



# **US February inflation moderates to 2.8% YoY with Core down to 3.1% YoY**

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The February CPI report showed inflation increased 2.8% from a year ago, a slowdown from 3.0% in January and below analysts' expectations of 2.9%. Similarly, Core inflation (ex. food and energy) came in at 3.1% YoY, down from 3.3% in January and below expectations of 3.2%. On a month-on-month basis, headline CPI increased by just 0.2% MoM, down from a 0.5% jump in January, while Core inflation also increased by 0.2% in February, down from 0.4% in January. Both were below consensus expectations of 0.3% MoM increases.

The Consumer Price Index deceleration in February was mainly due to Core Services which continues its moderating trend. Core Services increased by 4.1% YoY in February from 4.3% in January as Shelter inflation continues to decline, increasing by 4.2%, down from 4.4% in January. Transportation Services witnessed the largest slowdown, increasing by 6%, down from 8% due to Airline ticket prices falling by 0.7% YoY after increasing by more than 7% in the previous two months. Core Goods remain in deflation although prices fell at a slower pace than last month.

Food prices accelerated slightly, increasing by 2.6% YoY, up from 2.5% in January. Most of the inflation though can be attributed to eggs, which increased 59% from a year ago, up from 53% in January. On a monthly basis, Food inflation slowed down to 0.16% from 0.36% in January as eggs inflation remains very high at 10.5% MoM, but down from the even higher 15.2% MoM in January.

Though a welcome deceleration, tariffs have yet to flow through to prices, the effects of which will start to be reflected in the inflation reports in the coming months as more tariffs go into effect. On April 1st, the Trump administration will unveil a trade review which should provide Trump with a stronger basis on which to impose reciprocal tariffs affecting all US trade partners that currently impose trade restrictions on the US. We believe the tariff outlook will become somewhat clearer through April as the US stakes out its position on reciprocal tariffs and negotiations with trading partners progress.

The moderation in inflation is good news for the Fed but we still expect them to hold rates at their current level during their next meeting on March 19th. The Fed will provide their updated economic projections and will update their Dot Plot which represents their expected path for rates. We will be very interested to see how the Fed will incorporate the still unclear tariff outlook and the immigration crackdown in their projections for inflation, economic growth and the jobs market. Markets are currently pricing in nearly 0.75% in rate cuts for 2025 versus the Fed's previous expectations of 0.50% in rate cuts for this year.

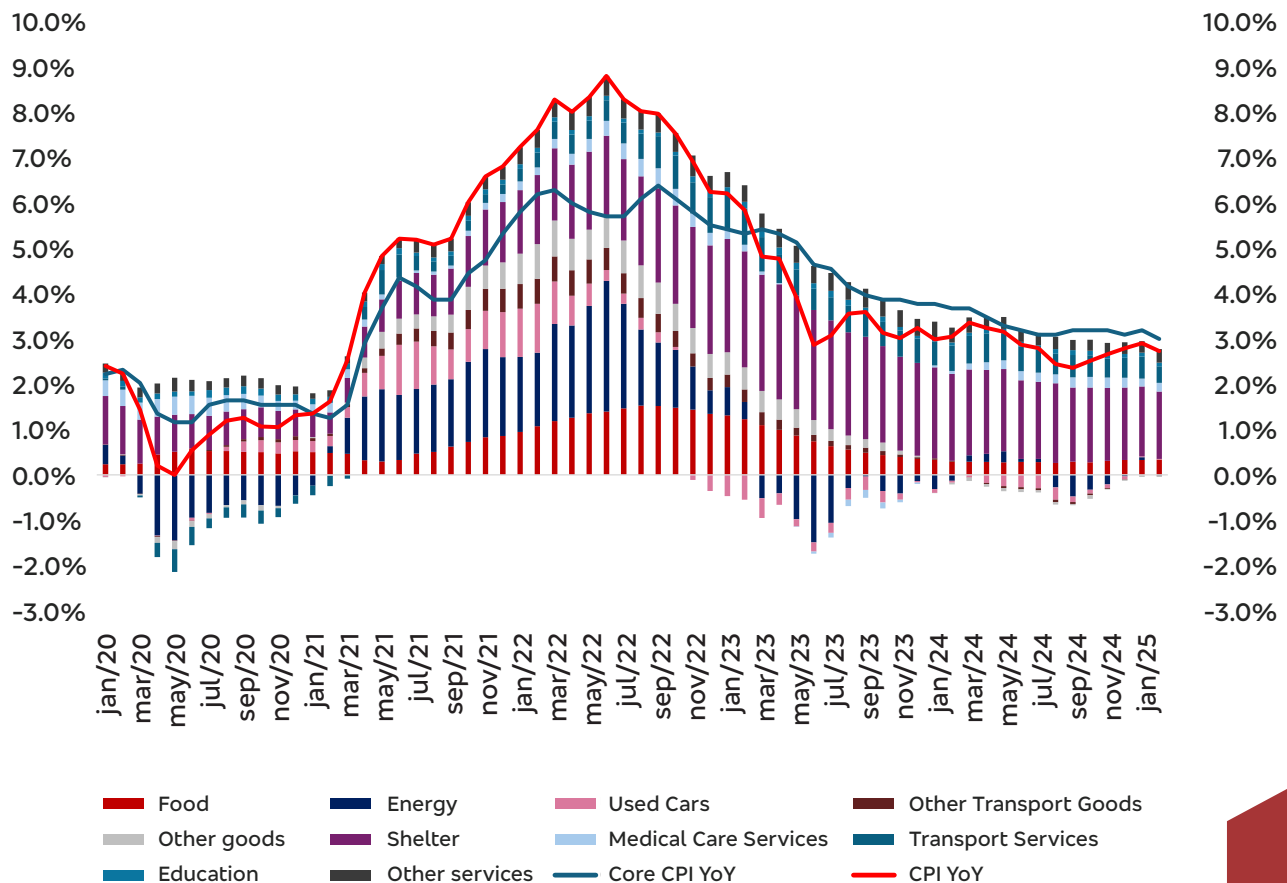
### Some details on the CPI report:

- Headline inflation was 2.8% YoY, down from 3.0% in January. Core inflation increased by 3.1% YoY, decelerating from 3.3%. On a month-on-month basis, headline inflation was 0.2%, and Core was 0.2%. All 4 figures were lower than analyst consensus.
- Food inflation picked up to 2.6% YoY. The increase was driven by Food Away from Home which accelerated to 3.7% from 3.4% YoY and due to Egg prices, which increased 59% from a year ago.
- Goods prices (ex food and energy) decreased by 0.1% YoY for a second consecutive month.

as prices for many goods continue to decline from last year though at a much slower pace than the past few months.

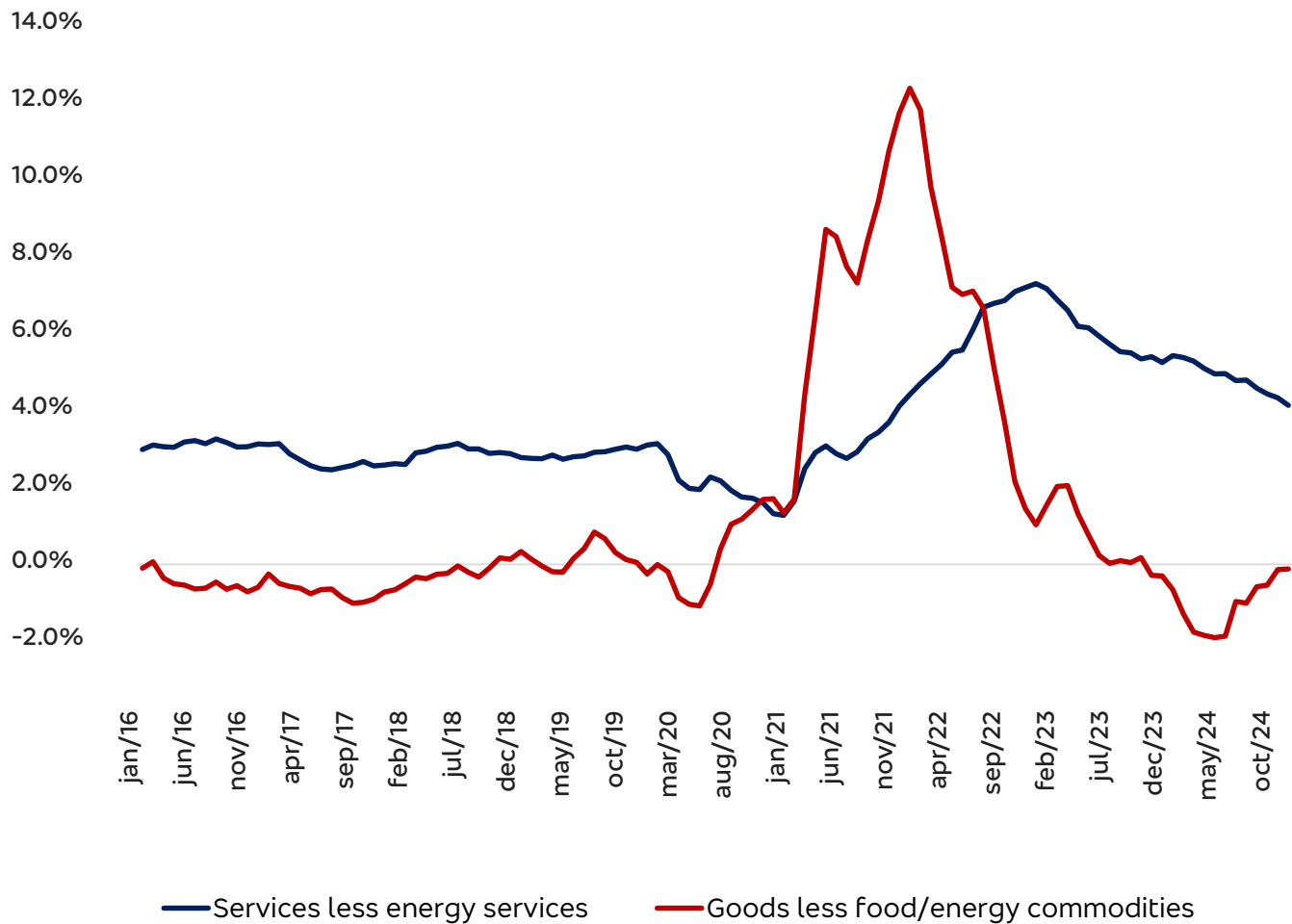
- Car prices decelerated, Used Cars And Trucks increased by 0.9% MoM down from 2.2% while Motor Vehicle Parts And Equipment fell by 0.5% from 0.8% and New Vehicles fell 0.1% from January. Prices of phones and computers remain strongly in deflation territory down 6% and 10.7% YoY, respectively.
- Core Services inflation slowed to 4.1% from 4.3% last month as Shelter inflation continues to slow. Shelter inflation slowed to 4.2% from 4.4% helped by Owners' Equivalent Rent (OER) which slowed to 4.4% from 4.6%. Shelter inflation continues to moderate on a monthly basis as well, 0.3% MoM from 0.4% in January.
- Energy prices deflated in February, down 0.2% YoY after increasing by 1% in January. Monthly, energy prices increased by 0.2% slower than the 1% increase in January.

### Inflation rises by 2.8% YoY while Core inflation ticks up by 3.1%



Source: Bloomberg/Bradesco

**Goods prices decrease by just 0.1%YoY for second month,  
while Services inflation decelerates to 4.1% YoY**



Source: Bloomberg/Bradesco



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