U.S. Data Review

- CPI: another broad-based increase

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Consumer Prices

On the bright side, the consumer price index did not provide any surprises in February, as the increases in both the headline and core measures matched expectations. On the dark side, those increases were rapid: 0.8 percent overall and 0.5 percent excluding food and energy. The latest monthly changes left the year-over-year advances at 7.9 percent total and 6.4 percent core.

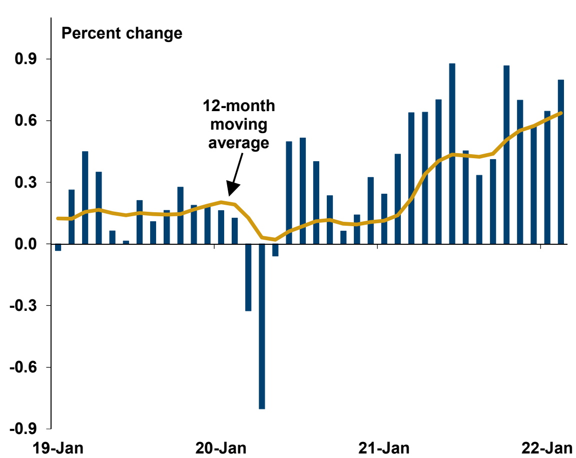
As in earlier months, the prices of food and energy made sizeable contributions to the increase in the headline index, with energy prices jumping 3.5 percent, faster than the average of 2.2 percent in the prior 14 months. Gasoline was largely responsible, as electricity prices fell 1.1 percent and the cost of natural-gas services rose “only” 1.5 percent. Food prices rose 1.0 percent, the sharpest advance since pressure became apparent last spring.

The increase of 0.5 percent in the core component was broadly-based. Some of the pressure seemed related to a return to normal activities as the spread of the virus subsided. Airfares jumped 5.2 percent and the cost of a hotel stay rose 2.5 percent. With individuals returning to offices and socializing more, apparel prices rose 0.7 percent. The cost of recreation rose 0.7 percent, with both goods and services contributing. Part of the increase in the recreation area was a jump of 2.7 percent in admission to sporting events. As many households did during the worst of the pandemic, they seemed to continue to improve their homes, as prices of household appliances rose 0.7 percent.

We would give special mention to residential rents as a source of pressure. Rent of primary residence rose 0.6 percent in February after an increase of 0.5 percent in January. Before the pandemic, increases of 0.3 percent were the norm, and changes eased to 0.1 to 0.2 percent in many months during 2020 and early 2021. Many observers were concerned that rental rates could surge this year to catch up with double-digit increases in home prices, and that seems to be the case. Readings on owners’ equivalent rent also have quickened in recent months, although the pressure has been a bit less intense than that for rent of primary residence.

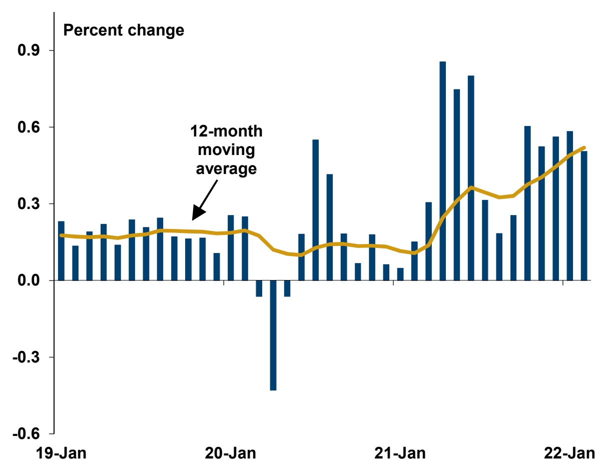
The news was not entirely troubling, as price pressure on motor vehicles eased. Prices of new cars and light trucks rose 0.3 percent in February after a fractional increase in January (0.016 percent). This component rose more than 1.0 percent in each of the eight months before January. Prices of used vehicles fell slightly (off 0.248 percent). We hope this soft performance signals that intense pressure is drawing to a close, although we would not rush to this conclusion because we have seen other declines among the monthly surges of the past two years or so.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics