



The Source of TRUF

February Inflation Review

Consumers more cautious

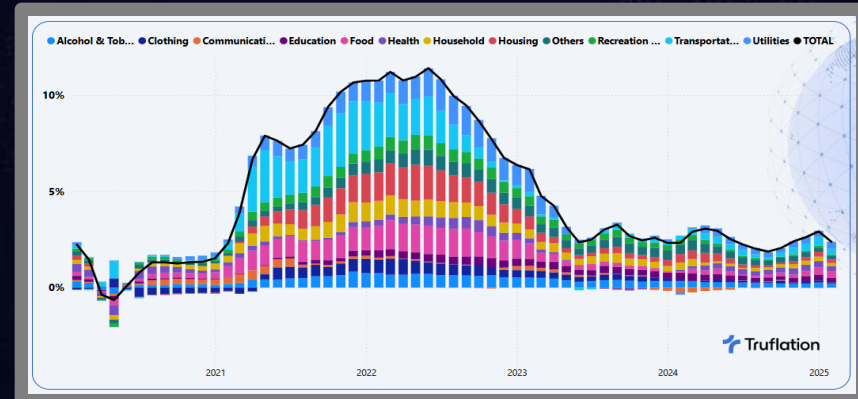
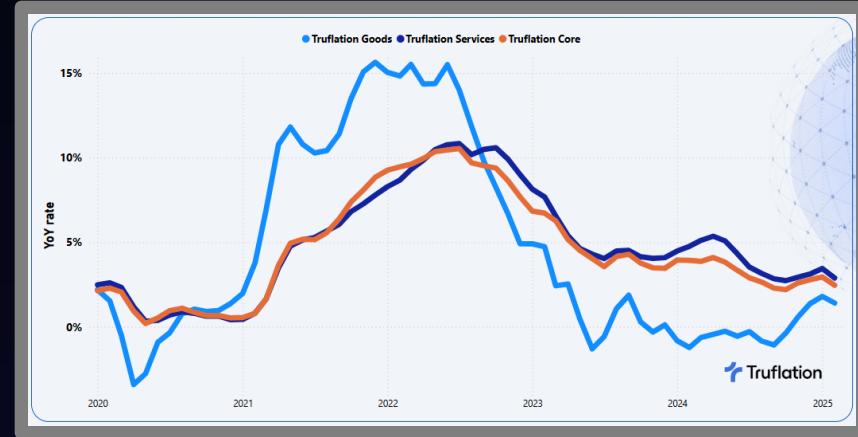
March 11th, 2025



February cooling continues

Truflation February BLS CPI forecast: 2.8%

- Market forecasts between 2.8% and 3.0%
- Consumers tightening wallets given tariff concerns
- Core inflation is the driving force, with food & energy experiencing significant increases.
 1. Services – labor market tight + wage growth
 2. Goods – slowing down
- Long term view remains clear – risk to the upside; immigration, federal spending cuts, tariff war, tax reductions



Sector-specific Inflation Analysis

Food

+0.9% MoM and +3.9% YoY

- Driven by both Food at home & away from home. Supply chain disruptions, extreme weather conditions & wage increases

Utilities

+0.8% MoM and +3.9% YoY

- Extended cold blast with Winter expected to continue to early March

Housing

+0.5% MoM and +2.0% YoY

- Owned grew 0.6% MoM & 2.9% YoY; Home sales had a rough start with mortgage rates staying elevated & not enough supply.

Transportation

-0.1% MoM and +3.3% YoY

- Biggest driver is car sales as dealers shifting stock with lower prices

Alcohol & Tobacco

-0.5% MoM and +2.3% YoY

- Consumers returning to normal behavior

Recreation & Culture

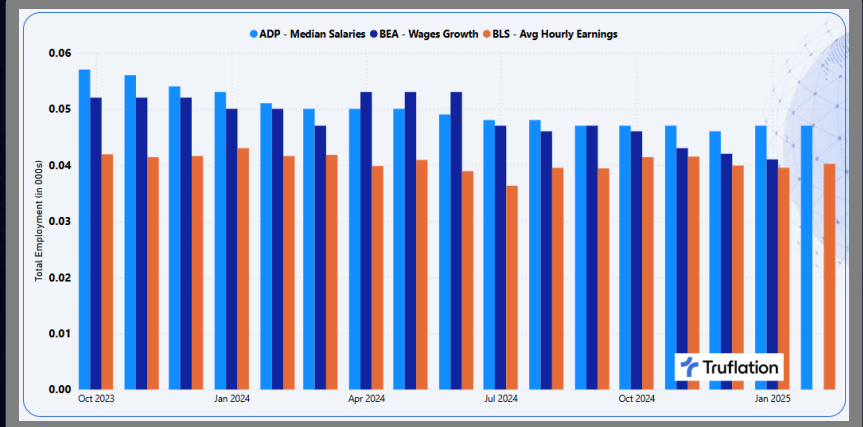
+0.0% MoM and +0.7% YoY

- Consumers being more selective & prioritizing spend.

Prices of WTI Crude Oil; 10th of March \$66.8



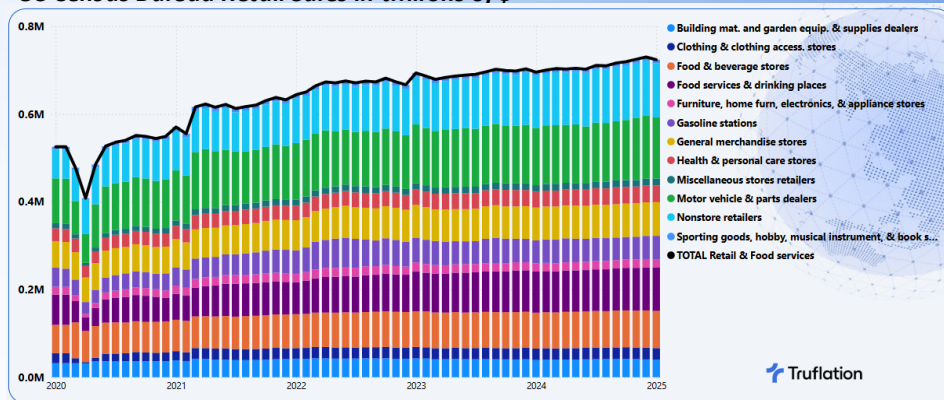
Wage Increases consistent across BLS ADP & BEA



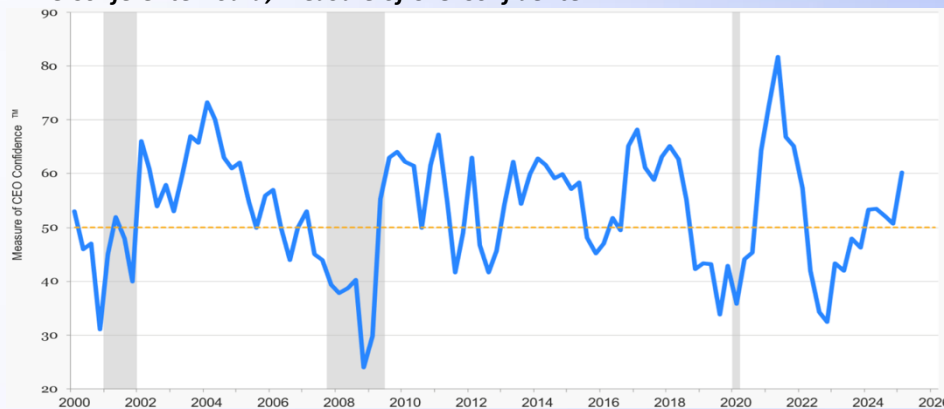
Volatility continues

- **More tariffs**; additional China, Mexico & Canada
- Manufacturing sentiment is **weakening**
- **Reduction** in Govt spending & federal workforce
- Consumer spending down **0.2% MoM**
- Unemployment rate @ **4.1%**; earning up **4% YoY**
- Savings rate **increased @ 4.6%**
- **Steep decline** in Consumer Confidence

US Census Bureau Retail Sales in trillions of \$



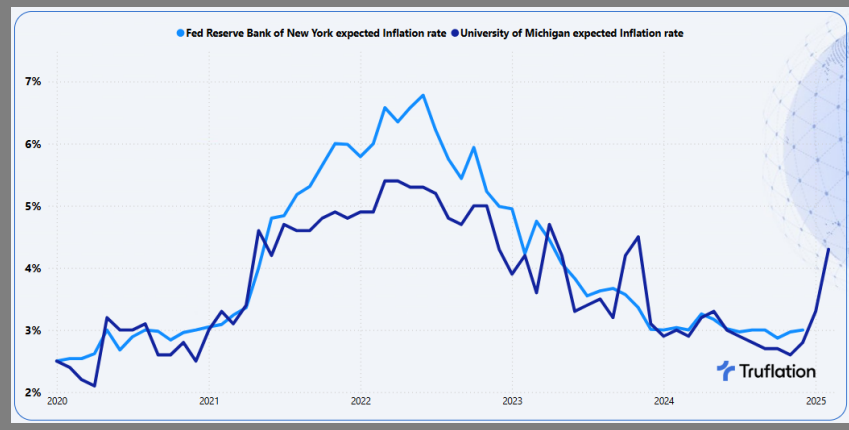
The Conference Board; Measure of CEO Confidence



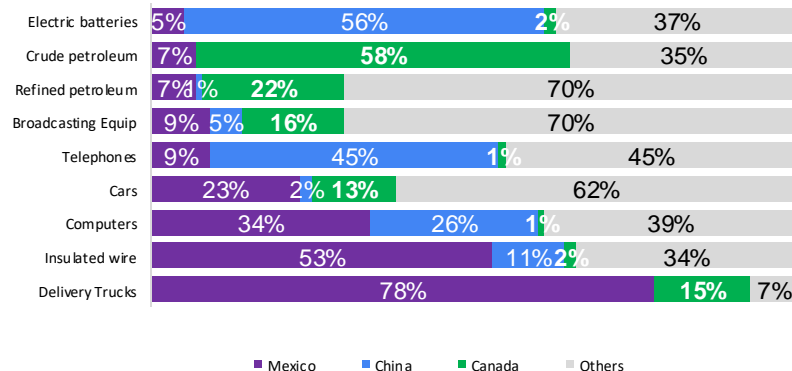
A 0.8% increase in inflation as a result of tariffs. Key categories impacted

- **Automotive:** An average increase of \$3k given car parts crossing borders before assembly. Disrupting this comes with significant costs.
- **Crude Oil:** Mexico & Canada are America's largest importer of crude oil in 2024 for the thicker oil that refineries use for gas, diesel & jet fuel.
- **Housing:** US imports 1/3 of softwood lumber from Canada which is a key building material & would push out the housing affordability.
- **Maple Syrup:** 75% of world production is in Canada and if they are produced in US they need inputs from Canada.
- **Avocado's:** Mexican avocado's make up 90% of the US market.
- **Canned Food & CSD:** 70% of the steel used to make canned food & CSD is imported and is currently not produced in the US.
- **Alcohol:** Most popular brands are Modelo & Corona with a strong cult following. Combine this with Tequila and Canadian Whiskey.

Consumer Inflation Expectation in the N12M (2% is the Fed Target)



Potential Impact of tariffs: US Census Bureau 2024 data:



Beyond tariffs there are other risks towards upward inflation in 2025

- [Immigration policies](#) and the unemployment which is at 4.1%; still low. Hourly earnings & wages that are holding steady around 4% YoY.
- President Trump campaign messaging to remove [tax on tips](#) combined with state tax reductions will likely fuel an increase in consumer demand.
- [Supply chain](#) disruptions especially for Oil and Food combined with severe weather conditions.
- [Business investment climate](#) given on-shoring reviews while at the same time Federal cuts could impact support for certain categories.

Q2
2.8% - 3.5%



Unbelievable times
require believable data.

stefan@lagu.na

oliver.rust@lagu.na

 truflation.com

 @truflation

 t.me/truflation

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%