

U.S. Data Review

- CPI: higher energy and food prices; core price increase modestly

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

Consumer Price Index

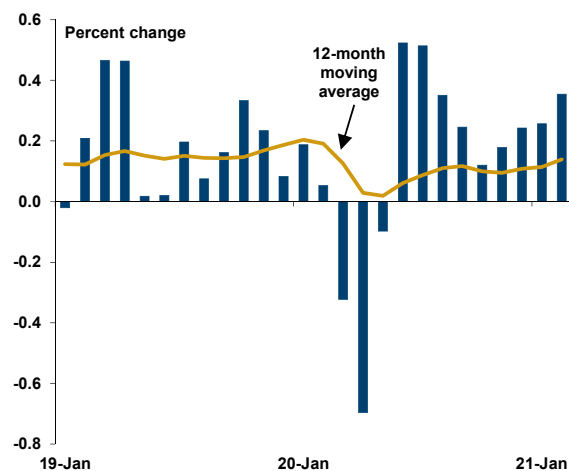
The increase of 0.4 percent in the headline CPI in February matched expectations, although the change almost rounded down to 0.3 percent (0.355 percent; chart, left). Core prices rose modestly (0.1 percent), with the advance missing the expected increase of 0.2 percent. The core CPI has now been flat or up 0.1 percent in four of the past five months, averaging monthly increases of 0.085 percent over the five-month span (chart, right).

The advance in the headline CPI was led by the energy component (3.9 percent). Prices of fuel oil and gasoline rose sharply (up 9.9 percent and 6.4 percent, respectively), but prices of energy services also were firm (charges for electricity and natural gas services rose 0.9 percent). Food prices increased moderately, as both prices of food for home consumption and costs of food away from home rose (0.3 percent and 0.1 percent, respectively).

The core CPI showed a range of shifts in prices, with the Covid pandemic continuing to exert a notable influence on several components. On the soft side, slack demand again weighted on travel-related areas, with fares dropping 5.1 percent and hotel fees falling 2.7 percent. In addition, apparel prices, which fell for much of last year as people stayed home, saw a hint of pressure in the prior three months, but resumed discounting in February (-0.7 percent). New and used motor vehicle prices, which came under pressure early in the pandemic as preferences moved away from public transportation, have eased more recently. Prices of used vehicles eased for the fourth consecutive month in February (-0.9 percent) and prices of new vehicles were flat after slipping in January. On the firm side, increases in rents quickened slightly (up 0.2 percent after averaging increases of 0.1 percent in the prior six months). Also, recreation services showed a firm increase (0.6 percent), but the change in part reflected noise as prices of admission to venues and events rose firmly after dropping in the prior two months.

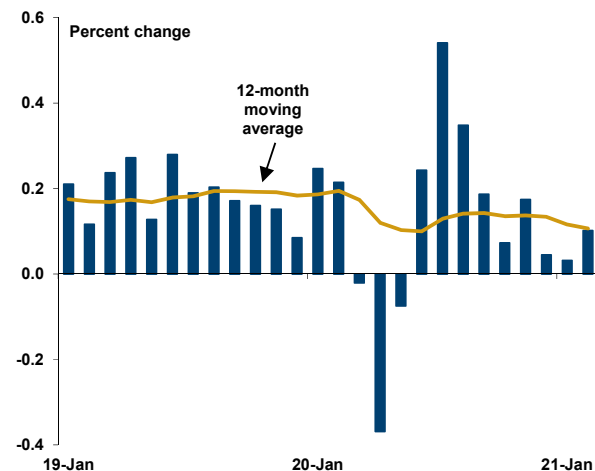
On a year-over-year basis, the headline CPI increased three ticks in February to 1.7 percent, the firmest reading in recent months, but trailing the 2.5 percent registered in January 2020. The year-over-year increase in the core CPI slipped to 1.3 percent from 1.4 percent, and it was down noticeably from a reading of 2.4 percent in February 2020.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.