## GLOBAL ECONOMICS

### SCOTIA FLASH

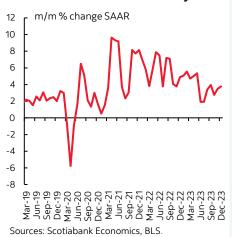
January 11, 2024

## Contributors

Derek Holt VP & Head of Capital Markets Economics Scotiabank Economics 416.863.7707 derek.holt@scotiabank.com

#### Chart 1

US Core CPI Inflation Sticky



## US Core Inflation Remains Hot, Key Will Be PCE

- Core CPI has settled into a pattern of overly hot readings
- Core services inflation remains hot, core goods disinflation waned
- Little but volatile market reaction
- Key is how this may translate into the Fed's preferred inflation gauge

### US headline/core CPI m/m %, SA, December:

Actual: 0.3 / 0.3 Scotia: 0.3 / 0.3 Consensus: 0.2 / 0.3 Prior: 0.1 / 0.3

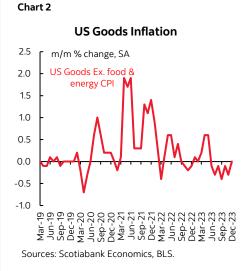
US core CPI confirmed expectations that underlying inflationary pressures in the US economy remain too hot for the Fed's liking which leans against market pricing for a cut as soon as the March meeting. The underlying details (<u>here</u>) reinforced this takeaway and I'll point out what met expectations and where there were surprises. The USD is slightly firmer post-release. Yields were marginally affected albeit volatile thus far. Stocks are flat.

Core inflation (ex-food and energy) landed at 0.31% m/m SA with headline CPI up by 0.3% m/m SA. Both readings met my expectations while core met consensus, but headline was a tick firmer than consensus.

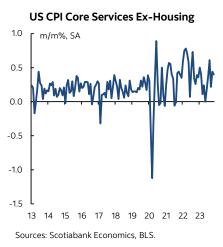
Headline and core CPI matched one another because gasoline and food did not offer material weighted contributions which was in line with what I had estimated. Food was up by just 0.2% m/m and so the 13.4% basket weight translated into no contribution. Gas was up by 0.2% m/m SA and so the 3.2% basket weight translated into zero weighted contribution as expected.

Have a look at the pattern of late when m/m core readings are annualized in chart 1. The latest December reading of 3.4% follows the 3.9% print in November. The 2.8% estimate for October was the lightest reading in the past five months as the prior two months settled in at 3.5% and 3.8%.

In other words, the trend continues to point to readings that are too hot for the Fed's liking by way of the data dependency part of how they formulate policy. Expectations are the other part, but Chair Powell will remain skeptical toward what Fed models are predicting given the disastrous performance of inflation models throughout the pandemic and his comments on their track record. Powell will retain a show-me-the-proof bias and



#### Chart 3



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until he gets convincing evidence that underlying inflation is settling in toward 2%. Until he sees such evidence that that it is staying there I just don't think he's going to seriously entertain cutting along the market's timeline.

Core goods CPI (ex-food and energy) was flat at 0% m/m SA which is the first non-negative reading in four months as shown in chart 2. I think core goods disinflation is waning but was a little surprised to see it in this report. This is part of what drove the firm overall core CPI reading. It's just one month, but the evidence tentatively leans toward viewing core goods disinflation as maturing. More data is clearly needed.

Core services CPI ex-housing and ex-energy was up 0.4% m/m for the second consecutive month which was in the realm of what was expected. Given the pattern to date, this portrays the deceleration to 0.2% in October as the aberration (chart 3).

Across other details, housing was a significant contributor once more. Owners' equivalent rent was up 0.5% m/m which continues to be hot. Rent of primary residence was up another 0.4% m/m SA and is also hot.

New vehicle prices were up by 0.3% m/m SA which was in the ballpark of industry guidance, but I'm a bit surprised by used vehicles relative to industry guidance as they were up 0.5% m/m.

Please also see the accompanying components charts 4–11 on the next page.

Chart 12 shows a breakdown of the y/y CPI change by component and chart 13 does the same in terms of weighted contributions to the overall y/y change in headline CPI.

Chart 14 breaks down the CPI basket in m/m terms by component and chart 15 does the same thing in weighted terms.

The accompanying table at the back of this publication provides further details including micro-charts and z-score measures of deviations from trends.

As for next steps, the Fed's preferred measure of inflation is the price deflator for total consumption, or the PCE measures that arrive on January 26th. That is five days before the January FOMC. The core PCE measure has been undershooting core CPI with 0.1% m/m SA prints in October and November. The Cleveland Fed's 'nowcast' for core PCE suggests this could end with the December reading, although it can be off in either direction.

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#### Chart 4

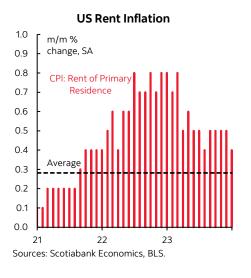


Chart 7

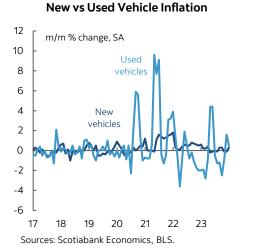


Chart 5

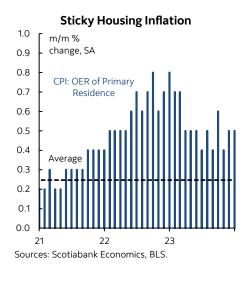


Chart 8



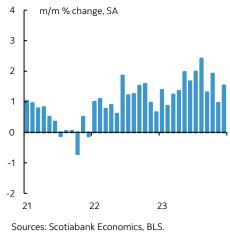
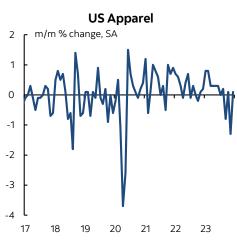
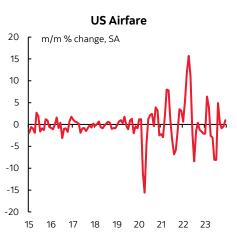


Chart 6



Sources: Scotiabank Economics, BLS.





Sources: Scotiabank Economics, BLS.

Chart 10



Chart 11

**US Food Prices** 



### **Global Economics**

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# Scotiabank.

#### Chart 12

#### December 12-Month Changes in LIS Headling CPI Categories

|  | 2-Month Changes in<br>ine CPI Categories |   | ghted Contributions to<br>nange in US Headline CPI |
|--|--|---|--|
| Motor vehicle insurance  | 5  |   | 5  |
| Food from vending machines & mobile.                             |  | Rent of shelter<br>OER of residences                                  | -  |
| Miscellaneous personal services                                  |  | Motor vehicle insurance   | -  |
| Tobacco & smoking products                                       |  | Rent of primary residence   |  |
| Pet services<br>Motor vehicle maintenance & repair               |  | Limited services meals and snacks<br>Hospital & related services      | -  |
| Other food away from home  |  | Full services meals & snacks  | -  |
| Rent of primary residence  |  | Electricity   |  |
| Garbage & trash collection<br>Photographic Equipment & supplies  |  | Other recreation services   |  |
| OER of residences  |  | Motor vehicle maintenance & repair<br>Miscellaneous personal services | -  |
| Rent of shelter  |  | Other food at home  |  |
| Photo services   |  | Medicinal Drugs   |  |
| Limited services meals and snacks<br>Hospital & related services |  | Tuition, school fees, child care                                      |  |
| Repair of household items  |  | Video & audio services<br>Professional Services                       | -  |
| Video & audio services   |  | New vehicles  | ī  |
| Other recreation services  |  | Pet services  |  |
| Domestic services<br>Medicinal Drugs                             | -  | Tobacco & smoking products<br>Internet services                       | -  |
| Water & sewage maintenance                                       |  | Water & sewage maintenance  | t i i i i i i i i i i i i i i i i i i i            |
| Alcoholic beverages away from home                               |  | Cereals & bakery products   | Ĺ  |
| Leased cars & trucks   |  | Housekeeping supplies   | ŀ  |
| Full services meals & snacks<br>Medical equipment & supplies     |  | Non-alcoholic beverages<br>Personal care services                     | ŀ  |
| Gardening & lawncare   |  | Pets & pet products   | t i i i i i i i i i i i i i i i i i i i            |
| Personal care services   |  | Personal care products  | [  |
| Internet services<br>Tenants' & household insurance              | -  | Garbage & trash collection  | -  |
| Personal care products   |  | Alcoholic beverages away from home<br>Tenants' & household insurance  | -  |
| Food at employee sites and school                                |  | Motor vehicle fees  | f  |
| Electricity  |  | Other food away from home   | [  |
| Pets & pet products  |  | Tools & hardware<br>Men's & boys apparel                              | -  |
| Other food at home<br>Housekeeping supplies                      |  | Alcoholic beverages at home   | -  |
| Tuition, school fees, child care                                 |  | Women's & girls apparel   | Ĕ  |
| Motor vehicle fees   |  | Jewlery & watches   | E .  |
| Cereals & bakery products  | -  | Medical equipment & supplies<br>Fruits & vegetables                   | -  |
| Non-alcoholic beverages<br>Jewlery & watches                     |  | Footwear  | -  |
| Professional Services  |  | Food from vending machines & mobile.                                  |  |
| Men's & boys apparel   |  | Food at employee sites and school<br>Photo services                   | -  |
| Infant & toddler's apparel                                       |  | Lodging away from home  | -  |
| Alcoholic beverages at home<br>New vehicles                      | -  | Photographic Equipment & supplies                                     | Ē.   |
| Tools & hardware   |  | Infant & toddler's apparel  | [  |
| Postage & delivery   |  | Postage & delivery<br>Recreational reading materials                  | -  |
| Footwear<br>Women's & girls apparel                              |  | Leased cars & trucks  | -  |
| Recreational reading materials                                   | -  | Repair of household items   | Ē.   |
| Fruits & vegetables  |  | Gardening & lawncare  | -  |
| Lodging away from home   |  | Domestic services<br>Miscellaneous personal goods                     | -  |
| Meats, poultry, fish & eggs<br>Miscellaneous personal goods      | -  | Meats, poultry, fish & eggs   | F  |
| Other household equipment  | -  | Educational books & supplies  | E .  |
| Motor vehicle parts & equipment                                  | l l                                      | Moving, storage, freight<br>Motor vehicle parts & equipment           | -  |
| Dairy & related products   | <u>.</u>                                 | Other household equipment   | -  |
| Used cars & trucks<br>Telephone services                         | -  | Window & floor coverings  | [  |
| Gasoline   |  | Dairy & related products  | -  |
| Motor fuel   |  | Appliances<br>Other recreational goods                                | -  |
| Sporting goods   | <u> </u>                                 | Other   | F  |
| Other recreational goods<br>Window & floor coverings             | -  | Video & audio products  |  |
| Moving, storage, freight   |  | Sporting goods  | -  |
| Educational books & supplies                                     | <u> </u>                                 | Fuel oils & other fuels<br>Telephone services                         | ł  |
| Appliances   |  | Used cars & trucks  | t  |
| Furniture & bedding<br>Video & audio products                    |  | Furniture & bedding   | <u>ſ</u>   |
| Public transportation  |  | Public transportation<br>Gasoline                                     | _ percentage point                                 |
| IT commodities   | y/y %                                    | IT commodities  | - contributions to                                 |
| Fuel oils & other fuels<br>Utility (piped gas service)           | change,                                  | Motor fuel  | y/y % change in CPI,                               |
| Other  | - NSA                                    | Utility (piped gas service)   | NSA NSA  |
| Health insurance   |  | Health insurance  | ·  |
| Sources: Scotiabank Economics, BLS.                              | -30 -25 -20 -15 -10 -5 0 5 10 15 20 2    | -<br>Source: Scotiabank Economics, BLS.                               | 0.6 -0.2 0.2 0.6 1.0 1.4 1.8 2.2 2.6               |

Chart 13

Sources: Scotiabank Economics, BLS.

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| Chart <sup>•</sup> | 14 |
|--------------------|----|
|--------------------|----|

### **December Changes in US Headline CPI Categories**

m/m%

CPI, SA

change in

Eggs Jewelry & Watches Miscellaneous Personal Goods Other Recreation Services Vehicle Insurance Electricity Airline Fare Processed Fruits & Vegetables Dental Services Pet Services Cigarettes Cable & Satellite TV Telephone Hardware **Hospital Services** Other Household Equipment Owner's Equivalent Rent Used Cars & Trucks Lodging Away from Home Day Care & Preschool Alcoholic Beverages at Home Rent of Primary Residence Postage & Delivery Services Pork New Cars & Trucks Elementary & High School Tuition **Dairy Products** Fresh Fruits Women's Apparel Gasoline Beef College Tuition Non Alcoholic Beverages Nursing Homes Plumbing Maintenance Other Food at Home **Miscellaneous Personal Services** Professional School Tuition Internet Service Providers Sporting Goods **Physicians' Services** Camera Equipment Other Meats Infant & Toddler Apparel Appliances Fish & Seafood Men's Apparel Footwear Tools & Outdoor Equipment Prescription Drugs Utility Gas Service Car & Truck Rental Toys Parking Fees A/V Products Fresh Vegetables **Cereals & Cereal Products** Educational Books Other Intercity Transportation Computers Fuel Oil & Oil Fuels Chart 15

#### December Weighted Contributions to Monthly Change in US Headline CPI

Owner's Equivalent Rent Vehicle Insurance Electricity Rent of Primary Residence Other Recreation Services Used Cars & Trucks New Cars & Trucks Eggs Hospital Services **Dental Services** Gasoline Cable & Satellite TV Airline Fare Jewelry & Watches Pet Services Lodging Away from Home Processed Fruits & Vegetables Women's Apparel Cigarettes Miscellaneous Personal Goods Other Household Equipment College Tuition **Dairy Products** Other Food at Home Day Care & Preschool **Telephone Hardware** Non Alcoholic Beverages Alcoholic Beverages at Home Fresh Fruits Pork Elementary & High School Tuition Beef **Miscellaneous Personal Services Plumbing Maintenance** Nursing Homes Postage & Delivery Services Professional School Tuition Internet Service Providers Sporting Goods Physicians' Services Camera Equipment Infant & Toddler Apparel Other Meats Appliances Car & Truck Rental Fish & Seafood Other Intercity Transportation Educational Books Parking Fees Footwear Toys Men's Apparel Utility Gas Service A/V Products Prescription Drugs Tools & Outdoor Equipment **Cereals & Cereal Products** Fuel Oil & Oil Fuels Fresh Vegetables Computers -0.10 0.00 Sources: Scotiabank Economics, US BLS.

**Global Economics** 

Sources: Scotiabank Economics, US BLS.

-2 0 2 4 6 8 10

-4

percentage

contribution

change in CPI,

0.10

to m/m %

point

SA

0.20

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|-------------|------|
|-------------|------|

| Dec 2023                                    |                |   |                | Weighted       | Contribution | ns (ppts)*   | 5-Year                | Pre-Pande   | mic         | 10-Year Pre-Pandemic  |             |             |  |
|---|----------------|---|----------------|----------------|--------------|--------------|-----------------------|-------------|-------------|-----------------------|-------------|-------------|--|
| US INFLATION COMPONENT BREAKDOWN            | y/y%<br>change | Pandemic to<br>Jan 2019–Pres                |                | Weights<br>(%) | y/y          | m/m          | 2015–2019<br>avg. y/y | Std. Dev.   | Z-Score     | 2011–2019<br>avg. y/y | Std. Dev.   | Z-Score     |  |
| Food  | 2.7            |   | <b>0.2</b>     | 13.42          | 0.37         | 0.03         | 1.3                   | 0.8         | 1.9         | 1.7                   | 1.1         | 0.9         |  |
| Food, home                                  | 1.3 _          |   | 0.1            | 8.58           | 0.11         | 0.01         | 0.2                   | 1.1         | 1.0         | 1.2                   | 1.9         | 0.1         |  |
| Cereals & bakery products                   | 2.6            |   | -0.3           | 1.16           | 0.03         | 0.00         | 0.4                   | 0.9         | 2.5         | 0.9                   | 1.7         | 1.0         |  |
| Meats, poultry, fish & eggs                 | -0.1           |   | ~ 0.5          | 1.79           | 0.00         | 0.01         | -0.2                  | 3.2         | 0.0         | 2.1                   | 3.9         | -0.6        |  |
| Dairy & related products                    | -1.3           | $\sim\sim\sim\sim\sim$                      | 0.3            | 0.78           | -0.01        | 0.00         | -0.6                  | 1.6         | -0.4        | 1.1                   | 3.1         | -0.8        |  |
| Fruits & vegetables                         | 0.3 •          | mound                                       | <b>~</b> -0.1  | 1.47           | 0.00         | 0.00         | 0.4                   | 1.7         | -0.1        | 1.0                   | 2.0         | -0.3        |  |
| Non-alcoholic beverages                     | 2.6            |   | ─ 0.2          | 1.03           | 0.03         | 0.00         | 0.6                   | 1.0         | 1.9         | 0.5                   | 1.6         | 1.3         |  |
| Other food at home                          | 2.8            | •   | <b>\</b> 0.1   | 2.34           | 0.07         | 0.00         | 0.5                   | 0.6         | 3.6         | 1.0                   | 1.6         | 1.1         |  |
| Food, away                                  | 5.2            |   | -^0.3          | 4.84           | 0.25         | 0.01         | 2.7                   | 0.3         | 8.4         | 2.5                   | 0.5         | 5.2         |  |
| Full services meals & snacks                | 4.5            |   | 0.3            | 2.31           | 0.10         | 0.01         | 2.6                   | 0.4         | 5.2         | 2.4                   | 0.5         | 4.2         |  |
| Limited services meals and snacks           | 5.9            |   |                | 2.26           | 0.13         | 0.01         | 2.8                   | 0.3         | 9.6         | 2.5                   | 0.7         | 4.8         |  |
| Food at employee sites and school           | 3.3            | ^   | -0.1           | 0.08           | 0.00         | 0.00         | 2.8                   | 2.4         | 0.2         | 2.8                   | 1.9         | 0.2         |  |
| Food from vending machines & mobile vendors | 13.1           |   | 0.1            | 0.03           | 0.00         | 0.00         | 3.1                   | 1.0         | 10.1        | 2.5                   | 1.3         | 8.1         |  |
| Other food away from home                   | 6.6            | my man man                                  | 0.0            | 0.17           | 0.01         | 0.00         | 2.5                   | 1.3         | 3.1         | 2.3                   | 1.0         | 4.3         |  |
| Energy                                      | -2.0           | man and and                                 | <b>∽</b> ∽ 0.4 | 6.96           | -0.14        | 0.03         | -1.9                  | 10.0        | 0.0         | 1.6                   | 9.6         | -0.4        |  |
| Energy comm.                                | -2.9 -         | man may my my man                           | ~ <b>-</b> 0.1 | 3.72           | -0.10        | 0.00         | -2.8                  | 17.0        | 0.0         | 3.0                   | 17.1        | -0.3        |  |
| Fuel oils & other fuels                     | -11.8          | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~      | -3.3           | 0.19           | -0.03        | -0.01        | -2.3                  | 15.8        | -0.6        | 2.7                   | 14.4        | -1.0        |  |
| Motor fuel                                  | -2.3           | man my my my me                             | ~~             | 3.53           | -0.08        | 0.00         | -2.8                  | 17.1        | 0.0         | 3.0                   | 17.3        | -0.3        |  |
| Gasoline                                    | <u>-1.9</u>    | man man man man                             | ~~ <u>0.2</u>  | <u>3.44</u>    | -0.06        | <u>0.01</u>  | <u>-2.8</u>           | <u>17.1</u> | <u>0.1</u>  | <u>3.0</u>            | <u>17.4</u> | <u>-0.3</u> |  |
| <u>Other</u>                                | <u>-15.2</u> - | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~      | <u>∽ -6.1</u>  | <u>0.09</u>    | <u>-0.02</u> | <u>-0.01</u> | <u>-2.3</u>           | <u>19.5</u> | <u>-0.7</u> | <u>3.6</u>            | <u>17.9</u> | <u>-1.1</u> |  |
| Energy serv.                                | -1.1           | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~      | <u>ر 0.9</u>   | 3.24           | -0.04        | 0.03         | 0.0                   | 2.4         | -0.5        | 0.5                   | 2.7         | -0.6        |  |
| Electricity                                 | 3.3            |   | 1.3            | 2.52           | 0.08         | 0.03         | 0.5                   | 1.5         | 1.9         | 1.0                   | 1.7         | 1.4         |  |
| Utility (piped gas service)                 | -13.8          | man har | -0.4           | 0.72           | -0.12        | 0.00         | -1.4                  | 7.5         | -1.6        | -0.9                  | 7.3         | -1.8        |  |
| All items less food and energy              | 3.9            |   | 0.3            | 79.62          | 3.10         | 0.24         | 2.0                   | 0.2         | 8.3         | 1.8                   | 0.4         | 5.1         |  |
| Commodities less food and energy            | 0.2            |   | 0.0            | 20.91          | 0.04         | 0.00         | -0.3                  | 0.4         | 1.4         | 0.2                   | 0.9         | 0.0         |  |
| Household furnishings                       | -0.9           |   | -0.4           | 3.77           | -0.04        | -0.02        | -0.8                  | 1.2         | -0.1        | -0.9                  | 1.2         | 0.0         |  |
| Window & floor coverings                    | -3.1           | monorm                                      |                | 0.30           | -0.01        | 0.01         | -2.3                  | 1.7         | -0.4        | -2.8                  | 1.8         | -0.2        |  |
| Furniture & bedding                         | -4.3           |   | -1.2           | 1.12           | -0.05        | -0.01        | -0.3                  | 1.7         | -2.3        | -0.9                  | 2.1         | -1.6        |  |
| Appliances                                  | -4.0           | man man                                     | -0.2           | 0.27           | -0.01        | 0.00         | -1.2                  | 3.1         | -0.9        | -1.6                  | 3.0         | -0.8        |  |
| Other household equipment                   | -1.1           | man have have have have have have have have | -0.2           | 0.56           | -0.01        | 0.00         | -3.5                  | 1.8         | 1.3         | -3.7                  | 1.5         | 1.7         |  |
| Tools & hardware                            | 0.9            | man man                                     | -0.4           | 1.05           | 0.01         | 0.00         | -0.1                  | 1.0         | 0.9         | -0.3                  | 1.2         | 1.0         |  |
| Housekeeping supplies                       | 2.8            |   | 0.0            | 0.96           | 0.03         | 0.00         | 0.3                   | 1.2         | 2.1         | 0.4                   | 1.3         | 1.8         |  |

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| Dec 2023                           |                | Weighted Co                             | ontributions    | (ppts)*        | 5-Year | Pre-Pander | nic                   | 10-Year Pre-Pandemic |         |                       |           |         |
|------------------------------------|----------------|---|-----------------|----------------|--------|------------|-----------------------|----------------------|---------|-----------------------|-----------|---------|
| US INFLATION COMPONENT BREAKDOWN   | y/y%<br>change | 10-year trend<br>(Jan 2019–Present)     | m/m %<br>change | Weights<br>(%) | y/y    | m/m        | 2015–2019<br>avg. y/y | Std. Dev.            | Z-Score | 2011–2019<br>avg. y/y | Std. Dev. | Z-Score |
| Apparel                            | 1.0 ~~~        | ment in the second                      | 0.1             | 2.55           | 0.02   | 0.00       | -0.5                  | 1.0                  | 1.6     | 0.3                   | 1.7       | 0.4     |
| Men's & boys apparel               | 1.3 ~~~        | many man                                | -0.4            | 0.67           | 0.01   | 0.00       | -0.3                  | 1.5                  | 1.1     | 0.5                   | 2.3       | 0.4     |
| Women's & girls apparel            | 0.6 🕶          | many man                                | 0.3             | 1.05           | 0.01   | 0.00       | -1.3                  | 1.9                  | 1.0     | -0.1                  | 2.5       | 0.3     |
| Footwear                           | 0.7 🔨          | mm mm mm                                | -0.4            | 0.51           | 0.00   | 0.00       | 0.2                   | 1.3                  | 0.4     | 0.8                   | 1.7       | 0.0     |
| Infant & toddler's apparel         | 1.2 🗸          | - Markan                                | -0.1            | 0.10           | 0.00   | 0.00       | 0.4                   | 3.8                  | 0.2     | 0.5                   | 3.6       | 0.2     |
| Jewlery & watches                  | 2.2 🔨          | man month                               | 2.1             | 0.22           | 0.00   | 0.00       | 1.0                   | 3.4                  | 0.4     | 1.5                   | 3.8       | 0.2     |
| Trans. less fuel                   | 0.0            |   | 0.3             | 7.46           | 0.00   | 0.02       | -0.3                  | 0.9                  | 0.3     | 0.4                   | 1.5       | -0.3    |
| New vehicles                       | 1.0            |   | 0.3             | 4.23           | 0.04   | 0.01       | 0.1                   | 0.7                  | 1.4     | 0.8                   | 1.2       | 0.2     |
| Used cars & trucks                 | -1.3           | Mu                                      | 0.5             | 2.52           | -0.03  | 0.01       | -1.3                  | 2.1                  | 0.0     | 1.1                   | 4.8       | -0.5    |
| Motor vehicle parts & equipment    | -1.2           |   | 0.3             | 0.47           | -0.01  | 0.00       | 0.2                   | 1.1                  | -1.4    | 0.9                   | 2.2       | -1.0    |
| Medical comm.                      | 4.7            | man man man                             | -0.1            | 1.47           | 0.07   | 0.00       | 2.1                   | 1.7                  | 1.5     | 2.3                   | 1.5       | 1.7     |
| Medicinal Drugs                    | 4.8 🗸          | man man                                 | -0.2            | 1.35           | 0.06   | 0.00       | 2.2                   | 1.8                  | 1.5     | 2.3                   | 1.6       | 1.6     |
| Medical equipment & supplies       | 4.1            | many many many                          | 1.2             | 0.11           | 0.00   | 0.00       | 0.4                   | 1.2                  | 3.0     | 0.3                   | 1.2       | 3.2     |
| Recreation comm.                   | -1.2 ~~        | man marken                              | -0.5            | 2.22           | -0.03  | -0.01      | -2.6                  | 1.1                  | 1.3     | -2.3                  | 0.9       | 1.2     |
| Video & audio products             | -6.5           |   | -1.3            | 0.27           | -0.02  | 0.00       | -10.1                 | 2.4                  | 1.5     | -9.2                  | 2.2       | 1.2     |
| Pets & pet products                | 3.1            |   | 0.5             | 0.66           | 0.02   | 0.00       | 0.4                   | 1.5                  | 1.8     | 0.5                   | 1.5       | 1.8     |
| Sporting goods                     | -2.5           | mm when me me                           | -1.2            | 0.73           | -0.02  | -0.01      | -0.7                  | 1.5                  | -1.2    | -0.6                  | 1.2       | -1.5    |
| Photographic Equipment & supplies  | 6.4            | mon mon                                 | -0.1            | 0.02           | 0.00   | 0.00       | -1.7                  | 4.6                  | 1.8     | -3.0                  | 4.0       | 2.3     |
| Recreational reading materials     | 0.4 ~~         | man and many                            | -0.4            | 0.11           | 0.00   | 0.00       | 1.6                   | 1.9                  | -0.6    | 1.5                   | 1.8       | -0.6    |
| Other recreational goods           | -2.8           | mummin                                  | -0.5            | 0.42           | -0.01  | 0.00       | -6.5                  | 1.3                  | 2.8     | -5.2                  | 1.7       | 1.4     |
| Educ. & communication comm.        | -7.2 ~~~       | man man                                 | -0.2            | 0.86           | -0.07  | 0.00       | -3.7                  | 1.0                  | -3.4    | -3.5                  | 0.9       | -4.1    |
| Educational books & supplies       | -3.6           | man month                               | 1.5             | 0.09           | 0.00   | 0.00       | 2.2                   | 3.0                  | -2.0    | 3.6                   | 2.7       | -2.6    |
| IT commodities                     | -7.6           | month mark                              | -0.4            | 0.77           | -0.06  | 0.00       | -6.1                  | 1.9                  | -0.8    | -6.8                  | 1.8       | -0.5    |
| Alcohol                            | 2.5            | man | 0.3             | 0.84           | 0.02   | 0.00       | 1.3                   | 0.3                  | 3.6     | 1.4                   | 0.4       | 3.1     |
| Alcoholic beverages at home        | 1.2            | man man                                 | 0.4             | 0.50           | 0.01   | 0.00       | 0.8                   | 0.6                  | 0.6     | 0.8                   | 0.5       | 0.8     |
| Alcoholic beverages away from home | 4.6            | man mark                                | 0.2             | 0.33           | 0.02   | 0.00       | 1.9                   | 0.5                  | 5.9     | 2.2                   | 0.7       | 3.6     |
| Other goods                        | 4.6            | - mark -                                | -0.6            | 1.26           | 0.06   | -0.01      | 1.4                   | 0.9                  | 3.8     | 1.4                   | 0.7       | 4.5     |
| Tobacco & smoking products         | 7.8            | mannen                                  | -0.1            | 0.51           | 0.04   | 0.00       | 4.3                   | 1.5                  | 2.3     | 4.4                   | 3.8       | 0.9     |
| Personal care products             | 3.3            | many many many many many many many many | -1.1            | 0.61           | 0.02   | -0.01      | -0.3                  | 0.6                  | 6.2     | -0.1                  | 0.8       | 4.1     |
| Miscellaneous personal goods       | -0.9           | my hom imme                             | -0.4            | 0.14           | 0.00   | 0.00       | -2.4                  | 3.1                  | 0.5     | -1.7                  | 2.4       | 0.3     |

## SCOTIA FLASH

January 11, 2024

| Dec 2023                            |                 | Weighted Co  | ontributions    | (ppts)*        | 5-Year      | Pre-Pander | nic                   | 10-Year Pre-Pandemic |             |                       |            |             |
|-------------------------------------|-----------------|--|-----------------|----------------|-------------|------------|-----------------------|----------------------|-------------|-----------------------|------------|-------------|
| US INFLATION COMPONENT BREAKDOWN    | y/y %<br>change | 10-year trend<br>(Jan 2019–Present)  | m/m %<br>change | Weights<br>(%) | y/y         | m/m        | 2015–2019<br>avg. y/y | Std. Dev.            | Z-Score     | 2011–2019<br>avg. y/y | Std. Dev.  | Z-Score     |
| Services less energy services       | 5.3             |  | 0.4             | 58.70          | 3.08        | 0.23       | 2.8                   | 0.2                  | 10.7        | 2.4                   | 0.6        | 4.6         |
| Shelter                             | 6.2             |  | 0.5             | 34.97          | 2.13        | 0.17       | 3.3                   | 0.2                  | 17.3        | 2.5                   | 1.2        | 3.2         |
| Rent of shelter                     | 6.2             |  | 0.4             | 34.60          | 2.11        | 0.14       | 3.3                   | 0.2                  | 15.7        | 2.5                   | 1.2        | 3.1         |
| Rent of primary residence           | 6.5             |  | 0.4             | 7.66           | 0.49        | 0.03       | <u>3.7</u>            | <u>0.1</u>           | <u>21.0</u> | 2.9                   | <u>1.1</u> | <u>3.2</u>  |
| Lodging away from home              | <u>0.2</u>      |  | 0.4             | <u>1.11</u>    | <u>0.00</u> | 0.00       | <u>2.3</u>            | <u>2.0</u>           | <u>-1.0</u> | <u>2.2</u>            | <u>2.2</u> | <u>-0.9</u> |
| OER of residences                   | 6.3             |  | <u>0.5</u>      | <u>25.83</u>   | <u>1.60</u> | 0.13       | <u>3.2</u>            | <u>0.2</u>           | <u>15.2</u> | 2.4                   | <u>1.1</u> | <u>3.6</u>  |
| Tenants' & household insurance      | 3.6 🐜           | A manual and a man | 0.3             | 0.37           | 0.01        | 0.00       | 1.4                   | 1.2                  | 1.9         | 2.3                   | 1.5        | 0.9         |
| Water, sewer, trash collection      | 5.2 \-          | may man  | 0.1             | 1.07           | 0.05        | 0.00       | 3.6                   | 0.6                  | 2.8         | 4.3                   | 1.0        | 0.9         |
| Water & sewage maintenance          | 4.7 🔪           | man man man and a second   | 0.1             | 0.76           | 0.04        | 0.00       | 4.0                   | 0.8                  | 0.9         | 4.8                   | 1.4        | -0.1        |
| Garbage & trash collection          | 6.5 🛶           |  | 0.1             | 0.31           | 0.02        | 0.00       | 2.5                   | 1.5                  | 2.7         | 2.5                   | 1.1        | 3.7         |
| Household ops.                      | 6.7             | man and and a man  | -1.1            | 0.90           | 0.00        | -0.01      | 3.8                   | 1.3                  | 2.3         | 2.6                   | 1.6        | 2.5         |
| Domestic services                   | 5.1             |  | -1.3            | 0.27           | 0.00        | 0.00       | 2.0                   | 1.1                  | 2.9         | 1.6                   | 1.0        | 3.4         |
| Gardening & lawncare                | 4.1             | more st  | 0.9             | 0.33           | 0.00        | 0.00       | 4.3                   | 2.7                  | -0.1        | 2.8                   | 2.6        | 0.5         |
| Moving, storage, freight            | -3.4            | month mark   | -2.0            | 0.10           | 0.00        | 0.00       | 5.6                   | 3.9                  | -2.3        | 3.3                   | 3.9        | -1.7        |
| Repair of household items           | 5.4 ~~          | man m  | 1.7             | 0.12           | 0.00        | 0.00       | 4.8                   | 2.1                  | 0.3         | 4.2                   | 2.0        | 0.6         |
| Medical serv.                       | -0.5 ~~         |  | 0.7             | 6.34           | -0.03       | 0.04       | 2.9                   | 1.0                  | -3.5        | 3.0                   | 0.8        | -4.3        |
| Professional Services               | 1.4 ~           | month and a  | 0.3             | 3.51           | 0.05        | 0.01       | 1.5                   | 0.9                  | -0.1        | 1.8                   | 0.8        | -0.5        |
| Hospital & related services         | 5.6 🔨           | man  | 0.5             | 2.30           | 0.13        | 0.01       | 3.8                   | 1.1                  | 1.6         | 4.5                   | 1.3        | 0.8         |
| Health insurance                    | -27.1 ∽         |  | 1.1             | 0.53           | -0.21       | 0.01       | 5.0                   | 5.8                  | -5.6        | 3.6                   | 6.0        | -5.1        |
| Transportation serv.                | 9.7 ~~          |  | 0.1             | 6.05           | 0.56        | 0.01       | 2.6                   | 1.1                  | 6.4         | 2.6                   | 1.0        | 7.3         |
| Leased cars & trucks                | 4.6             | man  | -0.2            | 0.74           | 0.00        | 0.00       | 0.5                   | 3.0                  | 1.3         | -1.6                  | 3.2        | 1.9         |
| Motor vehicle maintenance & repair  | 7.1             |  | -0.3            | 1.14           | 0.08        | 0.00       | 2.2                   | 0.7                  | 7.0         | 2.0                   | 0.6        | 8.9         |
| Motor vehicle insurance             | 20.3 —          |  | 1.5             | 2.84           | 0.51        | 0.04       | 5.5                   | 2.6                  | 5.7         | 4.8                   | 2.0        | 7.6         |
| Motor vehicle fees                  | 2.7 W           | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~   | 0.6             | 0.49           | 0.01        | 0.00       | 1.8                   | 0.7                  | 1.3         | 2.2                   | 1.9        | 0.3         |
| Public transportation               | -6.9            | man - man  | 0.7             | 0.73           | -0.05       | 0.01       | -1.2                  | 1.5                  | -3.7        | 1.0                   | 3.6        | -2.2        |
| Recreation serv.                    | 5.6 👡           |  | 1.1             | 3.12           | 0.17        | 0.03       | 2.6                   | 0.7                  | 4.6         | 2.3                   | 0.7        | 4.4         |
| Video & audio services              | 5.3 👡           | mmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmm   | 0.7             | 0.99           | 0.05        | 0.01       | 2.7                   | 1.4                  | 1.8         | 2.6                   | 1.3        | 2.0         |
| Pet services                        | 7.6             |  | 0.8             | 0.55           | 0.04        | 0.00       | 3.1                   | 0.8                  | 5.9         | 3.3                   | 0.9        | 4.7         |
| Photo services                      | 6.2             |  | 0.1             | 0.04           | 0.00        | 0.00       | -0.2                  | 2.0                  | 3.2         | 0.8                   | 1.8        | 2.9         |
| Other recreation services           | 5.2 🛶           | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~   | 1.6             | 1.53           | 0.08        | 0.02       | 2.4                   | 0.6                  | 4.7         | 1.7                   | 1.1        | 3.3         |
| Educ. & communication serv.         | 1.3 ~~          | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~   | 0.2             | 4.80           | 0.06        | 0.01       | 0.4                   | 1.3                  | 0.7         | 1.1                   | 1.3        | 0.2         |
| Tuition, school fees, child care    | 2.7             |  | 0.2             | 2.16           | 0.06        | 0.00       | 2.8                   | 0.6                  | -0.2        | 3.3                   | 0.8        | -0.8        |
| Postage & delivery                  | 0.7 /           | ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~   | 0.4             | 0.07           | 0.00        | 0.00       | 2.3                   | 2.0                  | -0.8        | 3.3                   | 2.0        | -1.3        |
| Telephone services                  | -1.9            |  | 0.1             | 1.60           | -0.03       | 0.00       | -2.4                  | 3.0                  | 0.2         | -1.3                  | 2.4        | -0.2        |
| Internet services                   | 3.7 🗸           |  | 0.1             | 0.97           | 0.04        | 0.00       | -0.2                  | 1.5                  | 2.6         | 0.1                   | 1.3        | 2.7         |
| Other personal serv.                | 6.4 ~-          | - man - man  | 0.1             | 1.47           | 0.09        | 0.00       | 2.7                   | 0.7                  | 5.5         | 2.4                   | 0.6        | 6.3         |
| Personal care services              | 3.7 👡           |  | 0.1             | 0.61           | 0.02        | 0.00       | 2.3                   | 0.7                  | 2.0         | 1.8                   | 0.8        | 2.3         |
| Miscellaneous personal services     | 8.3 👡           |  | 0.1             | 0.86           | 0.07        | 0.00       | 2.9                   | 0.9                  | 5.8         | 2.7                   | 0.7        | 7.6         |
| *Number may not add due to rounding |                 |  |                 |                |             |            |                       |                      |             |                       |            |             |

Sources: Scotiabank Economics, BLS.

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