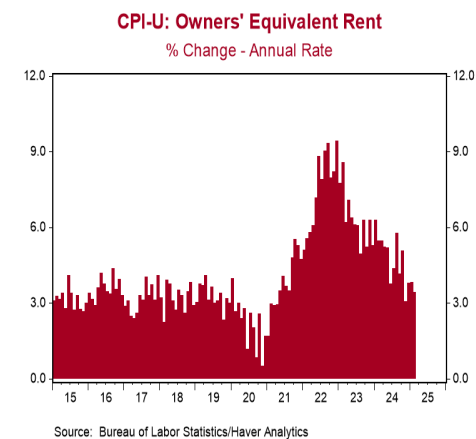
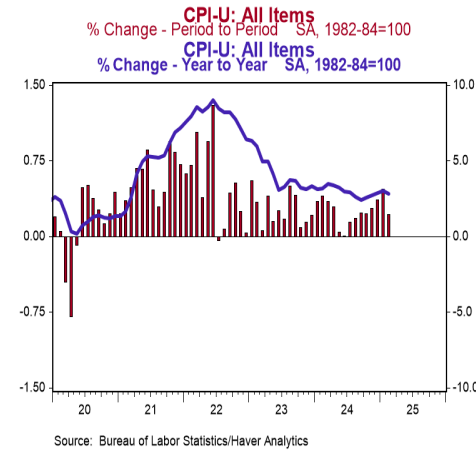


February CPI

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- The Consumer Price Index (CPI) rose 0.2% in February, below the consensus +0.3%. The CPI is up 2.8% from a year ago.
- Energy and food prices both increased 0.2% in February. The “core” CPI, which excludes food and energy, increased 0.2% in February, below the consensus expected +0.3%. Core prices are up 3.1% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 0.1% in February and are up 1.2% in the past year. Real average weekly earnings are up 0.7% in the past year.

Implications: Inflation was less than expected in February, but likely won’t change the Federal Reserve’s path for rates. Consumer prices rose 0.2% in February versus a consensus expected gain of 0.3%, with the twelve-month reading declining to 2.8%, not far off the 3.2% inflation in the year ending February 2024. While the 0.2% increase in February was the smallest move in four months, keep in mind that comes out to +2.6% annualized, still above the Fed’s inflation target of 2.0%. Looking at the details, the rise in prices was broad-based, with energy and food both matching the headline move of +0.2%. It’s important to note these two-often volatile categories have not been what’s kept inflation from returning to the Fed’s 2.0% target. “Core” prices, which strip out food and energy, also rose 0.2% in February, with the twelve-month reading falling to 3.1%, above headline inflation. The main driver of core inflation has been housing rents, which continue to outpace most categories (+0.3% in February), though not as much as in the years prior. Some analysts – including those at the Fed – have argued that housing rents have artificially boosted inflation due to the way it’s measured. But a subset category of prices that Fed Chair Jerome Powell said back in November 2022, “may be the most important category for understanding the future evolution of core inflation” – known as the “Supercore” (which excludes food, energy, other goods, and housing rents) – has been running hotter than headline and core inflation, up 3.8% in the past year. The good news is this measure rose 0.2% in February. Still, no matter which way you cut it, inflation continues running above the Fed’s 2.0% target. While this month’s inflation report is an improvement, one month of data does not make a trend. We expect the Fed to remain on hold until inflation renews its long and winding march toward 2.0%, or the economy slows substantially.



CPI - U	Feb-25	Jan-25	Dec-24	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
Consumer Price Index	0.2%	0.5%	0.4%	4.3%	3.6%	2.8%
Ex Food & Energy	0.2%	0.4%	0.2%	3.6%	3.6%	3.1%
Ex Energy	0.2%	0.4%	0.2%	3.5%	3.5%	3.0%
Energy	0.2%	1.1%	2.4%	15.8%	5.3%	-0.2%
Food	0.2%	0.4%	0.3%	3.3%	3.4%	2.6%
Housing	0.4%	0.3%	0.3%	4.1%	4.0%	3.9%
Owners Equivalent Rent	0.3%	0.3%	0.3%	3.7%	3.9%	4.4%
New Vehicles	-0.1%	0.0%	0.4%	1.3%	1.8%	-0.3%
Medical Care	0.3%	0.2%	0.1%	2.6%	3.0%	2.9%
Services (Excluding Energy Services)	0.3%	0.5%	0.3%	4.2%	4.1%	4.1%
Real Average Hourly Earnings	0.1%	0.0%	-0.2%	-0.4%	0.4%	1.2%

Source: U.S. Department of Labor