

# ECONOMIC NEWS

## United States: Core Inflation Remains Resilient

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### HIGHLIGHTS

- ▶ The U.S. Consumer Price Index (CPI) rose 0.4% in February after gaining 0.5% in January and 0.1% in December.
- ▶ Energy prices fell 0.6% despite a 1.0% increase in gasoline prices. Fuel oil and natural gas prices were both down, dropping 7.9% and 8.0%, respectively. Food prices saw a 0.4% uptick, including a 0.3% increase in grocery prices, the smallest increase since March 2021.
- ▶ Excluding food and energy, the core CPI rose 0.5% in February after two consecutive increases of 0.4%. This was the largest monthly increase in the core CPI since last September.
- ▶ The annual variation in the total CPI continued to slow, falling from 6.4% to 6.0%. Core inflation also declined from 5.6% to 5.5%.

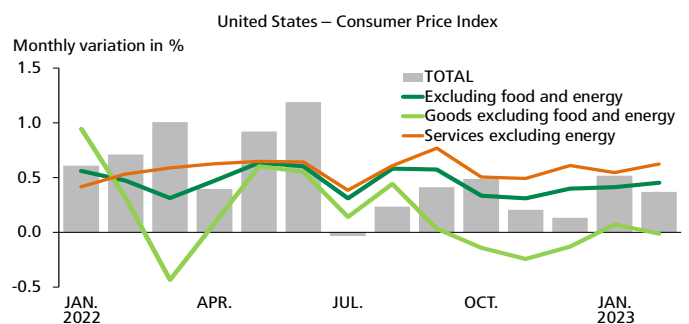
### COMMENTS

Let's start with the good news: inflation continues to slow in the United States. The annual variation in the total CPI in February was 6.0%, its lowest rate since September 2021. For the month of February, in addition to the drop in energy prices, we saw grocery price increases slow down, which was fuelled by a drop in egg prices (-6.7% in February after spiking in the previous months).

That said, the outcome for core inflation may be disappointing. While the annual variation slowed slightly in February, recent monthly increases in the CPI excluding food and energy, including February's 0.5% uptick, were stubbornly high. Again, there's a notable difference between the prices of goods and services. For goods excluding food and energy, price growth was flat in February after a slight 0.1% gain in January and monthly declines over the previous three months. In particular, used vehicle prices continued to drop (-2.8% in February). The situation is quite

### GRAPH

#### Service Prices Excluding Energy Continue to Rise Rapidly



Sources: Bureau of Labor Statistics and Desjardins Economic Studies

different for services excluding energy, which saw a monthly gain of 0.6% in February, its strongest since last September. Housing prices continued to rise rapidly (+0.8% in February) and airfares saw a 6.4% jump.

### IMPLICATIONS

Overall inflation continues to slow, but price growth in the very short term remains relatively high, especially for services. As a result, the Federal Reserve is expected to continue tightening its monetary policy. However, it now needs to take into account the uncertainty created by the recent news about the fragility of certain segments of the U.S. financial sector.