

U.S. Consumer Price Index — February

U.S. Inflation Poised to Accelerate

Robert Kavcic, Senior Economist • robert.kavcic@bmo.com • 416-359-8329

U.S. consumer prices rose 0.2% in February, as expected, lifting the headline inflation rate a tick to 2.2% y/y. **Core prices** also rose 0.2% in the month, as expected, which wasn't quite enough to lift annual core inflation—it held steady at 1.8% y/y (also in-line with consensus).

Gasoline prices dipped in the month, while a chunky decline in **hospital services** also weighed. On the flip side, **apparel** prices rose strongly for a second month in a row, up 1.5% in February (and above year-ago levels again). And, **auto insurance** rates jumped a record 1.7%, building on an already strong month in January—that lifts year-over-year growth to nearly 10%. **Food** prices were flat, while the heavyweight **owners' equivalent rent** component rose a modest (by recent standards) 0.2%, though still leaving the annual rate in the low-3% y/y range.

While core inflation still looks benign below 2%, we could see some upside in the months ahead. Note that the 3- and 6-month annualized changes were 3.1% and 2.5%, respectively, in February, well above the 1.9% 12-month change. Also, some temporary factors that pulled inflation down are set to fall out of the calculation as we move closer to mid-year. For example, physician fees posted a record decline last April; auto insurance prices fell sharply in the same month (and are galloping higher now); and wireless telecom prices plunged last March.

The Bottom Line: All in, a largely as expected February inflation report that likely isn't going to move the market or Fed expectations much, but some upside lies ahead for the core inflation rate.



Consumer Price Index

United States	(month/month % change : s.a.)			(% change : a.r.)	
	Feb	Jan	Dec	6-month	12-month
All Items	0.2	0.5	0.2	3.6	2.2
Ex. Food and Energy	0.2	0.3	0.2	2.5	1.8
Food	0.0	0.2	0.2	1.2	1.4
Energy	0.1	3.0	-0.2	20.3	7.7
Clothing	1.5	1.7	-0.3	3.7	0.4
Transportation	0.0	1.8	0.2	10.6	4.1
New Vehicles	-0.5	-0.1	0.5	-0.7	-1.5
Gasoline	-0.9	5.7	-0.8	37.4	12.6
Medical Care	-0.1	0.4	0.3	1.7	1.8
Recreation	0.0	0.0	0.1	0.2	0.6
Education	0.2	0.1	0.1	2.4	2.0
Owners' Equivalent Rent	0.2	0.3	0.3	3.2	3.2

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