



# January Inflation Review

Post holiday blues; as expected

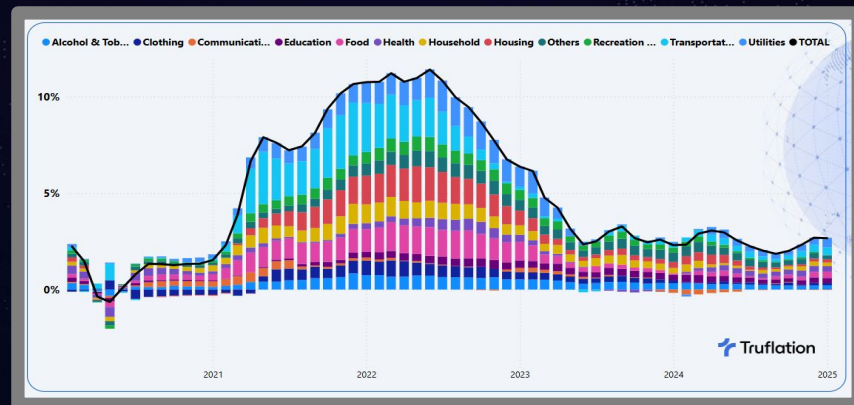
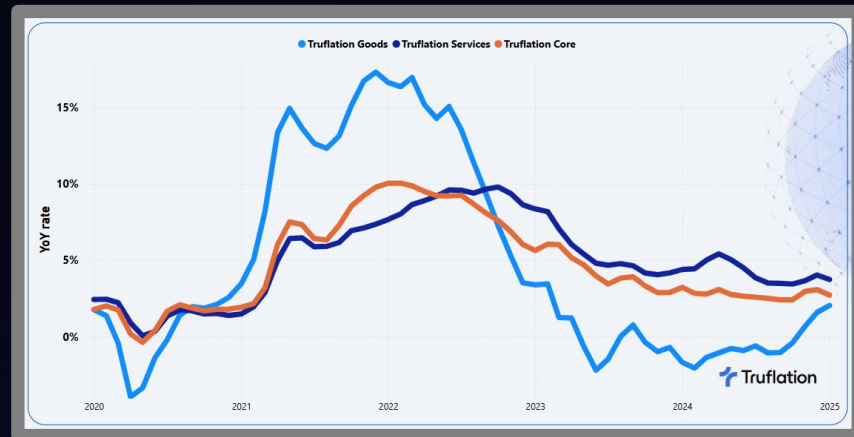
February 10<sup>th</sup>, 2025



# January cooling but will be short lived

## Truflation January BLS CPI forecast: 2.7%

- Truflation forecast ranges between 2.6% and 2.8%
- Market forecasts between 2.6% and 3%
- Decline driven by the post holiday blues which is as expected; but this is not the start of long term relief.
- Long term view remains clear – risk to the upside especially with the start of the tariff wars
- Broad driver is core which has marginally declined, but
  1. Services – tight labor market and wage growth
  2. Food – prices have sustained through January
- Longer term continue to be driven by Government policies and the labor market



# Sector-specific Inflation Analysis

## Food

+0.3% MoM and +3.5% YoY

- The usual premiumization behavior coming to a screeching halt was not the case. More evident in dining out of home.

## Utilities

+0.3% MoM and +5.4% YoY

- Higher cost of gas & other fuels combined with harsh January.

## Housing

+0.2% MoM and +1.8% YoY

- Owned grew 1% MoM & 2.8% YoY; home sales solid recovery despite high mortgage rate. Labor market & higher inventory + signs

## Clothing

-1.3% MoM and +1.2% YoY

- Return to normal behavior & adjusted pricing strategies

## Household Durables

-0.5% MoM and +2.0% YoY

- Post holiday blues & consumers returning to normal behavior

## Alcohol & Tobacco

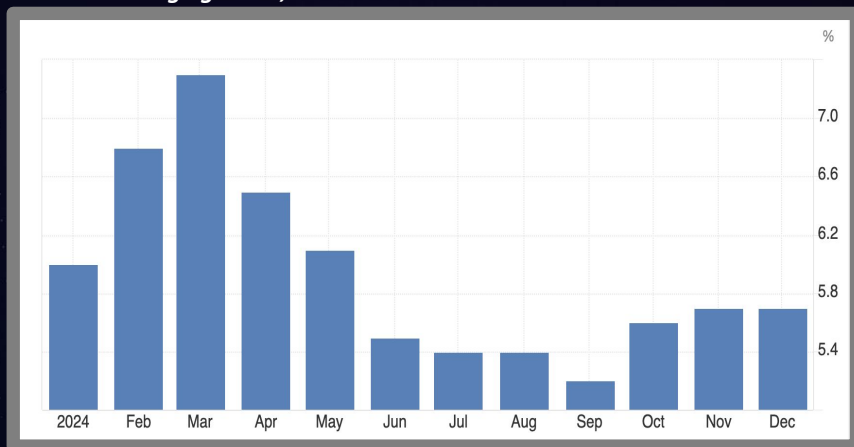
-0.3% MoM and +2.4% YoY

- Driven by alcohol prices as premiumization of holiday season ends

Prices of WTI Crude Oil; 10<sup>th</sup> of Feb 71.39



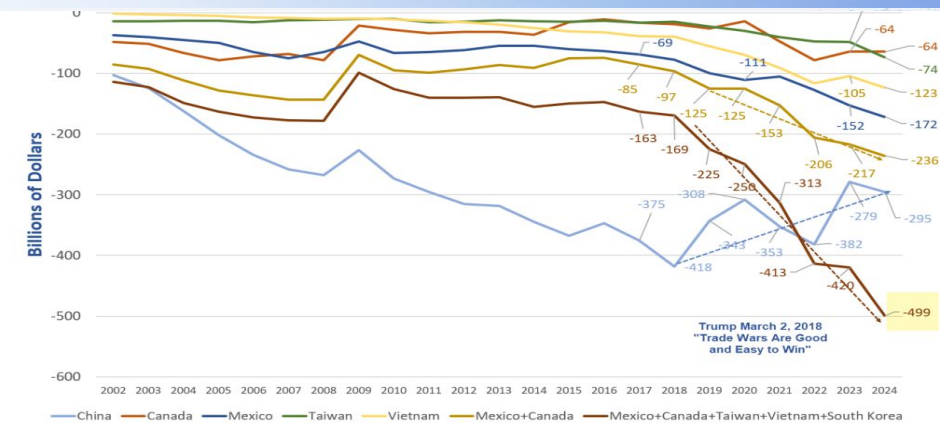
US BEA Wage growth; increased 5.7% in Dec



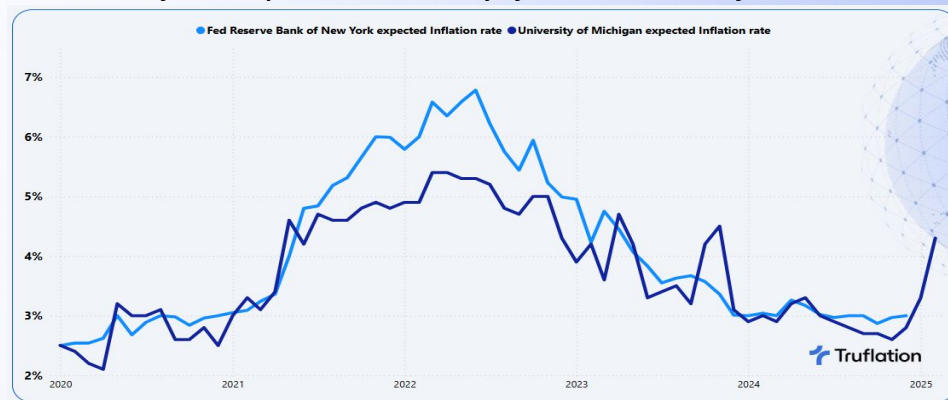
# Volatile start to the year

- Tariffs have started for China bit soon others
- President Trump has shifted his views on **rates**
- GDP slowed faster then expected at **2.3%**
- Consumer spending up **0.7% MoM**
- Unemployment rate @ **4.0%**; earning up **4.1% YoY**
- Savings rate holding **steady @ 4.1%**

US Census Bureau Retail Sales in trillions of \$



Consumer Inflation Expectation; University of Mich & Fed Bank of NY



## Inflation will persist in 2025; the target of 2% will not be reached

- **Immigration:** Undocumented deportation has become with 8000 arrests in the 1<sup>st</sup> two weeks. Pressure to accelerate & will impact and stifle economic growth
- **Tariffs:** China, steel & aluminum has started with more expected. Targeting countries with highest trade imbalances and will no doubt drive the prices of goods for the consumer.
- **Labor market:** Despite unemployment growing from 3.7% @ beginning of 2024 to 4.0% it is still low. Both hourly earnings & wages are growing; holding consumer spending & prices of services

**Q1**  
**+2.9% - 3.1%**



Unbelievable times  
require believable data.

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## Truflation forecasts of the BLS are within 0.10% on average

	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24
Low Estimate	5.9%	4.9%	4.1%	3.9%	2.9%	2.7%	3.3%	3.5%	3.2%	3.0%	3.1%	2.6%	2.8%	3.2%	3.2%	3.0%	2.8%	2.5%	2.2%	2.4%	2.6%	2.7%
High Estimate	6.2%	5.3%	5.0%	4.8%	3.4%	3.4%	3.8%	3.7%	3.4%	3.3%	3.4%	3.2%	3.5%	3.5%	3.5%	3.5%	3.1%	2.7%	2.4%	2.6%	2.9%	3.1%
Average Estimate	6.0%	5.2%	4.4%	4.1%	3.1%	3.2%	3.6%	3.6%	3.3%	3.1%	3.2%	3.1%	3.4%	3.4%	3.4%	3.1%	3.0%	2.6%	2.3%	2.5%	2.7%	3.0%
BLS Actual	6.0%	5.0%	4.9%	4.0%	3.0%	3.2%	3.7%	3.7%	3.2%	3.1%	3.4%	3.2%	3.5%	3.4%	3.3%	3.0%	2.9%	2.5%	2.4%	2.6%	2.7%	2.9%
Truflation	6.1%	5.2%	5.0%	4.2%	3.1%	3.3%	3.5%	3.6%	3.3%	3.0%	3.2%	2.9%	3.4%	3.5%	3.3%	3.0%	2.8%	2.5%	2.4%	2.5%	2.7%	2.9%