

SCOTIA FLASH

March 12, 2025

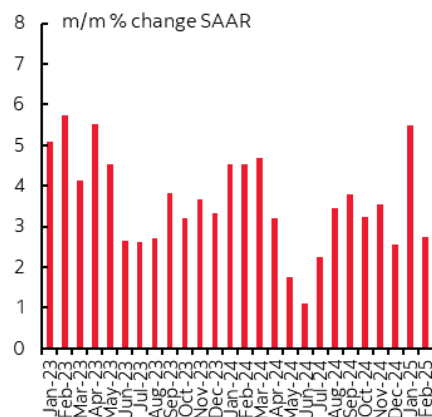
Contributors

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Chart 1

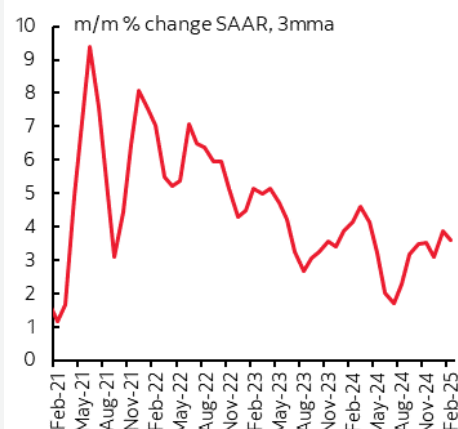
US Core CPI Inflation



Sources: Scotiabank Economics, BLS.

Chart 2

US Core CPI Inflation Still Warm



Sources: Scotiabank Economics, BLS.

Treasury Yields Unimpressed By US Core CPI

- US core CPI was a touch weaker than expected, but still trending too warm
- The trend and details will keep the FOMC focused on inflation risk
- US Treasury yields retained the day's rise

US CPI / core CPI, m/m %, February, SA:

Actual: 0.22 / 0.23

Scotia: 0.3 / 0.3

Consensus: 0.3 / 0.3

Prior: 0.47 / 0.45

US core CPI inflation landed at a rounded-down 0.2% m/m SA which was a touch beneath expectations. That didn't matter one bit to US rates as the two-year yield retained the rising pattern into the release—and upped it a touch after the release. The details mattered more than the headline and markets were likely pricing something even weaker.

As for the FOMC, they'll smooth the data and the smoothed pattern remains too warm for their liking. The 2.7% m/m SAAR rise in core CPI (chart 1) and the three-month moving average that is running at 3.6% m/m SAAR (chart 2) remain too hot for the FOMC. The moving average is influenced by the massive spike in January, but even removing that has the December and February prints averaging 2.7% m/m SAAR. Inflation risk remains alive.

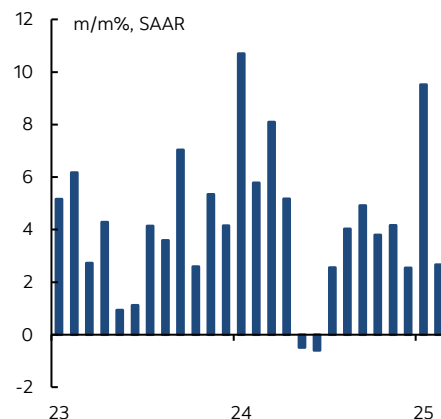
Key among the details is that underlying core services inflation that excludes housing and energy services remained warm at 2.7% m/m SAAR (chart 3). After the explosive gain in January when core services CPI was up 9.5% m/m SAAR, the market may have been hoping for more weakness in February's core services inflation but that didn't happen. Core goods inflation also remains too warm and trending that way (chart 4).

After three years in a row of hot February effects on seasonally unadjusted prices that may have reflected post-pandemic distortions and altered company pricing models, this February broke the pattern (chart 5). And yet this February brought out an unusually strong core CPI seasonal adjustment factor (chart 6).

Charts 7–20 break down parts of the basket. Charts 21–22 provide y/y and contributions to y/y inflation by component while charts 23–24 do likewise for the month-over-month contributions. Also please see the accompanying detailed table.

Chart 3

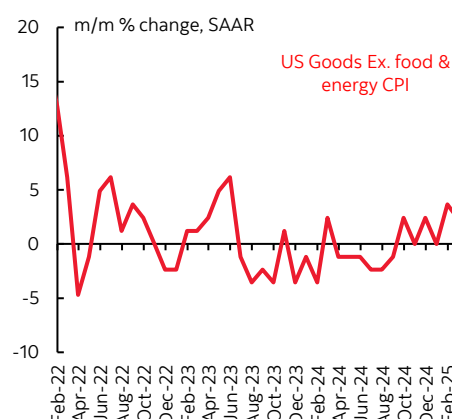
US CPI Core Services Ex-Housing



Sources: Scotiabank Economics, BLS.

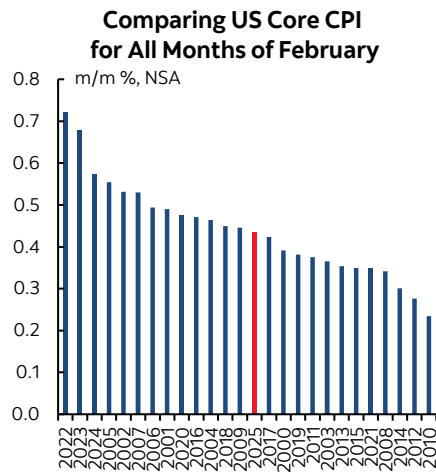
Chart 4

US Goods Inflation



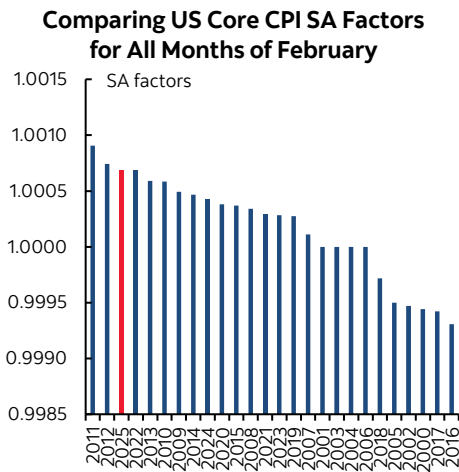
Sources: Scotiabank Economics, BLS.

Chart 5



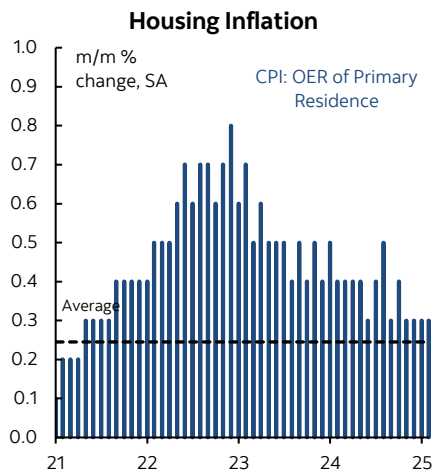
Sources: Scotiabank Economics, BLS

Chart 6



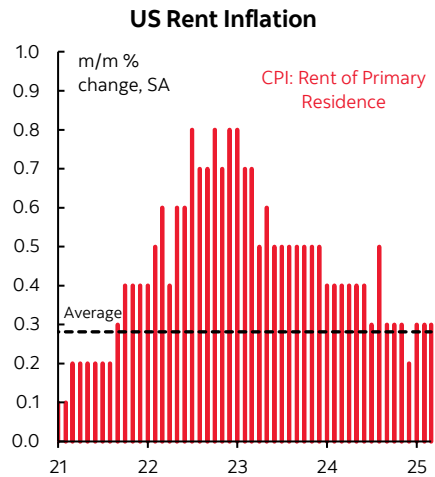
Sources: Scotiabank Economics, BLS

Chart 7



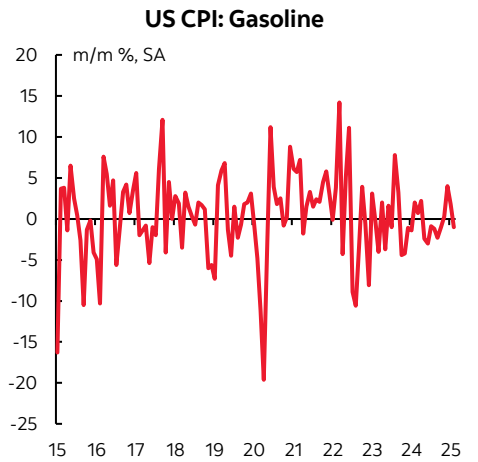
Sources: Scotiabank Economics, BLS.

Chart 8



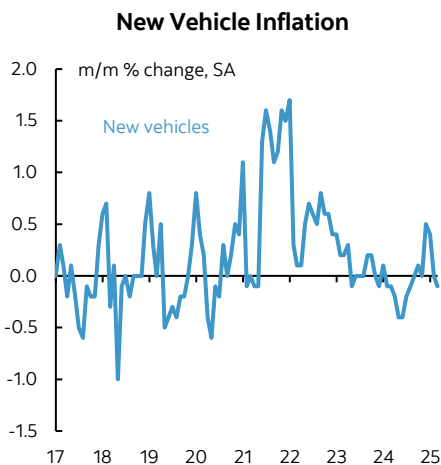
Sources: Scotiabank Economics, BLS.

Chart 9



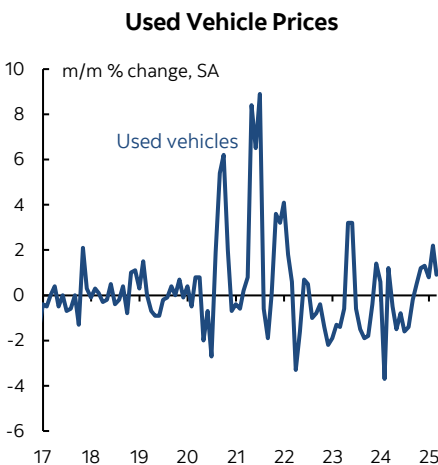
Sources: Scotiabank Economics, BLS

Chart 10



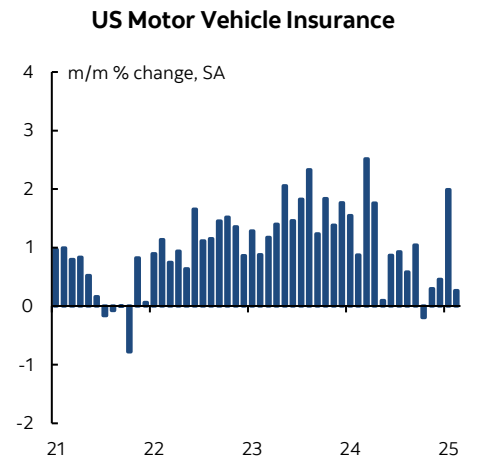
Sources: Scotiabank Economics, BLS.

Chart 11

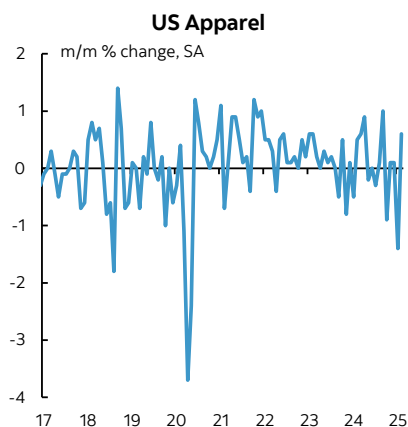


Sources: Scotiabank Economics, BLS.

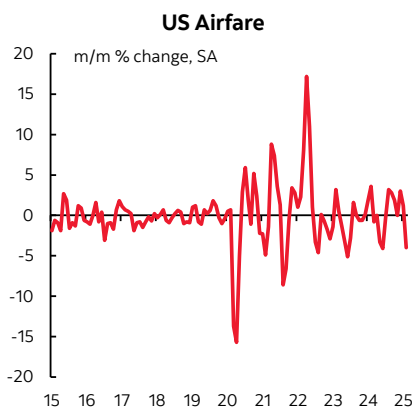
Chart 12



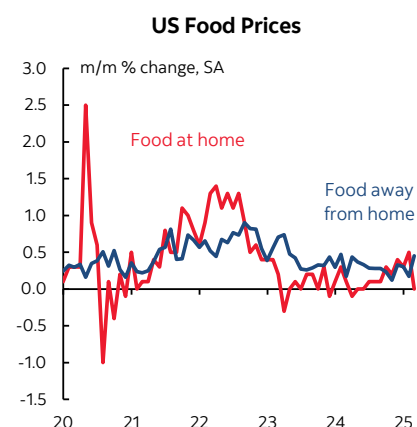
Sources: Scotiabank Economics, BLS.

Chart 13


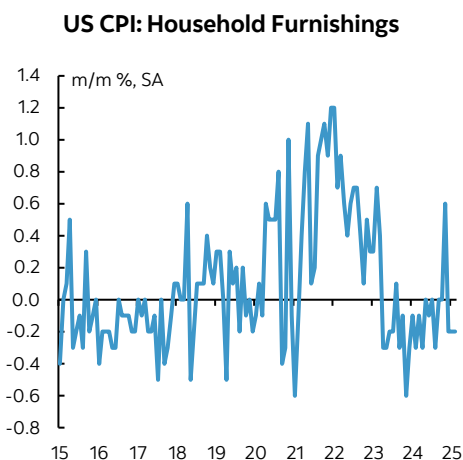
Sources: Scotiabank Economics, BLS.

Chart 14


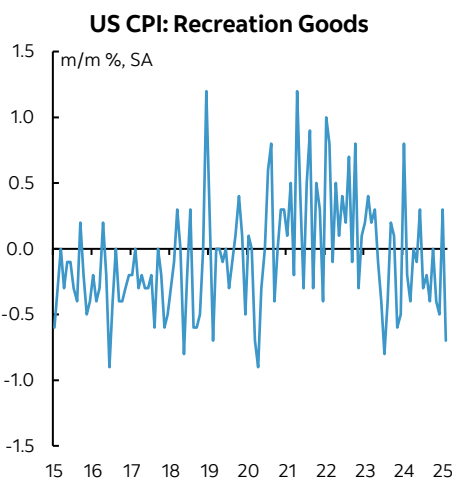
Sources: Scotiabank Economics, BLS.

Chart 15


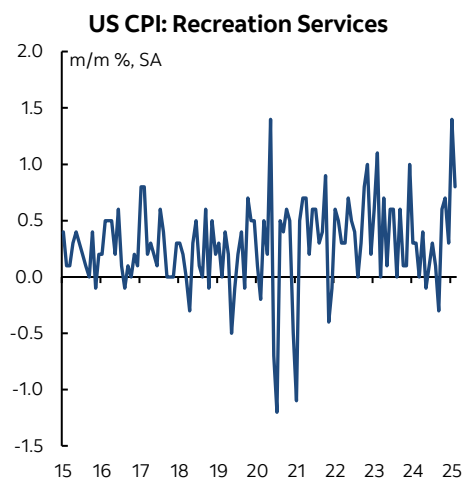
Sources: Scotiabank Economics, BLS, Haver.

Chart 16


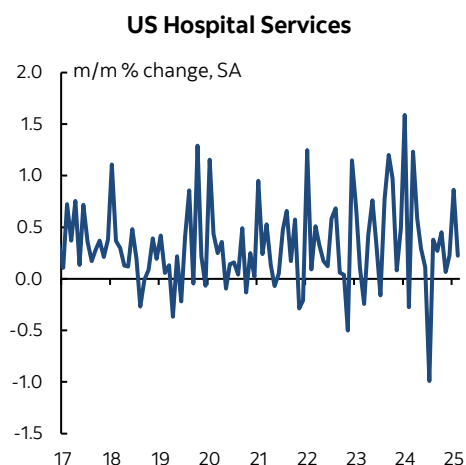
Sources: Scotiabank Economics, BLS.

Chart 17


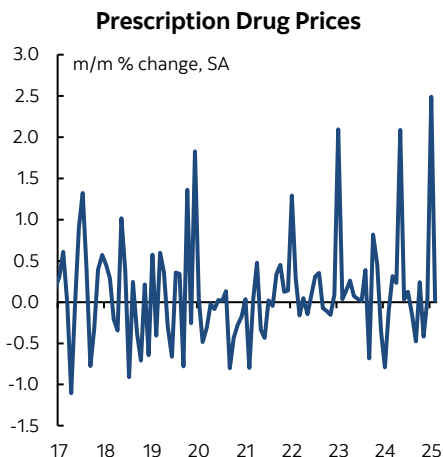
Sources: Scotiabank Economics, BLS.

Chart 18


Sources: Scotiabank Economics, BLS.

Chart 19


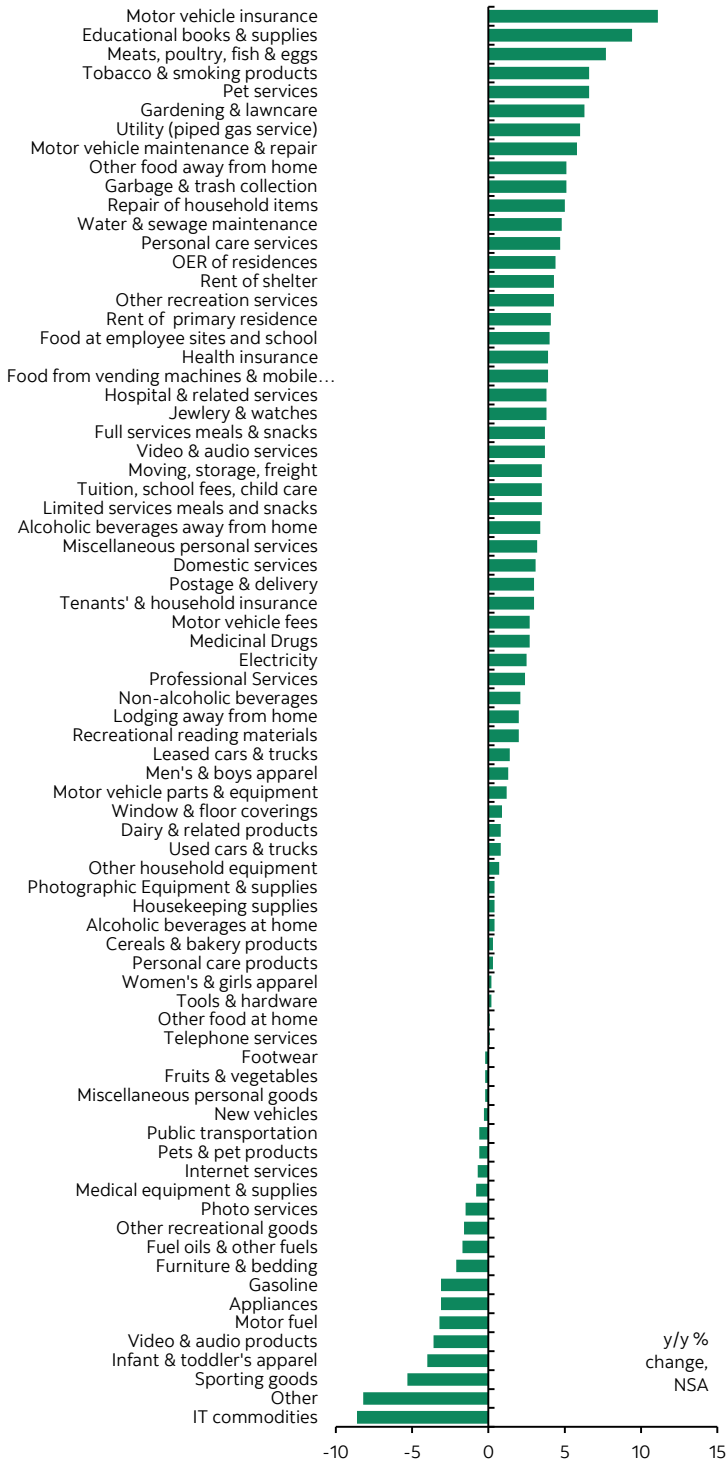
Sources: Scotiabank Economics, BLS.

Chart 20


Sources: Scotiabank Economics, BLS.

Chart 21

**February 12-Month Changes in
US Headline CPI Categories**



Sources: Scotiabank Economics, BLS.

Chart 22

**February Weighted Contributions to
the 12-Month Change in US Headline CPI**



Source: Scotiabank Economics, BLS.

Chart 23

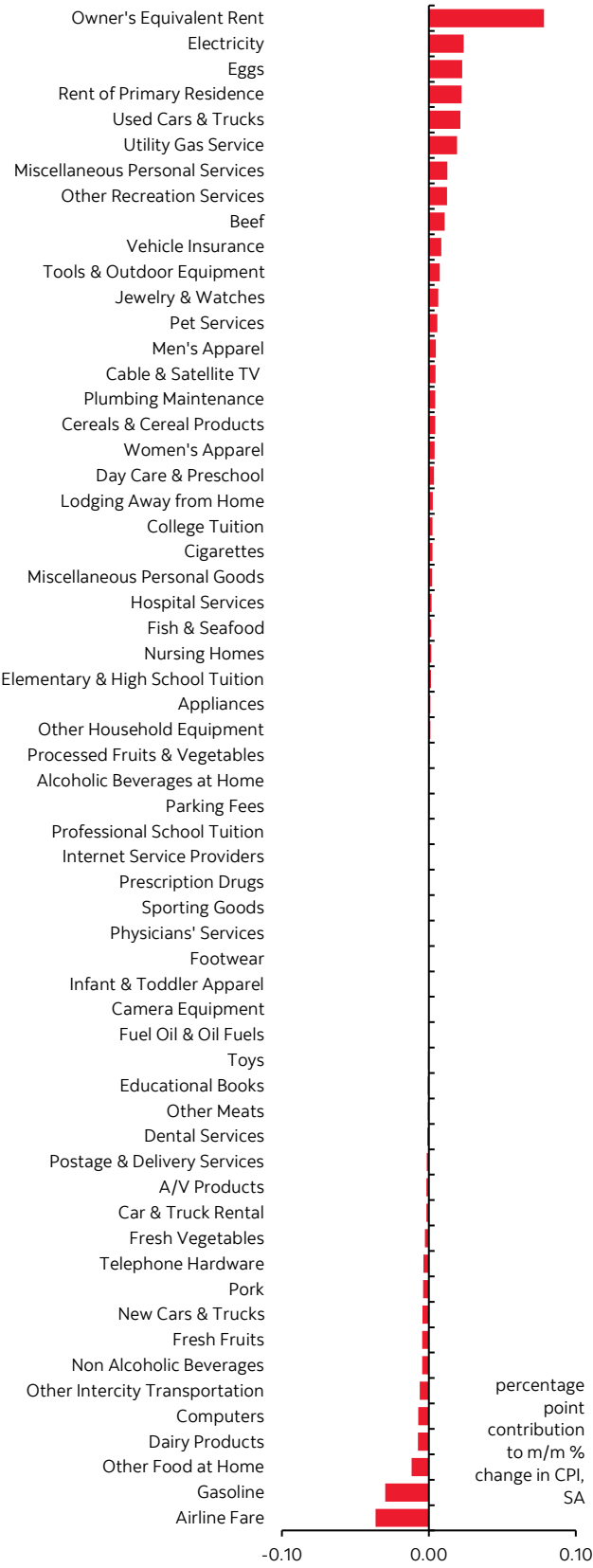
February Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

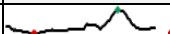



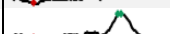















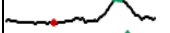



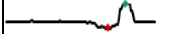




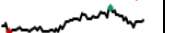


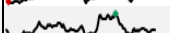

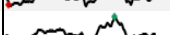

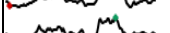

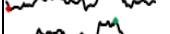







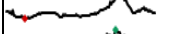

















Chart 24

February Weighted Contributions to Monthly Change in US Headline CPI







































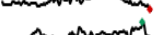

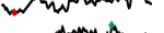











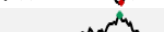

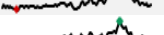

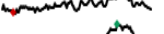





Sources: Scotiabank Economics, US BLS.


























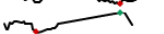






















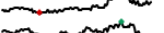

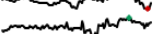
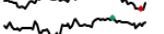





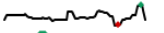

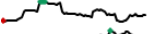






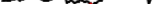

March 12, 2025

Feb 2025					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Food	2.6			0.2	13.68	0.35	0.03	1.3	0.8	1.8	1.7	1.1	0.8
Food, home	1.9			0.0	8.06	0.15	0.00	0.2	1.1	1.5	1.2	1.9	0.4
Cereals & bakery products	0.3			0.4	1.10	0.00	0.00	0.4	0.9	-0.1	0.9	1.7	-0.4
Meats, poultry, fish & eggs	7.7			1.6	1.64	0.13	0.03	-0.2	3.2	2.5	2.1	3.9	1.4
Dairy & related products	0.8			-1.0	0.74	0.01	-0.01	-0.6	1.6	0.9	1.1	3.1	-0.1
Fruits & vegetables	-0.2			-0.5	1.34	0.00	-0.01	0.4	1.7	-0.4	1.0	2.0	-0.6
Non-alcoholic beverages	2.1			-0.5	0.91	0.02	0.00	0.6	1.0	1.5	0.5	1.6	1.0
Other food at home	0.1			-0.5	2.34	0.00	-0.01	0.5	0.6	-0.6	1.0	1.6	-0.6
Food, away	3.7			0.4	5.63	0.20	0.02	2.7	0.3	3.4	2.5	0.5	2.4
Full services meals & snacks	3.7			0.4	2.42	0.09	0.01	2.6	0.4	3.0	2.4	0.5	2.6
Limited services meals and snacks	3.5			0.3	2.84	0.09	0.01	2.8	0.3	2.1	2.5	0.7	1.4
Food at employee sites and school	4.0			0.5	0.07	0.00	0.00	2.8	2.4	0.5	2.8	1.9	0.6
Food from vending machines & mobile vendors	3.9			0.3	0.06	0.00	0.00	3.1	1.0	0.8	2.5	1.3	1.1
Other food away from home	5.1			0.8	0.24	0.01	0.00	2.5	1.3	2.0	2.3	1.0	2.8
Energy	-0.2			0.2	6.29	-0.01	0.01	-1.9	10.0	0.2	1.6	9.6	-0.2
Energy comm.	-3.2			-0.9	3.16	-0.11	-0.03	-2.8	17.0	0.0	3.0	17.1	-0.4
Fuel oils & other fuels	-1.7			-0.2	0.15	0.00	0.00	-2.3	15.8	0.0	2.7	14.4	-0.3
Motor fuel	-3.2			-0.9	3.02	-0.11	-0.03	-2.8	17.1	0.0	3.0	17.3	-0.4
<u>Gasoline</u>	<u>-3.1</u>			<u>-1</u>	<u>2.94</u>	<u>-0.10</u>	<u>-0.03</u>	<u>-2.8</u>	<u>17.1</u>	<u>0.0</u>	<u>3.0</u>	<u>17.4</u>	<u>-0.3</u>
<u>Other</u>	<u>-8.2</u>			<u>2.2</u>	<u>0.08</u>	<u>-0.01</u>	<u>0.00</u>	<u>-2.3</u>	<u>19.5</u>	<u>-0.3</u>	<u>3.6</u>	<u>17.9</u>	<u>-0.7</u>
Energy serv.	3.3			1.4	3.13	0.10	0.04	0.0	2.4	1.3	0.5	2.7	1.0
Electricity	2.5			1.0	2.37	0.06	0.02	0.5	1.5	1.3	1.0	1.7	0.9
Utility (piped gas service)	6.0			2.5	0.76	0.04	0.02	-1.4	7.5	1.0	-0.9	7.3	0.9
All items less food and energy	3.1			0.2	80.03	2.47	0.16	2.0	0.2	4.8	1.8	0.4	3.1
Commodities less food and energy	-0.1			0.2	19.37	-0.02	0.04	-0.3	0.4	0.6	0.2	0.9	-0.3
Household furnishings	-0.4			0.2	4.41	-0.01	0.01	-0.8	1.2	0.4	-0.9	1.2	0.4
Window & floor coverings	0.9			1.1	0.24	0.00	0.00	-2.3	1.7	1.9	-2.8	1.8	2.1
Furniture & bedding	-2.1			-0.1	0.79	-0.02	0.00	-0.3	1.7	-1.0	-0.9	2.1	-0.6
Appliances	-3.1			0.5	0.22	-0.01	0.00	-1.2	3.1	-0.6	-1.6	3.0	-0.5
Other household equipment	0.7			1.9	0.49	0.00	0.01	-3.5	1.8	2.3	-3.7	1.5	3.0
Tools & hardware	0.2			0.9	0.84	0.00	0.01	-0.1	1.0	0.3	-0.3	1.2	0.4
Housekeeping supplies	0.4			-0.5	0.80	0.00	0.00	0.3	1.2	0.1	0.4	1.3	0.0

March 12, 2025

Feb 2025				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Apparel	0.6			0.6	2.49	0.02	0.01	-0.5	1.0	1.2	0.3	1.7	0.1
Men's & boys apparel	1.3			0.7	0.67	0.01	0.00	-0.3	1.5	1.1	0.5	2.3	0.4
Women's & girls apparel	0.2			0.4	0.96	0.00	0.00	-1.3	1.9	0.8	-0.1	2.5	0.1
Footwear	-0.2			0.0	0.58	0.00	0.00	0.2	1.3	-0.3	0.8	1.7	-0.6
Infant & toddler's apparel	-4.0			-0.1	0.10	0.00	0.00	0.4	3.8	-1.1	0.5	3.6	-1.3
Jewelry & watches	3.8			3.6	0.18	0.01	0.01	1.0	3.4	0.8	1.5	3.8	0.6
Trans. less fuel	0.1			0.2	7.26	0.01	0.01	-0.3	0.9	0.5	0.4	1.5	-0.2
New vehicles	-0.3			-0.1	4.38	-0.01	0.00	0.1	0.7	-0.6	0.8	1.2	-0.9
Used cars & trucks	0.8			0.9	2.39	0.02	0.02	-1.3	2.1	1.0	1.1	4.8	-0.1
Motor vehicle parts & equipment	1.2			-0.5	0.36	0.01	0.00	0.2	1.1	0.9	0.9	2.2	0.1
Medical comm.	2.3			0.1	1.54	0.03	0.00	2.1	1.7	0.1	2.3	1.5	0.0
Medicinal Drugs	2.7			0.2	1.36	0.04	0.00	2.2	1.8	0.3	2.3	1.6	0.3
Medical equipment & supplies	-0.8			-0.4	0.18	0.00	0.00	0.4	1.2	-0.9	0.3	1.2	-1.0
Recreation comm.	-2.4			-0.7	1.85	-0.05	-0.01	-2.6	1.1	0.2	-2.3	0.9	-0.1
Video & audio products	-3.6			-0.6	0.25	-0.01	0.00	-10.1	2.4	2.7	-9.2	2.2	2.5
Pets & pet products	-0.6			0.0	0.63	0.00	0.00	0.4	1.5	-0.7	0.5	1.5	-0.7
Sporting goods	-5.3			-2.2	0.48	-0.03	-0.01	-0.7	1.5	-3.0	-0.6	1.2	-3.8
Photographic Equipment & supplies	0.4			-0.7	0.02	0.00	0.00	-1.7	4.6	0.5	-3.0	4.0	0.9
Recreational reading materials	2.0			0.0	0.10	0.00	0.00	1.6	1.9	0.2	1.5	1.8	0.3
Other recreational goods	-1.6			-0.2	0.37	-0.01	0.00	-6.5	1.3	3.7	-5.2	1.7	2.1
Educ. & communication comm.	-6.9			-0.2	0.75	-0.06	0.00	-3.7	1.0	-3.1	-3.5	0.9	-3.8
Educational books & supplies	9.4			0.1	0.04	0.01	0.00	2.2	3.0	2.4	3.6	2.7	2.1
IT commodities	-8.6			-0.2	0.71	-0.07	0.00	-6.1	1.9	-1.3	-6.8	1.8	-1.0
Alcohol	1.7			0.5	0.83	0.01	0.00	1.3	0.3	1.3	1.4	0.4	0.9
Alcoholic beverages at home	0.4			0.1	0.45	0.00	0.00	0.8	0.6	-0.7	0.8	0.5	-0.7
Alcoholic beverages away from home	3.4			0.5	0.39	0.01	0.00	1.9	0.5	3.3	2.2	0.7	1.8
Other goods	2.7			0.8	1.29	0.04	0.01	1.4	0.9	1.6	1.4	0.7	1.8
Tobacco & smoking products	6.6			0.6	0.48	0.04	0.00	4.3	1.5	1.5	4.4	3.8	0.6
Personal care products	0.3			0.9	0.65	0.00	0.01	-0.3	0.6	1.1	-0.1	0.8	0.5
Miscellaneous personal goods	-0.2			1.5	0.16	0.00	0.00	-2.4	3.1	0.7	-1.7	2.4	0.6

March 12, 2025

Feb 2025				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Services less energy services	4.1			0.3	60.65	2.50	0.18	2.8	0.2	5.5	2.4	0.6	2.7
Shelter	4.2			0.3	35.42	1.52	0.11	3.3	0.2	5.4	2.5	1.2	1.5
Rent of shelter	4.3			0.2	35.01	1.54	0.07	3.3	0.2	5.4	2.5	1.2	1.5
<i>Rent of primary residence</i>	<i>4.1</i>			<i>0.3</i>	<i>7.47</i>	<i>0.31</i>	<i>0.02</i>	<i>3.7</i>	<i>0.1</i>	<i>3.0</i>	<i>2.9</i>	<i>1.1</i>	<i>1.1</i>
<i>Lodging away from home</i>	<i>2.0</i>			<i>0.2</i>	<i>1.33</i>	<i>0.03</i>	<i>0.00</i>	<i>2.3</i>	<i>2.0</i>	<i>-0.1</i>	<i>2.2</i>	<i>2.2</i>	<i>-0.1</i>
<i>OER of residences</i>	<i>4.4</i>			<i>0.3</i>	<i>26.20</i>	<i>1.18</i>	<i>0.08</i>	<i>3.2</i>	<i>0.2</i>	<i>5.8</i>	<i>2.4</i>	<i>1.1</i>	<i>1.9</i>
Tenants' & household insurance	3.0			0.8	0.41	0.01	0.00	1.4	1.2	1.4	2.3	1.5	0.5
Water, sewer, trash collection	4.9			1.0	1.08	0.05	0.01	3.6	0.6	2.2	4.3	1.0	0.6
Water & sewage maintenance	4.8			0.6	0.74	0.04	0.00	4.0	0.8	1.0	4.8	1.4	0.0
Garbage & trash collection	5.1			1.9	0.34	0.02	0.01	2.5	1.5	1.8	2.5	1.1	2.4
Household ops.	5.7			-0.3	1.01	0.00	0.00	3.8	1.3	1.5	2.6	1.6	1.9
Domestic services	3.1			0.7	0.31	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawn care	6.3			-0.8	0.34	0.00	0.00	4.3	2.7	0.7	2.8	2.6	1.3
Moving, storage, freight	3.5			-0.3	0.13	0.00	0.00	5.6	3.9	-0.5	3.3	3.9	0.1
Repair of household items	5.0			1.7	0.14	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	3.0			0.3	6.72	0.20	0.02	2.9	1.0	0.1	3.0	0.8	-0.1
Professional Services	2.4			0.3	3.67	0.09	0.01	1.5	0.9	1.0	1.8	0.8	0.7
Hospital & related services	3.8			0.2	2.26	0.09	0.00	3.8	1.1	0.0	4.5	1.3	-0.6
Health insurance	3.9			0.3	0.79	0.02	0.00	5.0	5.8	-0.2	3.6	6.0	0.0
Transportation serv.	6.0			-0.8	6.36	0.38	-0.05	2.6	1.1	3.1	2.6	1.0	3.5
Leased cars & trucks	1.4			-0.2	0.51	0.00	0.00	0.5	3.0	0.3	-1.6	3.2	0.9
Motor vehicle maintenance & repair	5.8			0.3	1.02	0.07	0.00	2.2	0.7	5.2	2.0	0.6	6.6
Motor vehicle insurance	11.1			0.3	2.84	0.32	0.01	5.5	2.6	2.1	4.8	2.0	3.1
Motor vehicle fees	2.7			0.0	0.51	0.01	0.00	1.8	0.7	1.3	2.2	1.9	0.3
Public transportation	-0.6			-3.4	1.46	-0.01	-0.05	-1.2	1.5	0.4	1.0	3.6	-0.4
Recreation serv.	4.3			0.8	3.48	0.14	0.03	2.6	0.7	2.6	2.3	0.7	2.7
Video & audio services	3.7			1.0	0.82	0.03	0.01	2.7	1.4	0.7	2.6	1.3	0.8
Pet services	6.6			1.1	0.53	0.03	0.01	3.1	0.8	4.6	3.3	0.9	3.6
Photo services	-1.5			1.3	0.06	0.00	0.00	-0.2	2.0	-0.7	0.8	1.8	-1.3
Other recreation services	4.3			0.6	2.07	0.08	0.01	2.4	0.6	3.2	1.7	1.1	2.4
Educ. & communication serv.	1.6			0.3	4.96	0.08	0.01	0.4	1.3	0.9	1.1	1.3	0.4
Tuition, school fees, child care	3.5			0.2	2.53	0.08	0.01	2.8	0.6	1.3	3.3	0.8	0.2
Postage & delivery	3.0			-2.7	0.05	0.00	0.00	2.3	2.0	0.4	3.3	2.0	-0.1
Telephone services	0.1			0.1	1.44	0.00	0.00	-2.4	3.0	0.8	-1.3	2.4	0.6
Internet services	-0.7			1.1	0.93	-0.01	0.01	-0.2	1.5	-0.3	0.1	1.3	-0.6
Other personal serv.	3.8			0.9	1.62	0.06	0.01	2.7	0.7	1.7	2.4	0.6	2.2
Personal care services	4.7			0.4	0.66	0.03	0.00	2.3	0.7	3.4	1.8	0.8	3.5
Miscellaneous personal services	3.2			1.3	0.96	0.03	0.01	2.9	0.9	0.4	2.7	0.7	0.7

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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