Breakdown of CPI by components

While m/m inflation data provides very useful information on the recent momentum in (dis)inflation, a look at today’s CPI data on a y/y basis provides a useful lens on the categories in which the consumer is feeling the most cost pressure relative to one year ago.

Core CPI: 5.6% y/y

Food
CPI inflation rose 0.1% in March and 5.0% y/y, as energy prices fell by (3.5%) and food at home priced declined by (0.3%) on the month. Core prices increased 4.5% and 5.6% y/y, the first time in over two years that core came in above the headline level.

Core services

Food

Core goods:

Core services:

Peak Feb 2022: 12.3%

After steadily rising since August 2021, core services inflation declined in March to 7.1% y/y vs. 7.3% in February. Inflation in both rent and owners’ equivalent rent moderated in the month, the first real sign that alternative measures of housing inflation are feeding through to CPI calculations. Core goods inflation, on the other hand, broke its trend of the past six months and increased to 1.5% y/y vs. 1% in February. The increase shows that while disinflation trends are firmly in place, the journey to the Fed’s 2% target will be non-linear.