

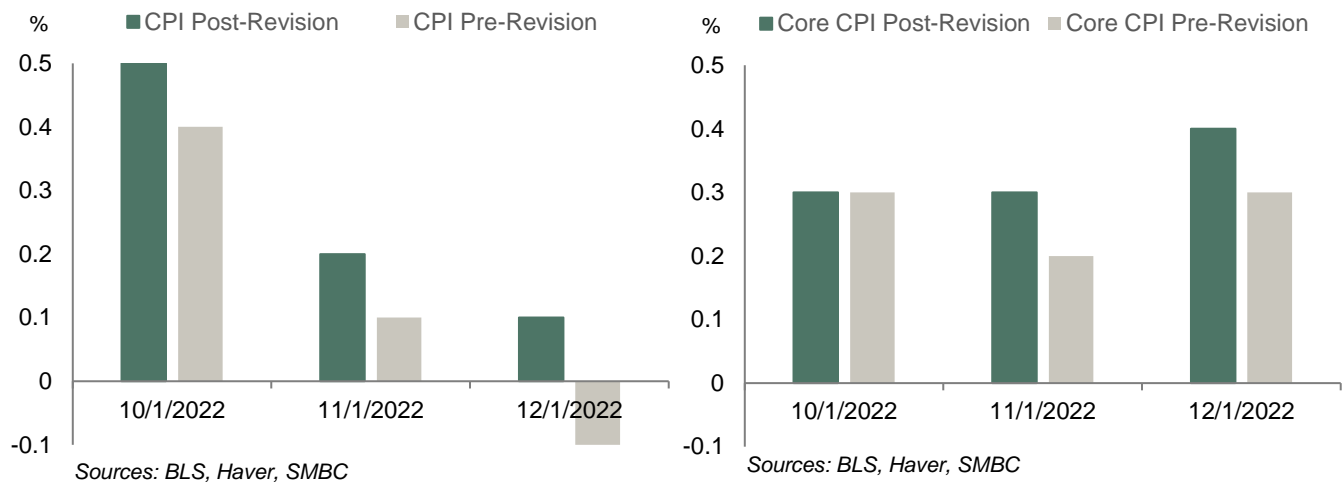
US Macroeconomics

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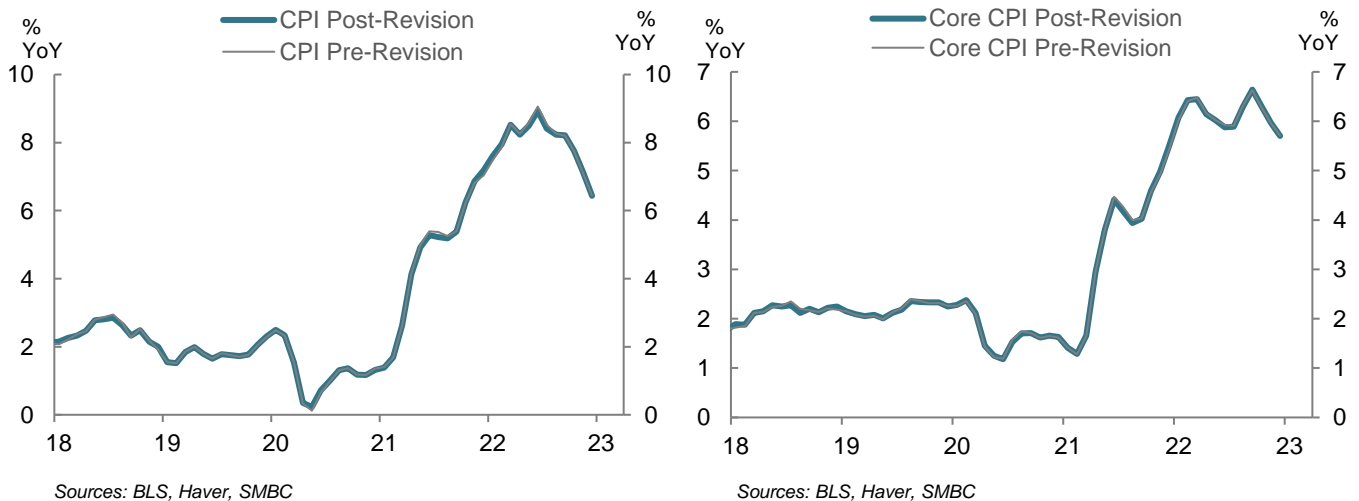
Joseph Lavorgna, Chief US Economist | 212.610.1741 | joseph.lavorgna@smbcnikko-si.com

Disinflationary Trend Still Intact

As a matter of standard practice, the Bureau of Labor Statistics (BLS) released its annual revisions to the consumer price index (CPI) last week. The updated figures show slightly larger increases in the headline and core CPI for the past few months. These revisions are shown in the chart below.



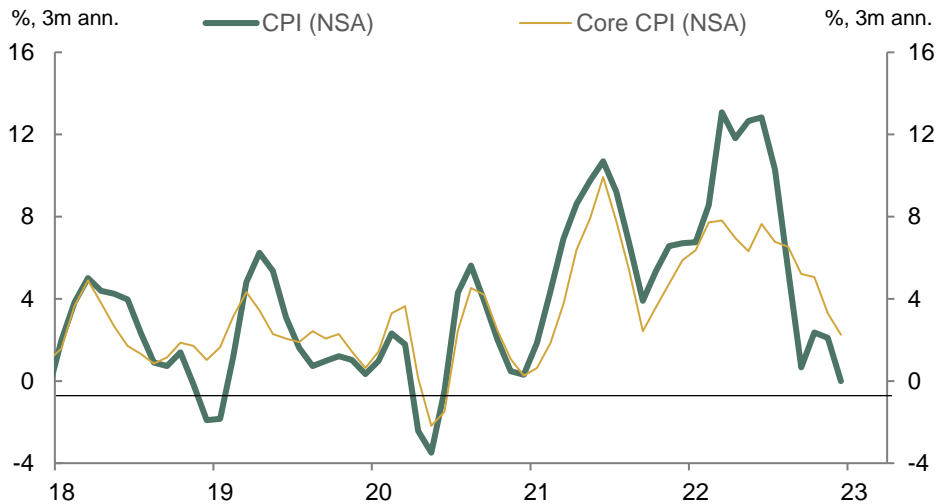
Critically, **the upward revisions to the headline and core CPI do not change their year-over-year growth rates following the revisions.** As we can see in the next set of charts below, the readings post- and pre-revision are identical. The downward deceleration remains fully intact, as we discuss in more detail on the following page.



The reason the year-over-year growth rates are the same is because the CPI revisions only change the intra-year seasonal factors. For the full year, they must net out to zero. It is noteworthy that the raw numbers or non-seasonally adjusted (NSA) figures are not revised, which is different for economic reports such as nonfarm payrolls or retail sales.

Nevertheless, some analysts argue that the October to December 2022 revisions changed the near-term trajectory of inflation. In other words, they incorrectly report the recent downward momentum in inflation has been revised away. But this is **not** the case! The three-month annualized changes in the not-seasonally-adjusted numbers show a sharp slowing in inflation.

As illustrated in the last chart below, **over the last three months headline inflation is flat while core inflation is up just 2.3%.** Prices have slowed dramatically from where they were in early 2022. The bottom line? Inflation continues to retain near-term downward momentum, and the year-over-year growth rates in headline and core inflation will continue to moderate.



Sources: BLS, Haver, SMBC

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