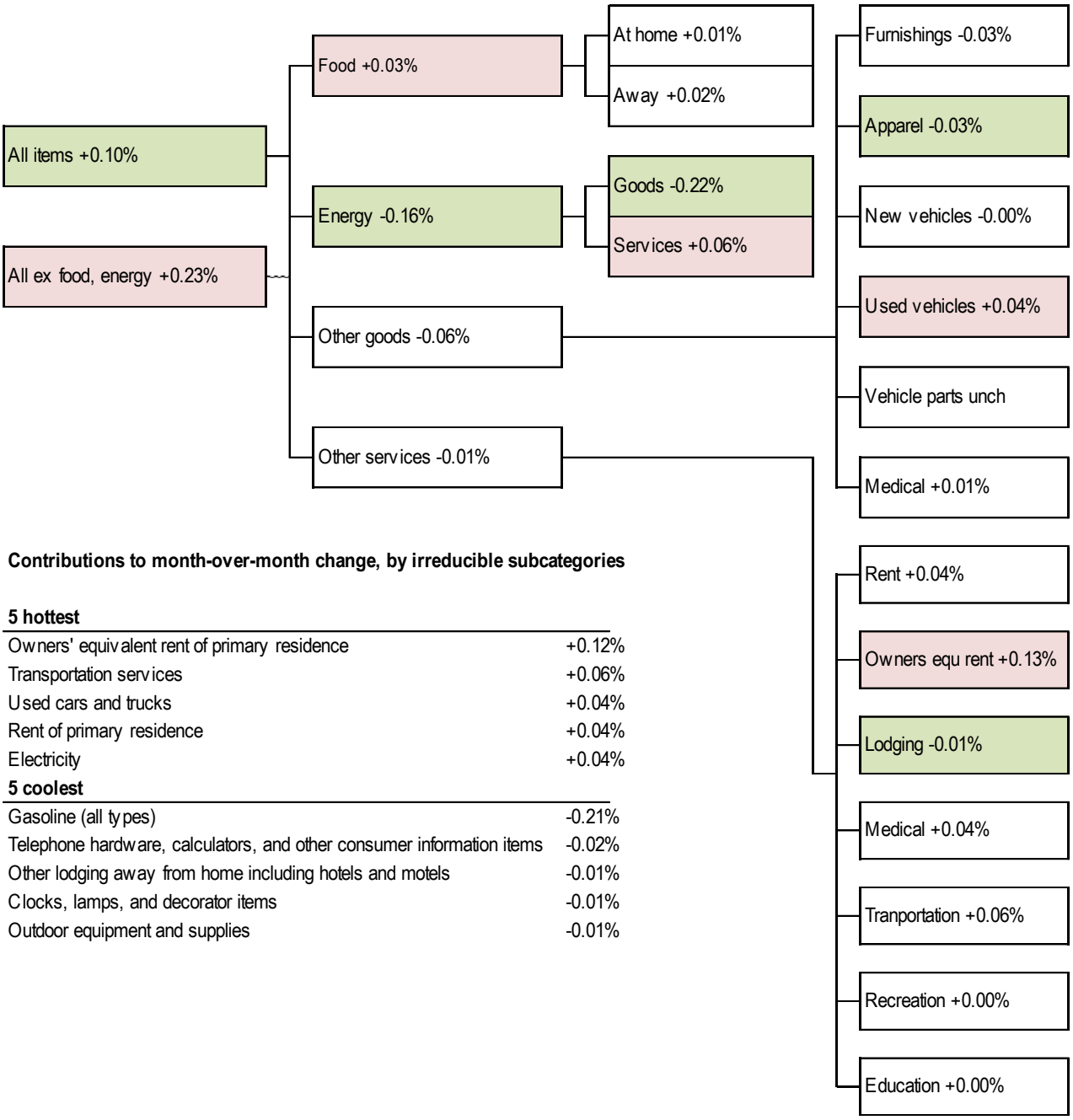


Source: FRB, BLS, US Treasury, TrendMacro calclations

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

Weighted contribution by subcategory

Biggest change per detail-level: positive negative



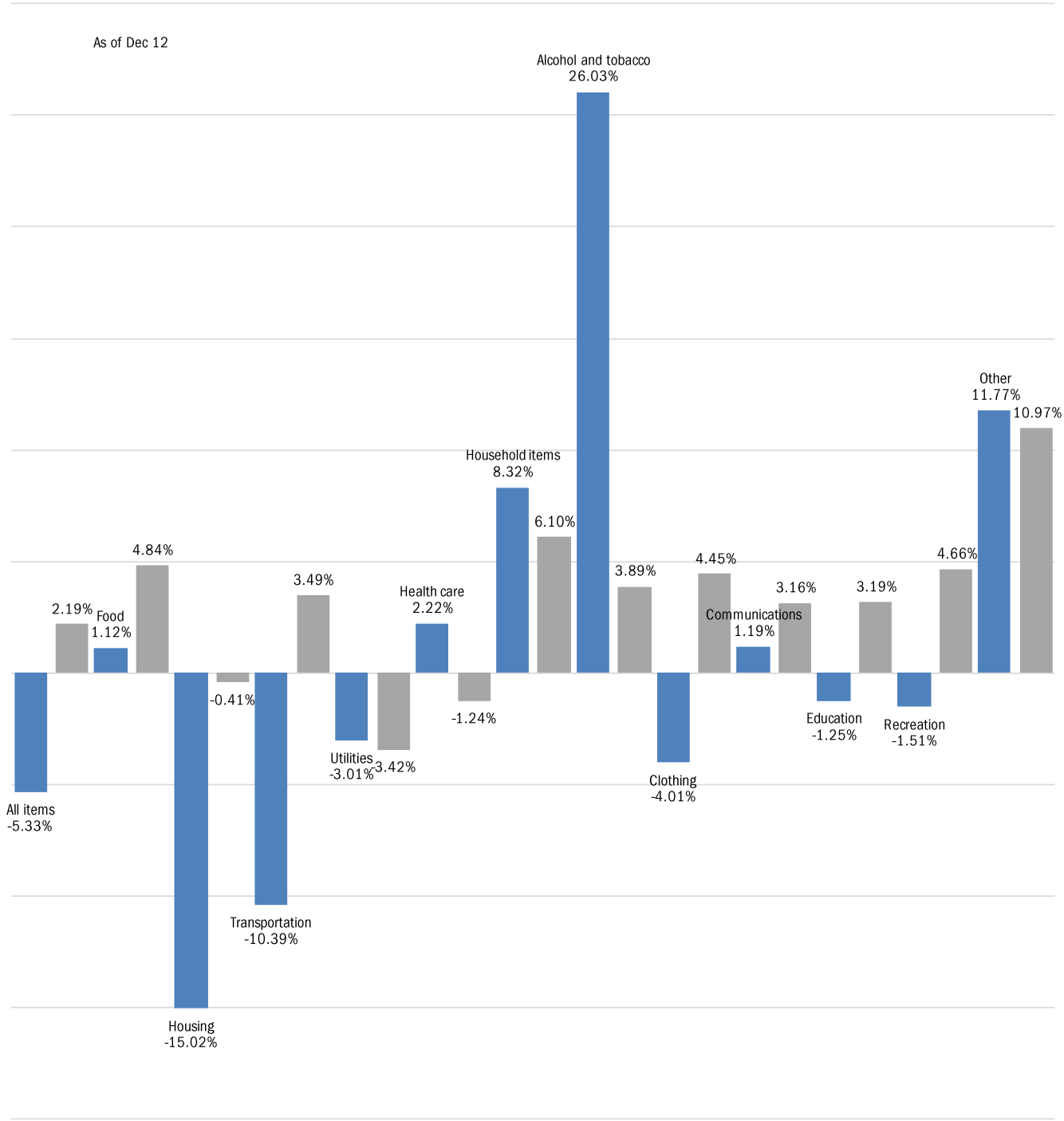
Contributions to month-over-month change, by irreducible subcategories

5 hottest	
Owners' equivalent rent of primary residence	+0.12%
Transportation services	+0.06%
Used cars and trucks	+0.04%
Rent of primary residence	+0.04%
Electricity	+0.04%
5 coolest	
Gasoline (all types)	-0.21%
Telephone hardware, calculators, and other consumer information items	-0.02%
Other lodging away from home including hotels and motels	-0.01%
Clocks, lamps, and decorator items	-0.01%
Outdoor equipment and supplies	-0.01%

Source: BLS Consumer Price Index, TrendMacro calculations

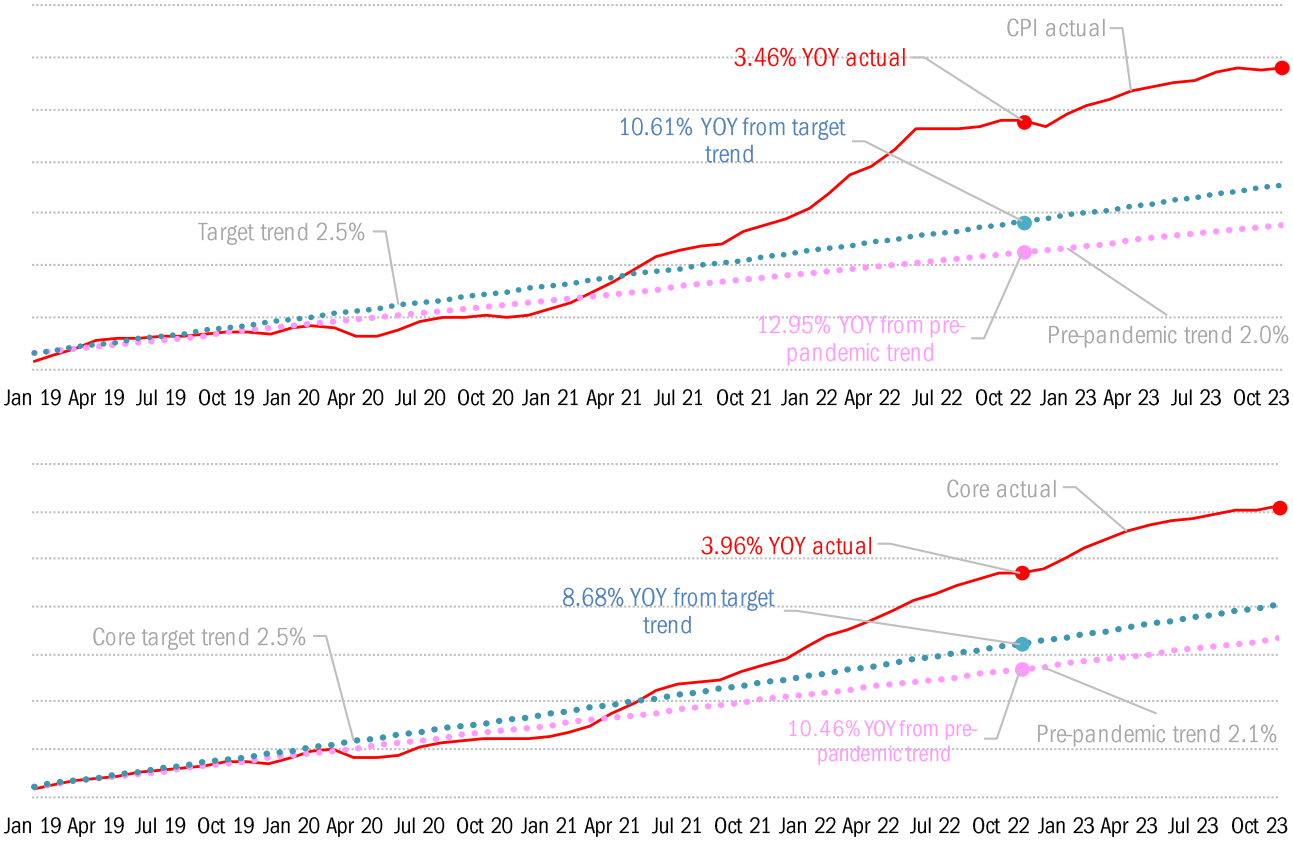
Inflation in real time, based on Truflation's daily telemetry

■ Trailing 31-day consumer price inflation, annual rate ■ Trailing 365-day



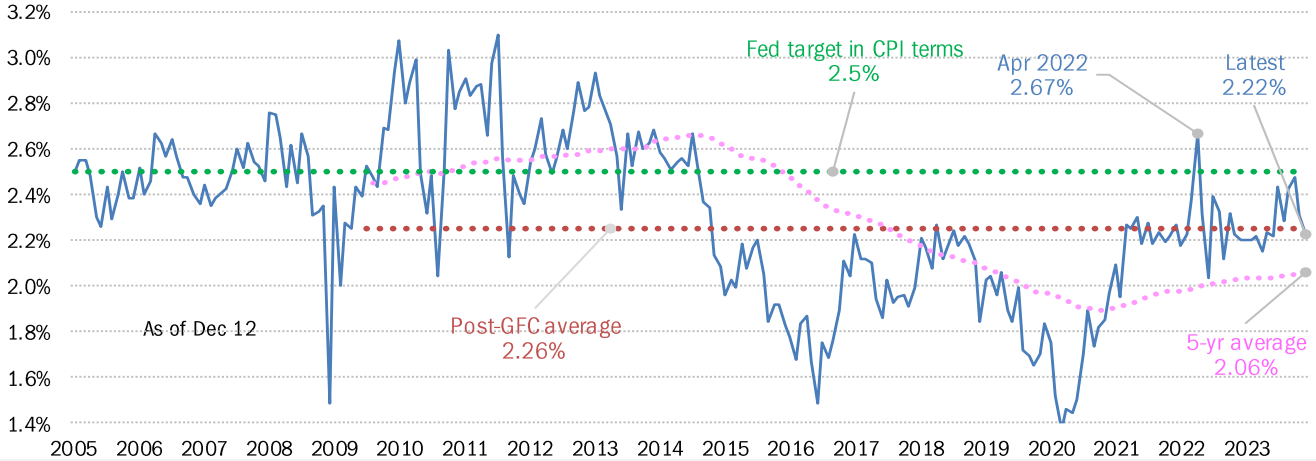
Source: Truflation, TrendMacro calculations

"Transitory," "base-effect" or "optimal control"?
This month's data in context with the pre-pandemic and ideal 12-month trends



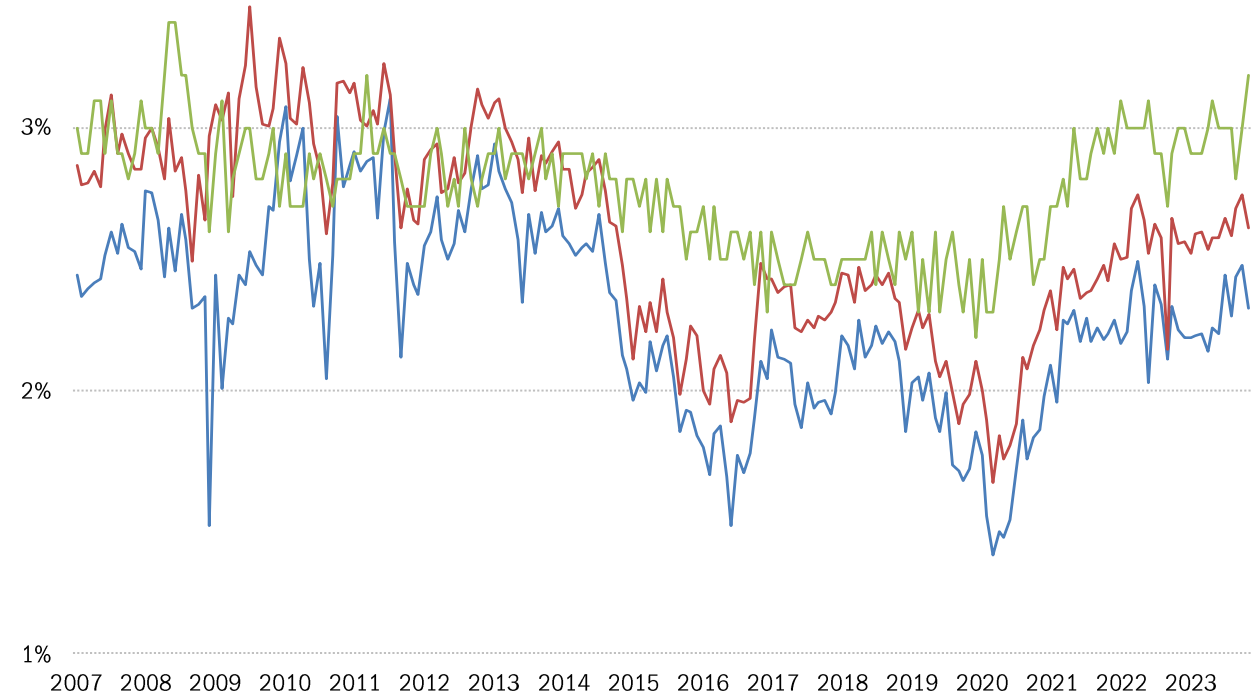
Source: Bureau of Labor Statistics, TrendMacro calclations

*Un*hinged? Or *too* hinged?
5-year 5-year-forward TIPS breakeven



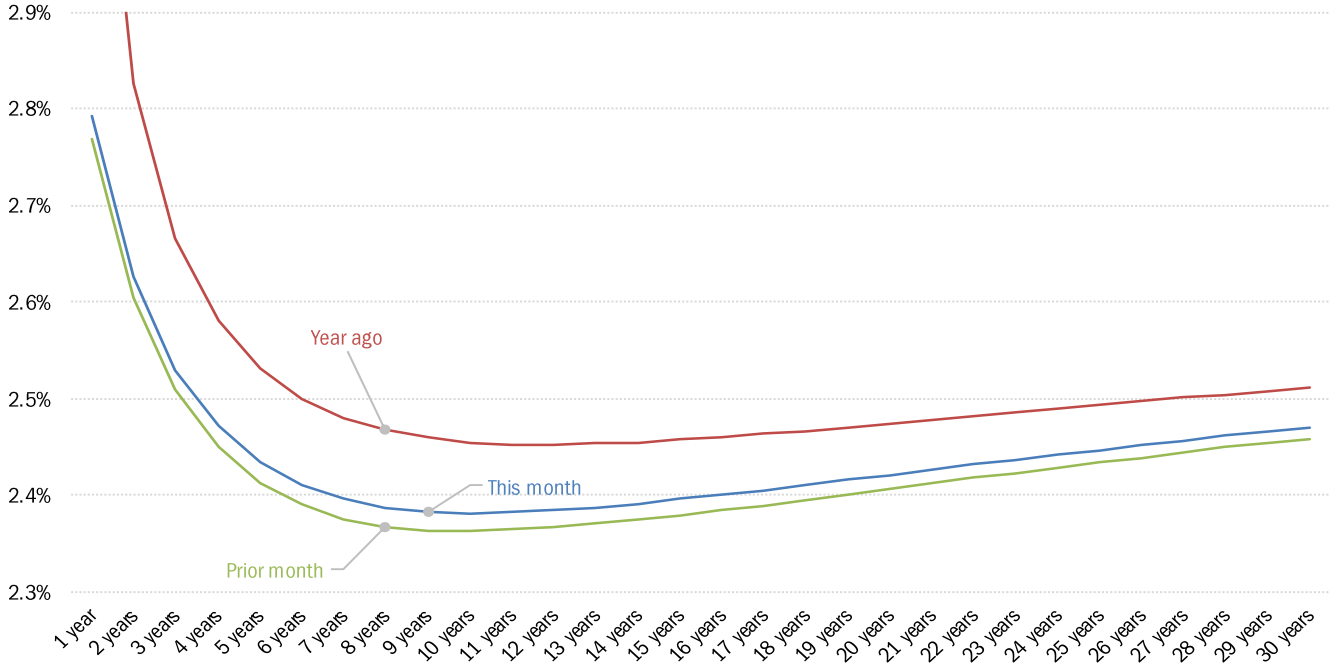
Source: Bloomberg, TrendMacro calclations

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



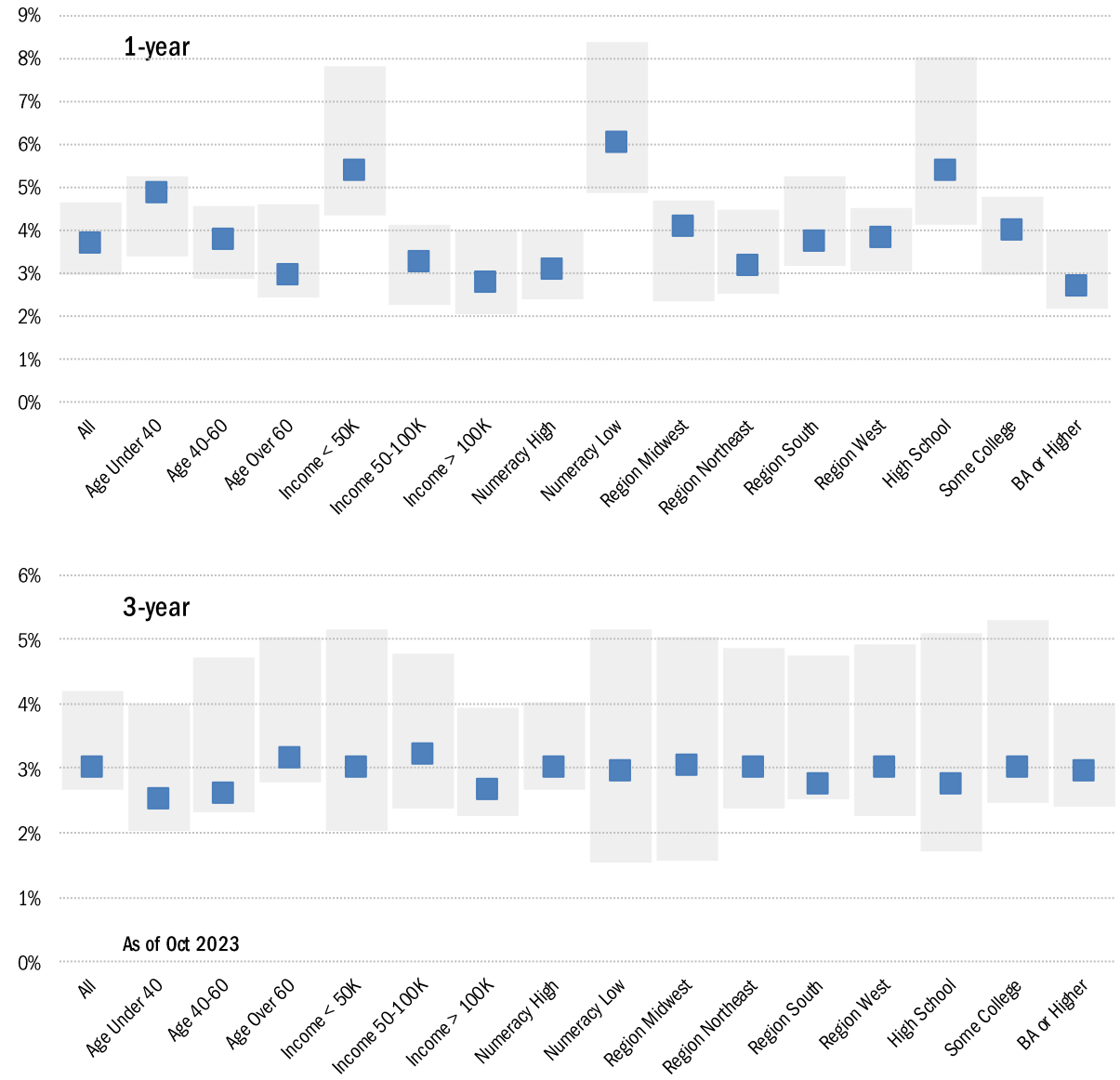
Source: Bloomberg, TrendMacro calculations

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



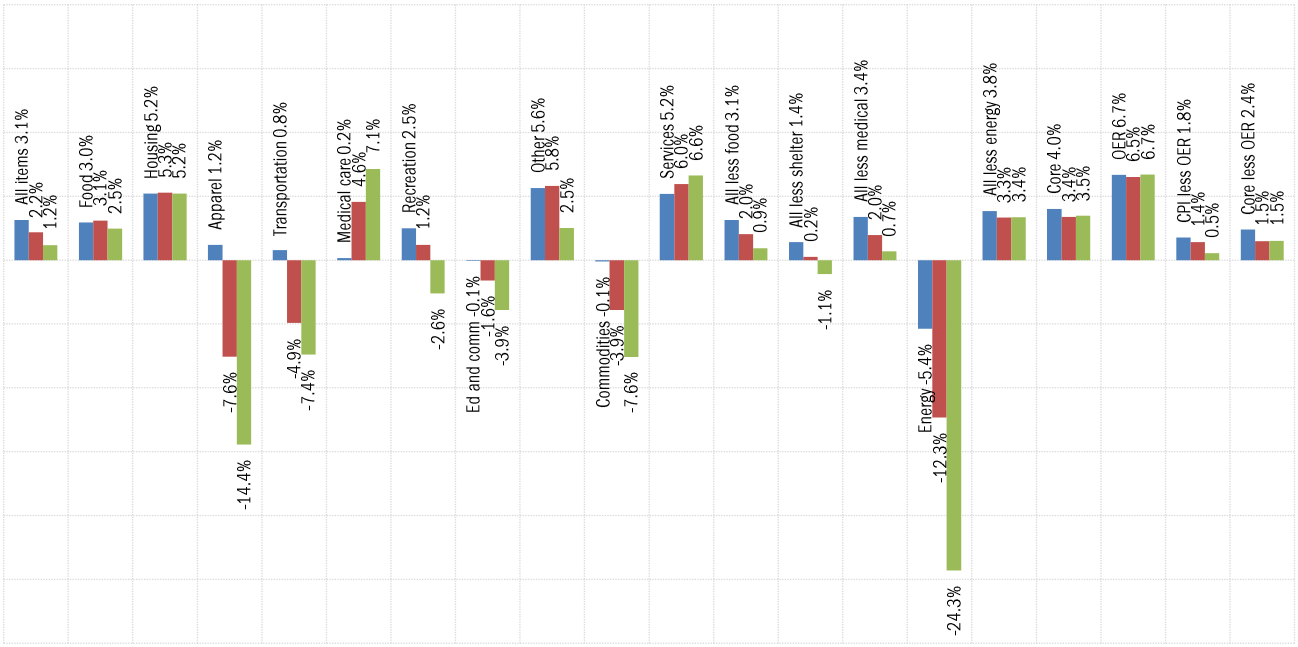
Source: Cleveland Fed, TrendMacro calculations

The demography of inflation expectations



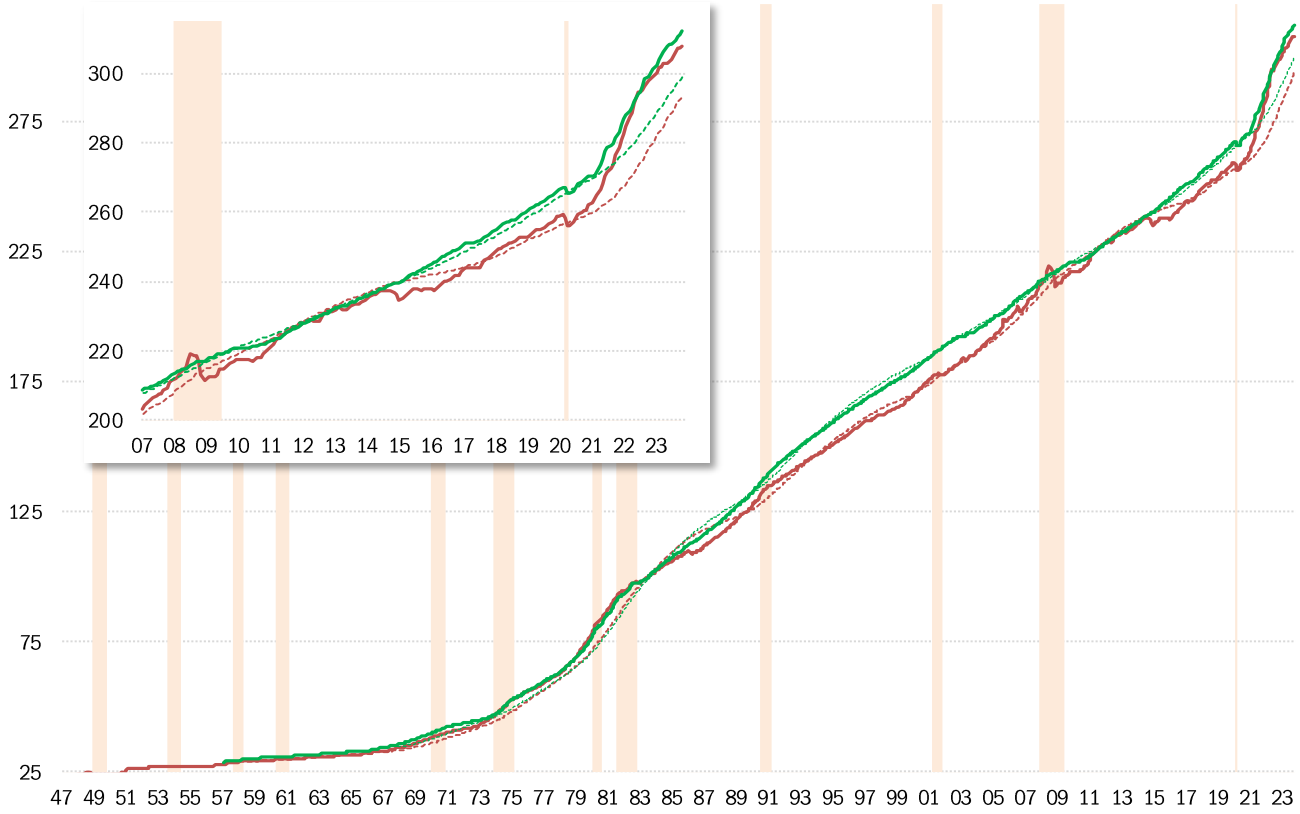
Source: New York Fed Survey of Consumer Expectations, TrendMacro calclations

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



Source: BLS Consumer Price Index, TrendMacro calculations

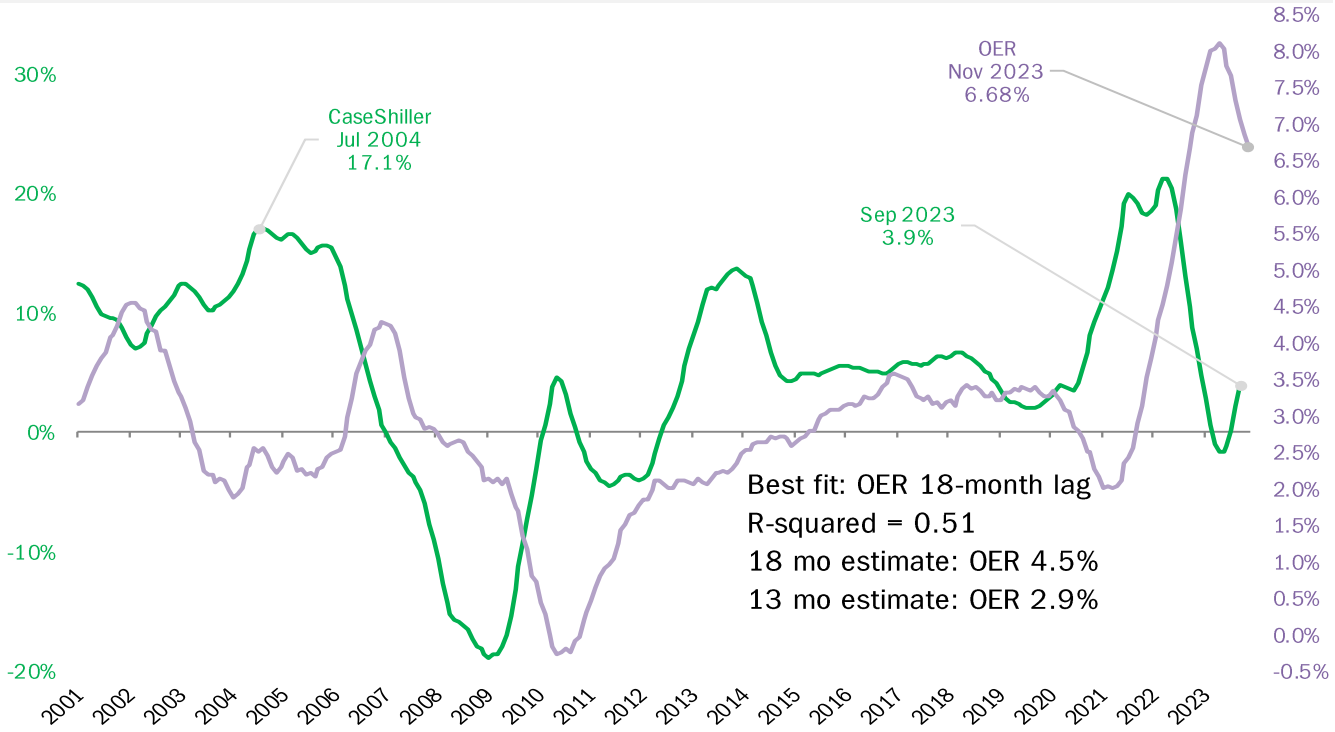
US CPI Core —Level •••20-year trend Recession



Source: BLS Consumer Price Index, TrendMacro calculations

Housing leads US CPI

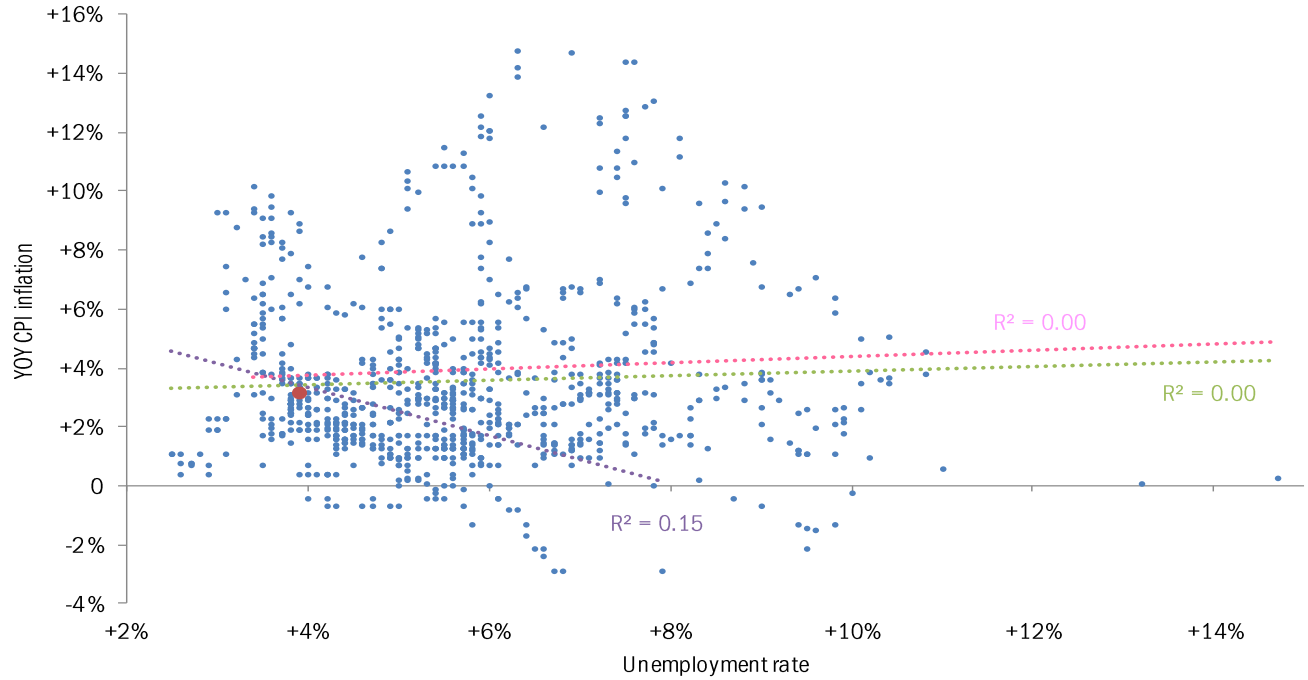
YOY change — Case Shiller 20-city avg — Owner's equivalent rent CPI component



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

Going, going, gone: the vanishing Phillips Curve

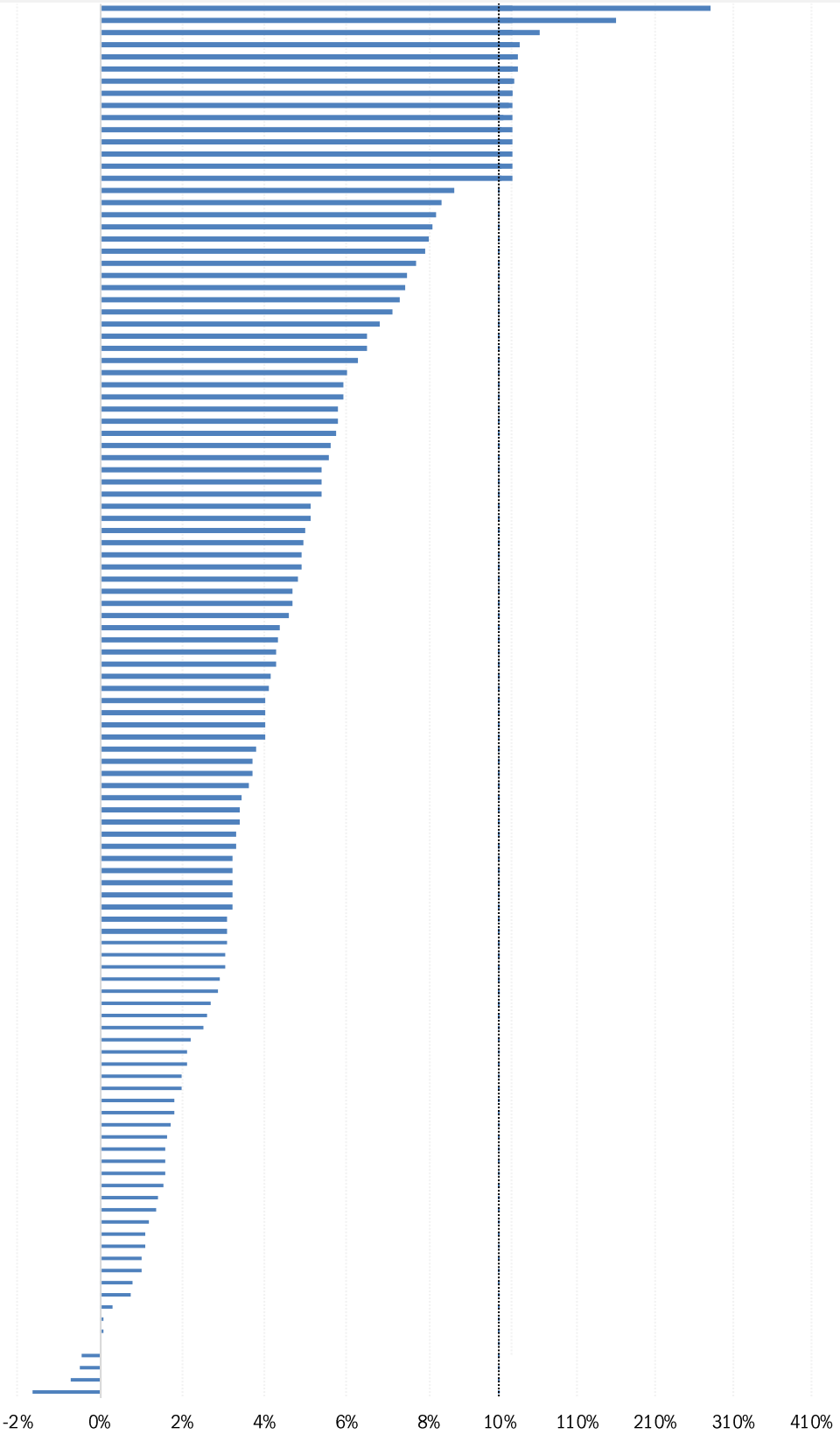
● Latest Linear trend: Pre-74 Post-74 All



Source: BLS Consumer Price Index, Current Population Survey

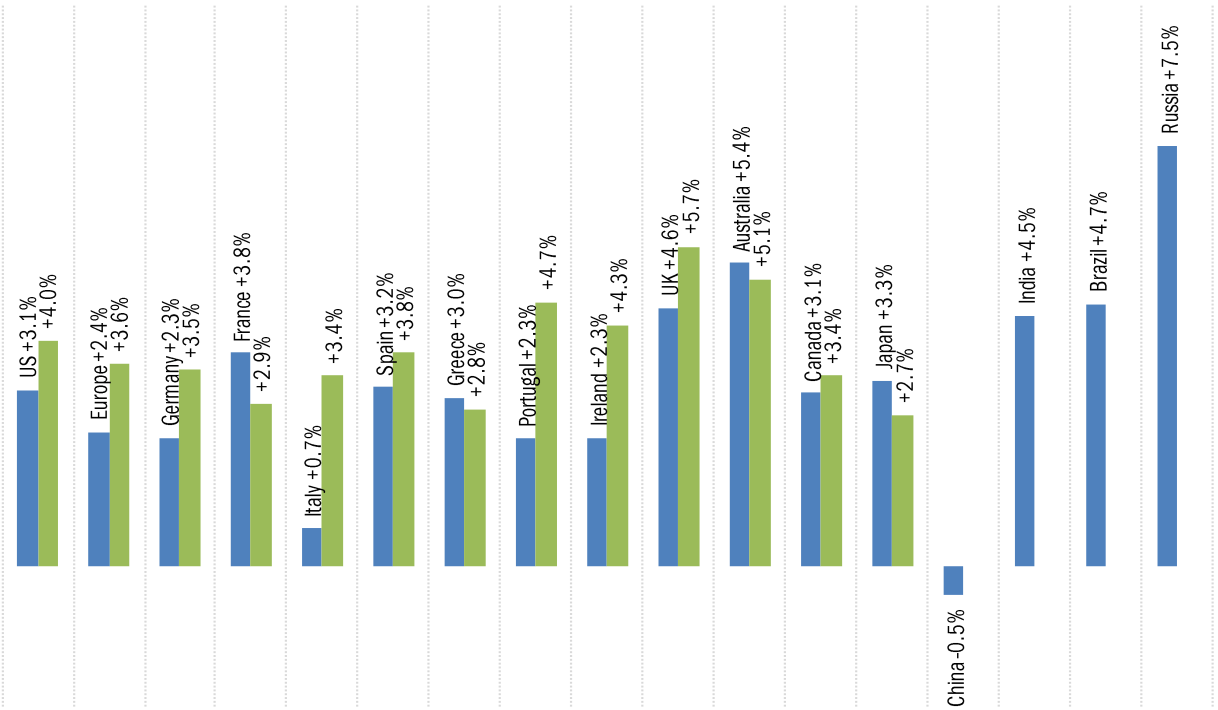
World CPI, headline, year-on-year

Source: Bloomberg, TrendMacro calclations



Venezuela	282.8%
Argentina	160.6%
Turkey	62.0%
Iran	37.4%
Ghana	35.2%
Egypt	34.6%
Pakistan	29.2%
Nigeria	27.3%
Zimbabwe	21.6%
Angola	16.6%
Azerbaijan	13.9%
Zambia	12.9%
Serbia	12.0%
Kazakhstan	10.3%
Colombia	10.2%
Moldova	8.6%
Tunisia	8.3%
Algeria	8.2%
Romania	8.1%
Iceland	8.0%
Hungary	7.9%
Bangladesh	7.7%
Russia	7.5%
Nepal	7.4%
Czech Republic	7.3%
Slovakia	7.1%
Kenya	6.8%
Sweden	6.5%
Poland	6.5%
Myanmar	6.3%
Nicaragua	6.0%
South Africa	5.9%
Jamaica	5.9%
Bulgaria	5.8%
Croatia	5.8%
Namibia	5.7%
New Zealand	5.6%
India	5.6%
Australia	5.4%
Belarus	5.4%
Austria	5.4%
Ukraine	5.1%
Ireland	5.1%
Honduras	5.0%
Uruguay	5.0%
Slovenia	4.9%
Finland	4.9%
Chile	4.8%
Singapore	4.7%
Brazil	4.7%
United Kingdom	4.6%
Belize	4.4%
Mexico	4.3%
Morocco	4.3%
Guatemala	4.3%
Malta	4.2%
Philippines	4.1%
Mauritius	4.0%
Fiji	4.0%
Estonia	4.0%
Dominican Republic	4.0%
Kuwait	3.8%
Iraq	3.7%
Israel	3.7%
Peru	3.6%
Vietnam	3.5%
France	3.4%
Sri Lanka	3.4%
Japan	3.3%
South Korea	3.3%
Cambodia	3.2%
Germany	3.2%
Tanzania	3.2%
Spain	3.2%
Paraguay	3.2%
Canada	3.1%
United States of America	3.1%
Botswana	3.1%
Luxembourg	3.0%
Greece	3.0%
Taiwan	2.9%
Indonesia	2.9%
Hong Kong	2.7%
Uganda	2.6%
Qatar	2.5%
Bahamas	2.2%
El Salvador	2.1%
Panama	2.1%
Cape Verde	2.0%
Lithuania	2.0%
Malaysia	1.8%
Bosnia and Herzegovina	1.8%
Cyprus	1.7%
Saudi Arabia	1.6%
Netherlands	1.6%
Portugal	1.6%
Bolivia	1.6%
Ecuador	1.5%
Switzerland	1.4%
North Macedonia	1.4%
Trinidad and Tobago	1.2%
Macau	1.1%
Barbados	1.1%
United Arab Emirates	1.0%
Latvia	1.0%
Italy	0.8%
Belgium	0.8%
Oman	0.3%
Armenia	0.1%
Georgia	0.1%
Bahrain	0.0%
Thailand	-0.4%
China	-0.5%
Kyrgyz Republic	-0.7%
Costa Rica	-1.6%

Major economies CPI, year on year



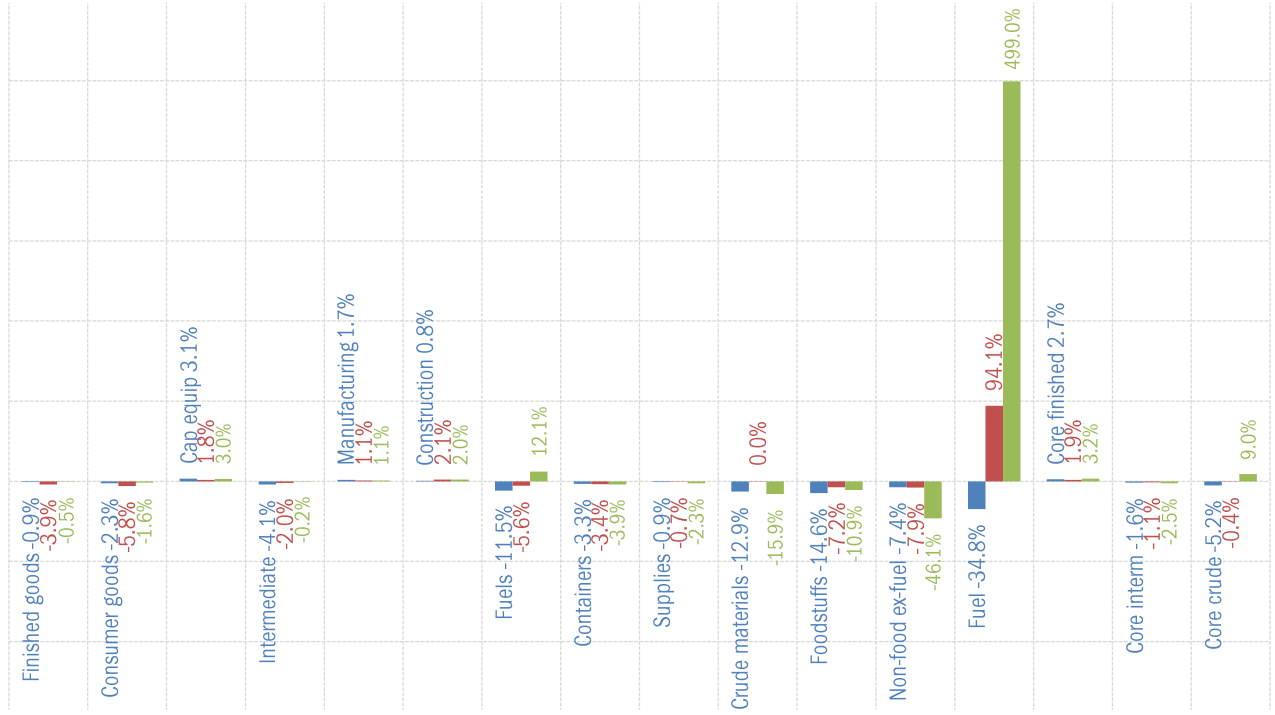
Source: Respective Statistical agencies, TrendMacro calculations

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	+0.85%	-0.19%	-0.07%		
Core	+1.96%	+0.92%	+0.38%		
Intermediate processed	-4.09%	-2.03%	-0.19%		
Core	-1.62%	-1.14%	-2.54%		
Intermediate unprocessed	-13.10%	-3.08%	-9.82%		
Core	-5.26%	-3.76%	+10.34%		

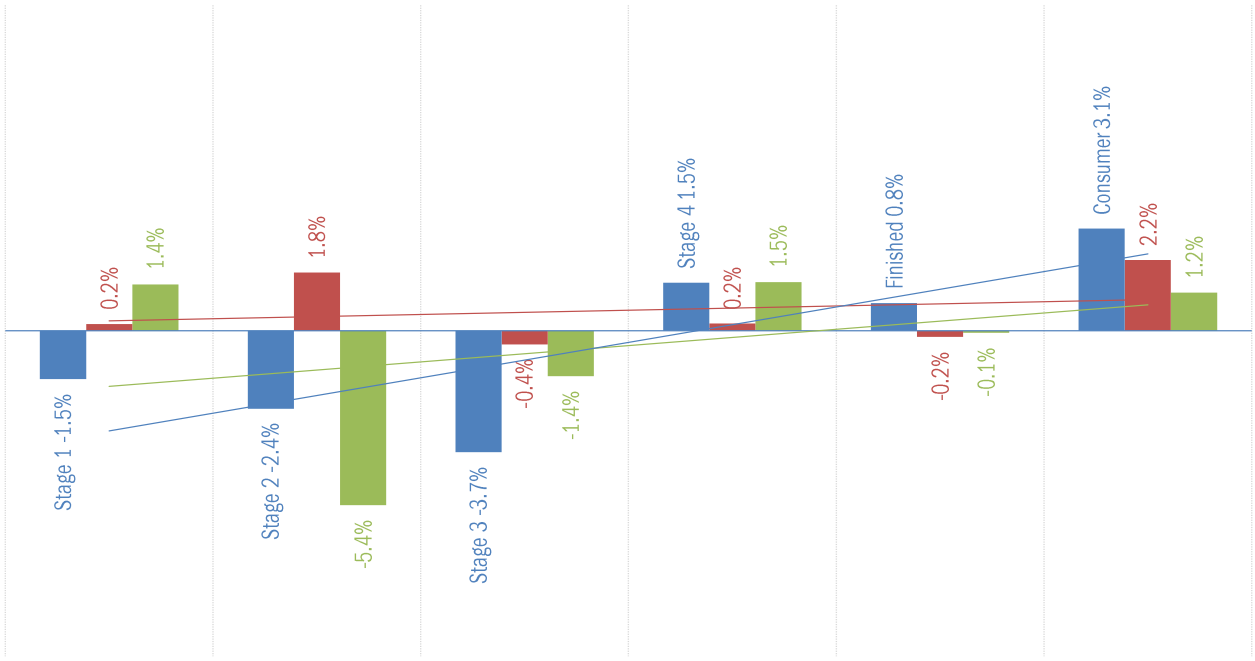
Source: BLS Producer Price Index, TrendMacro calculations

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