

Inflation Picture Book: A Story of Slowing Prices

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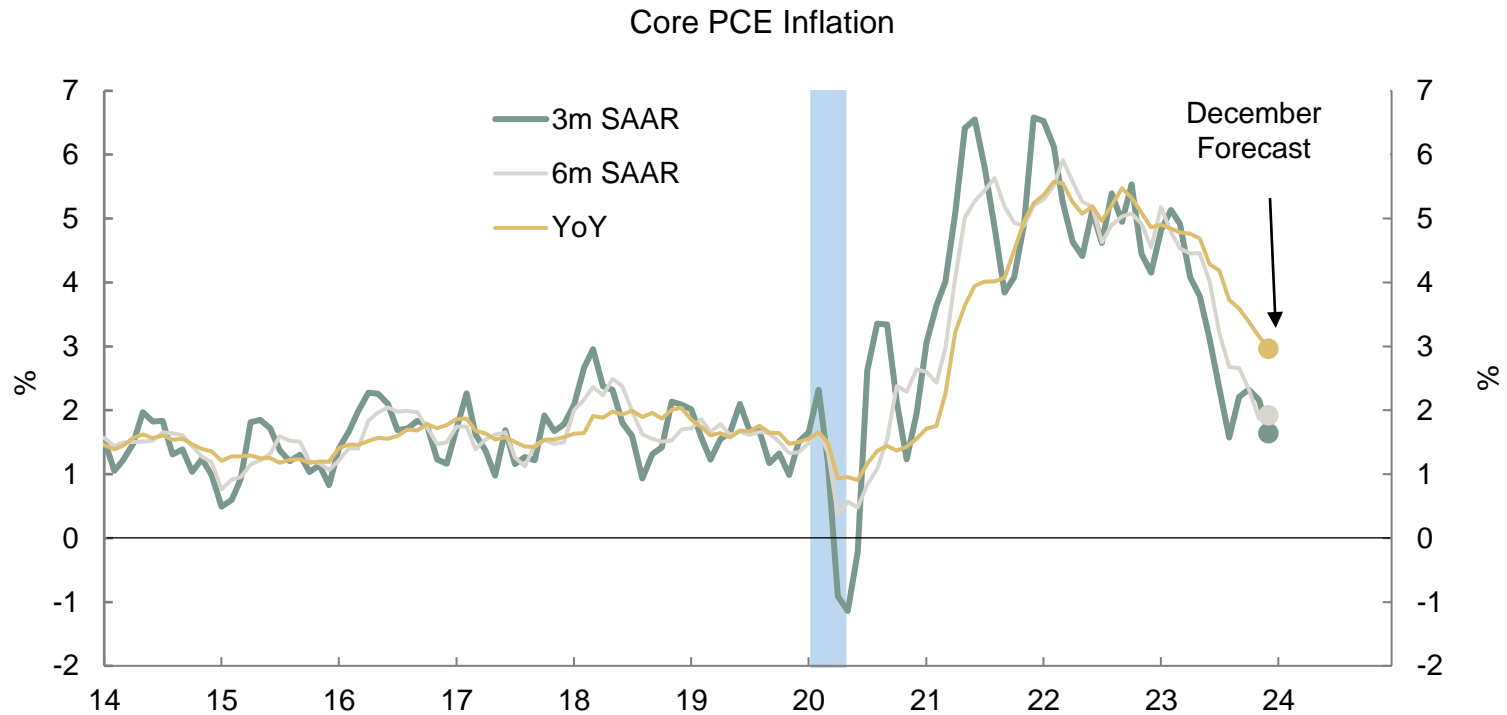
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January 22, 2024

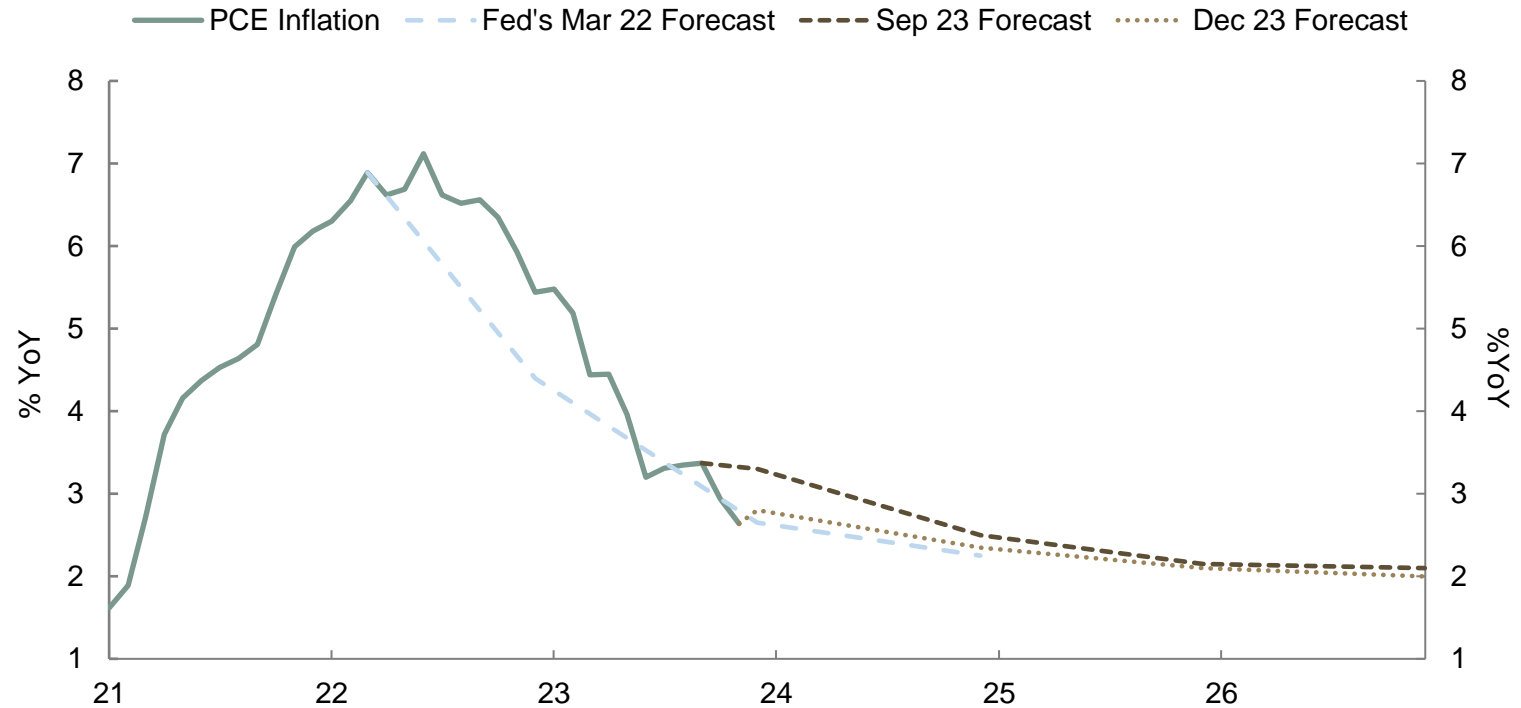
Inflation Moving Closer to Target

Shorter term growth metrics are already running at 2% or less.



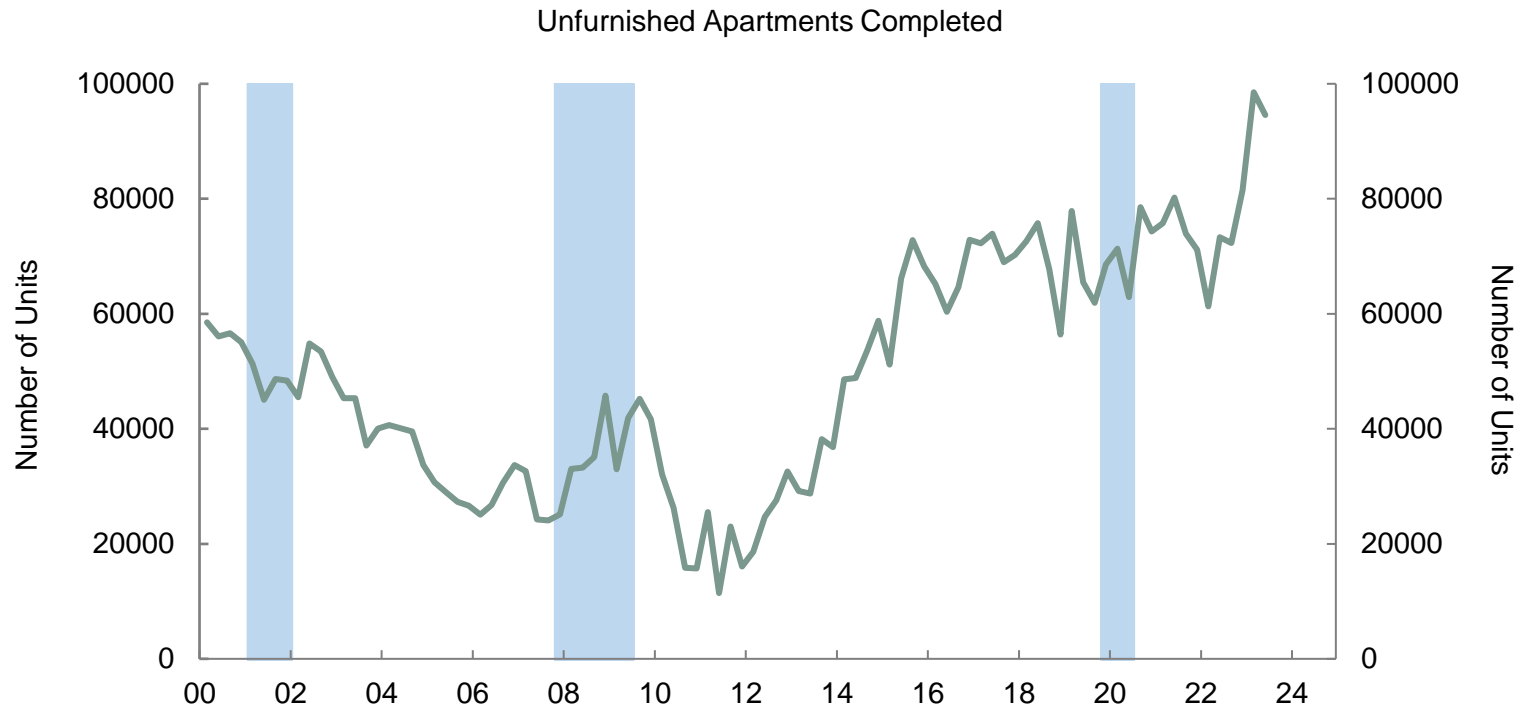
On the Mark

While the funds rate is much higher, the Fed's March 2022 projection looks prescient.



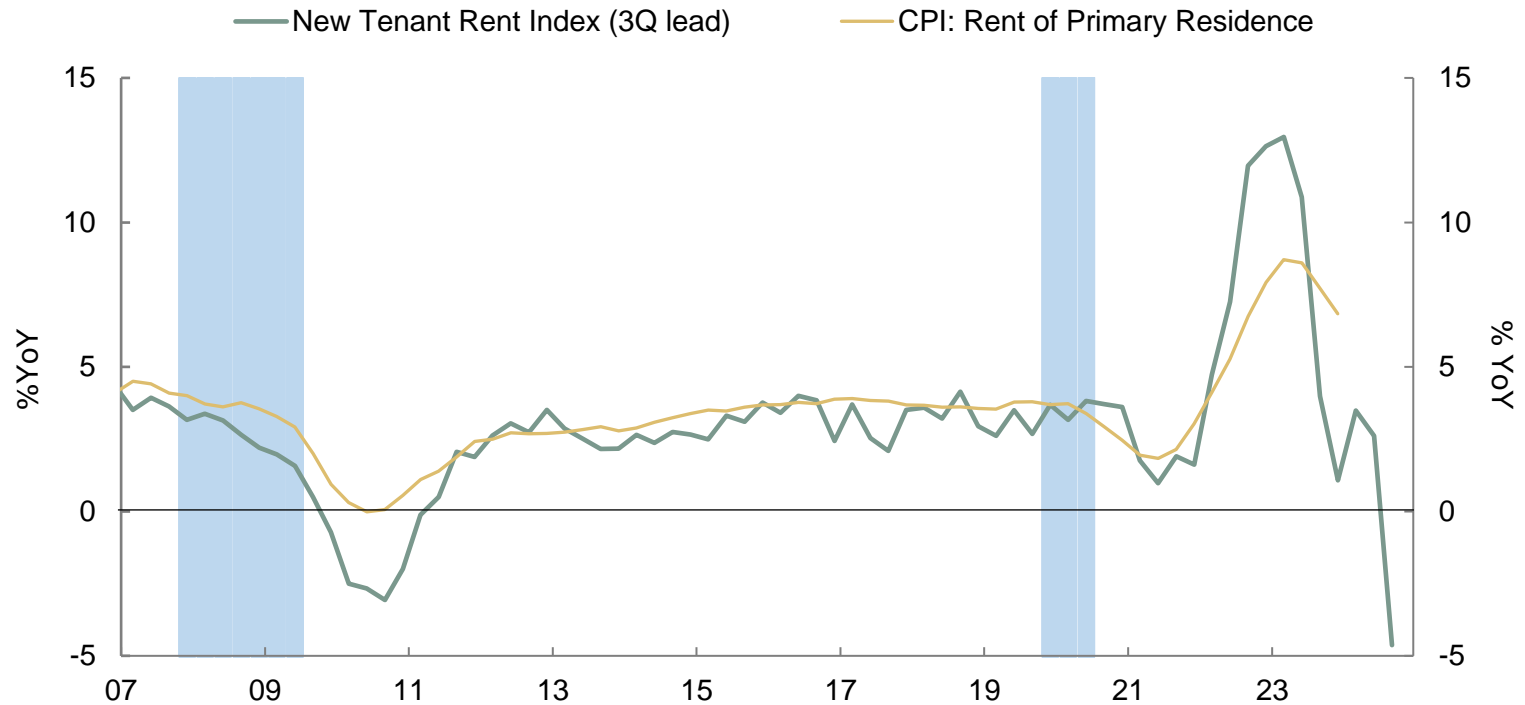
A Big Increase in Available Units

A record amount of rental supply is ready to hit the market.



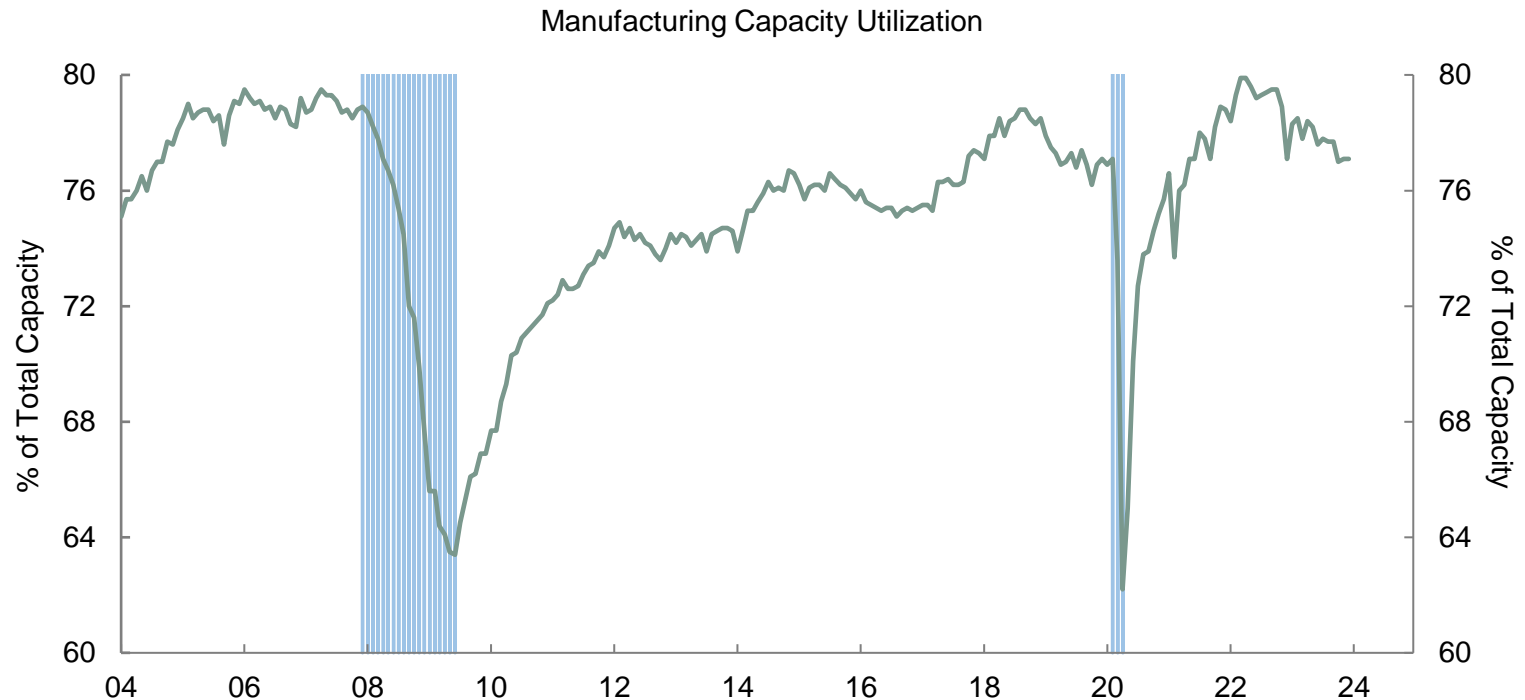
Rental Prices on the Precipice

The biggest subcomponent of inflation is poised to collapse



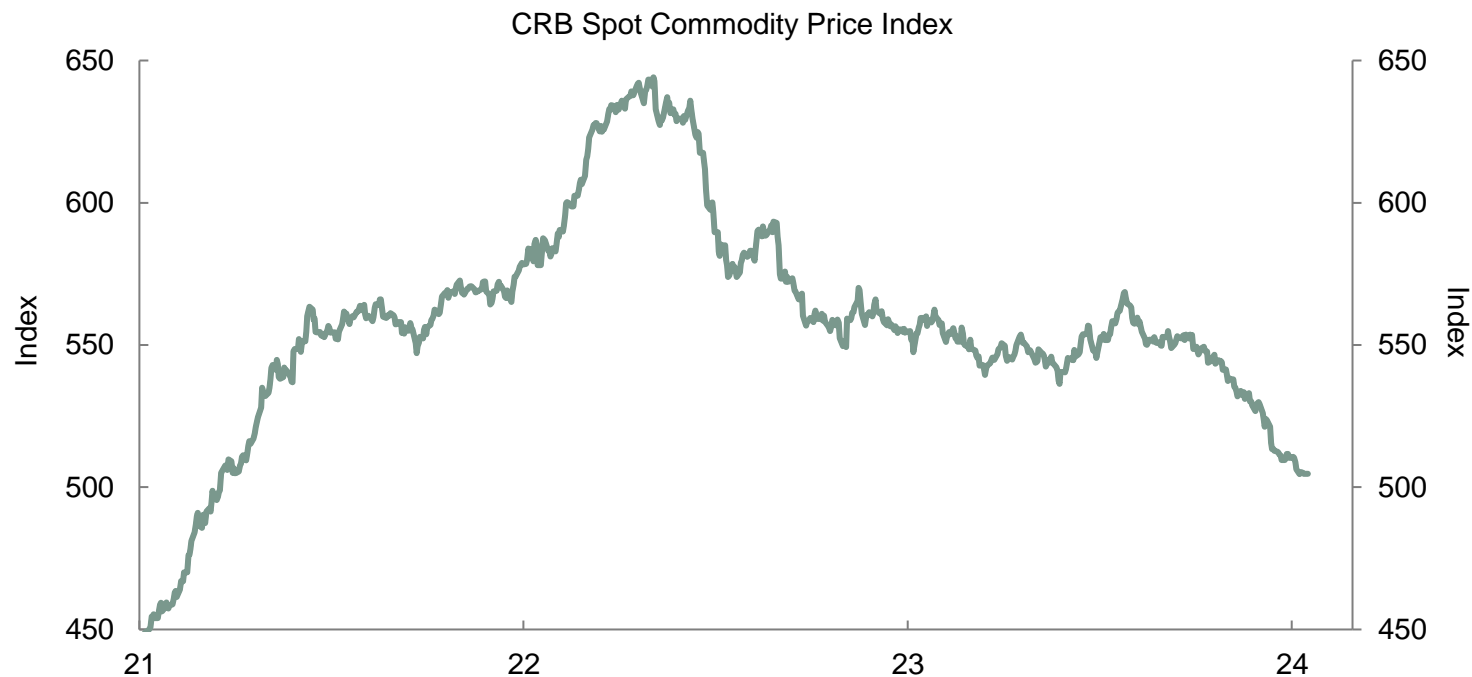
Excess Factory Slack

Capacity utilization continues to trend lower as manufacturing remains mired in recession.



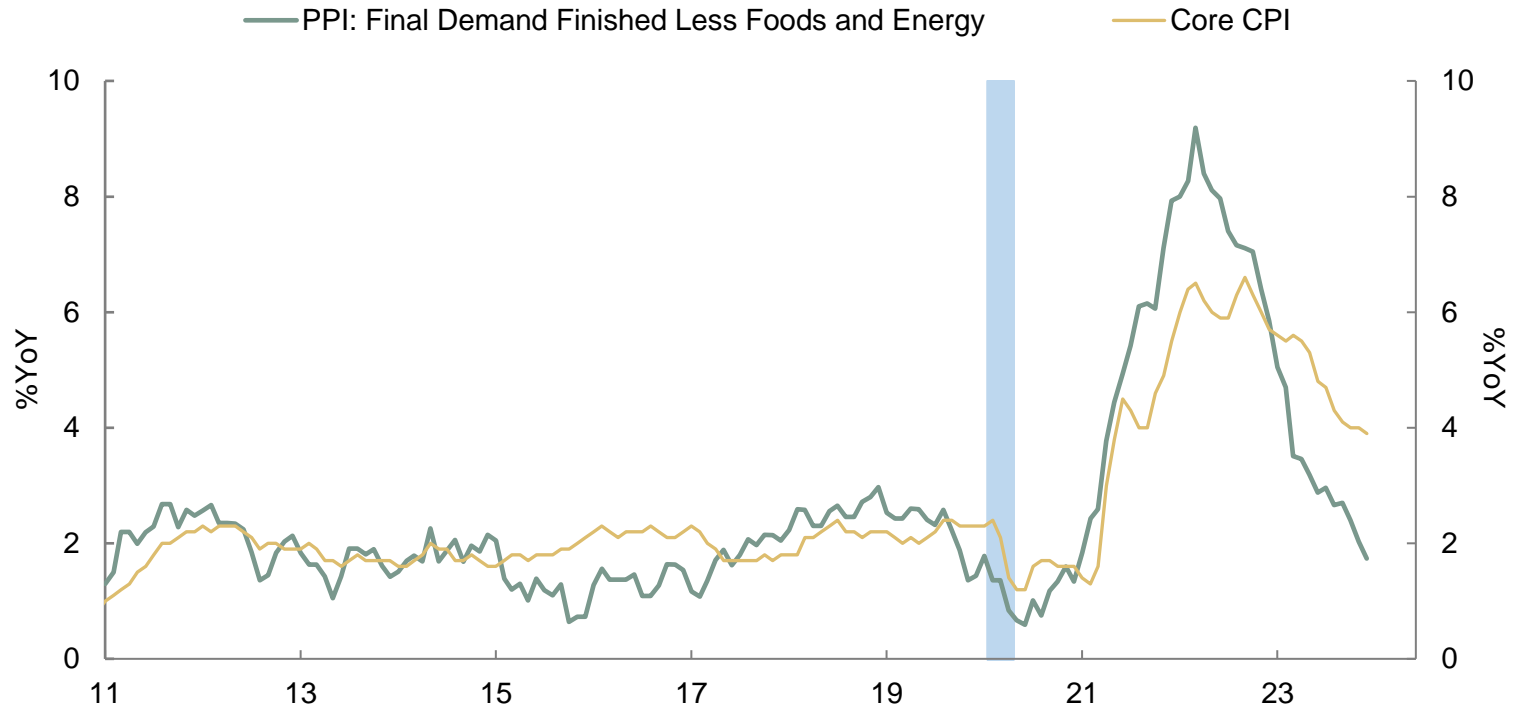
Broad-based Weakness

Commodity prices continue to soften, a consequence of softening demand.



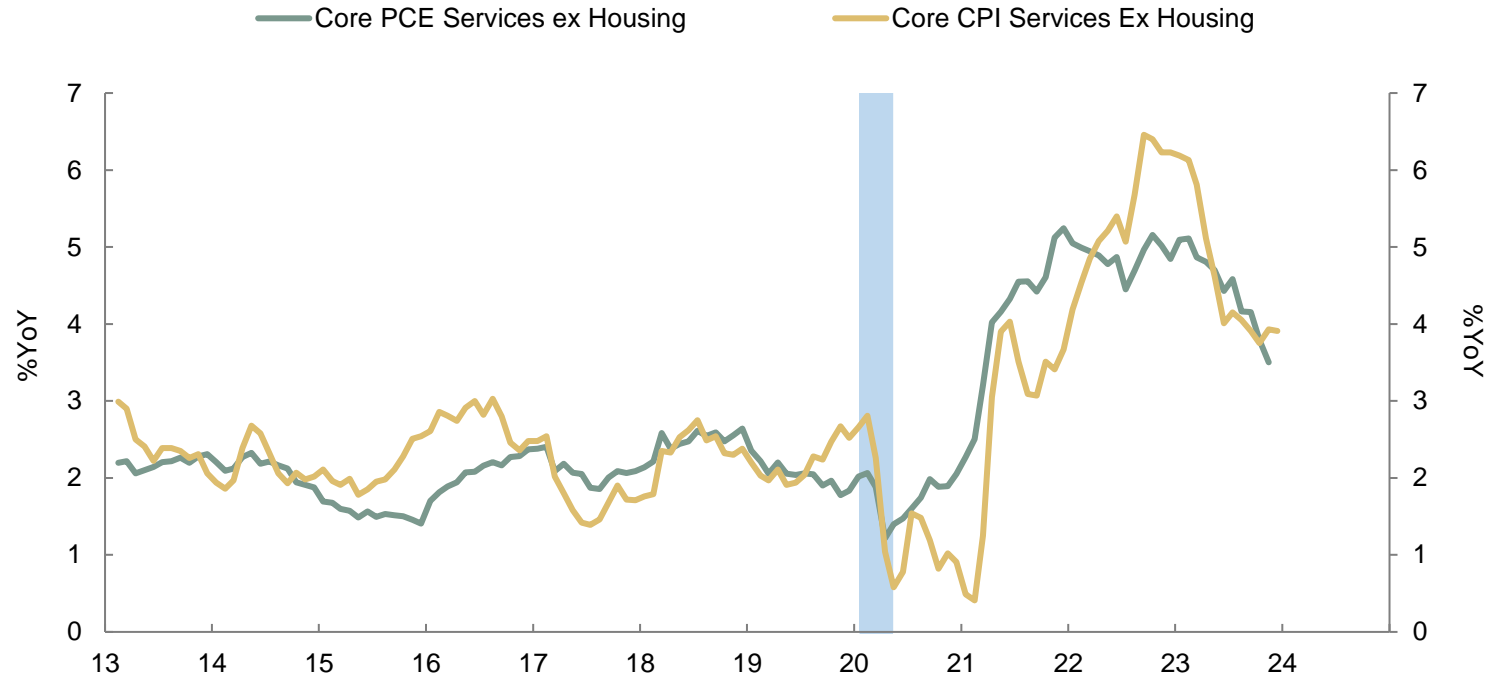
Wholesale Price Disinflation

The producer price index (PPI) points to a sharply lower rate of core consumer inflation.



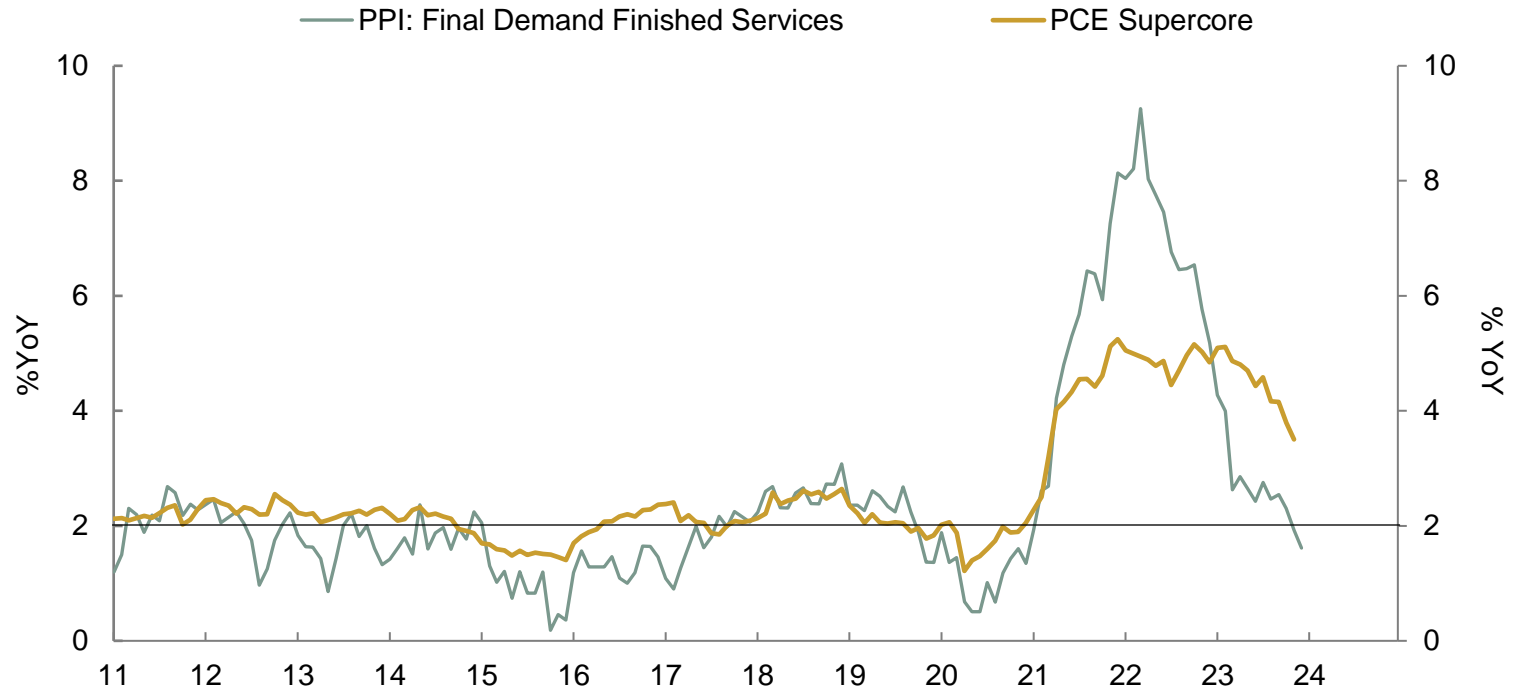
The Powell Metric

While elevated, measures of “super” core inflation continue to trend lower.



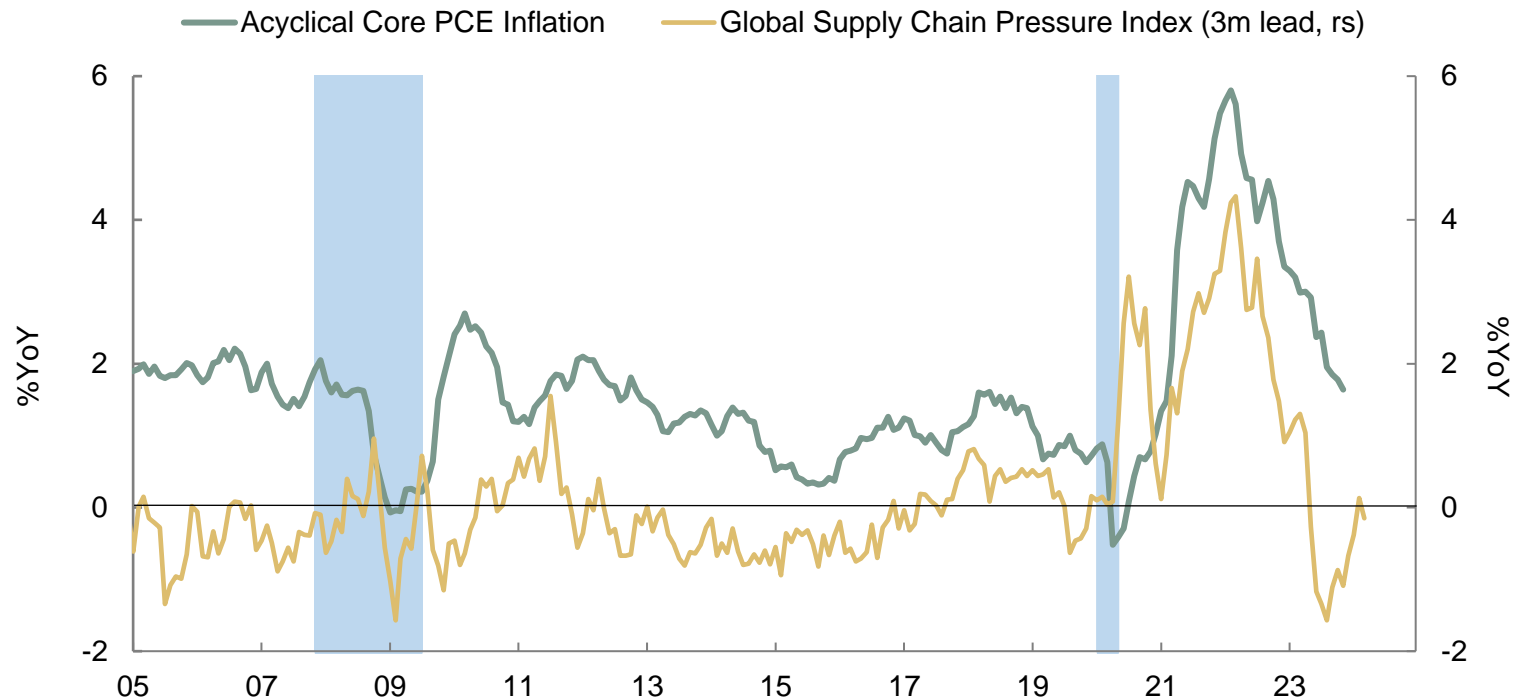
Rolling Over

Importantly, the PPI tells us Powell's preferred inflation metric is going lower



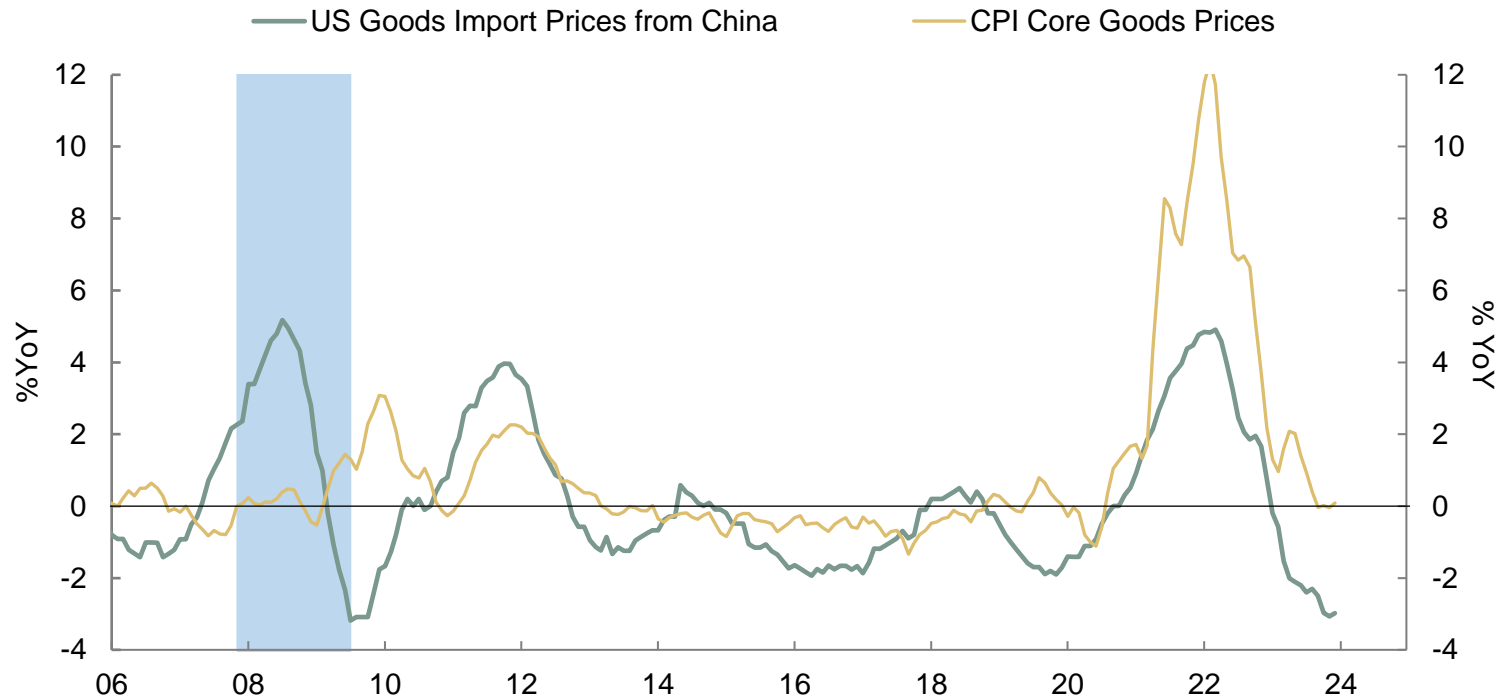
Fixing Bottlenecks and Supply Constraints

Acyclical prices are slowing while supply chain pressures have dissipated.



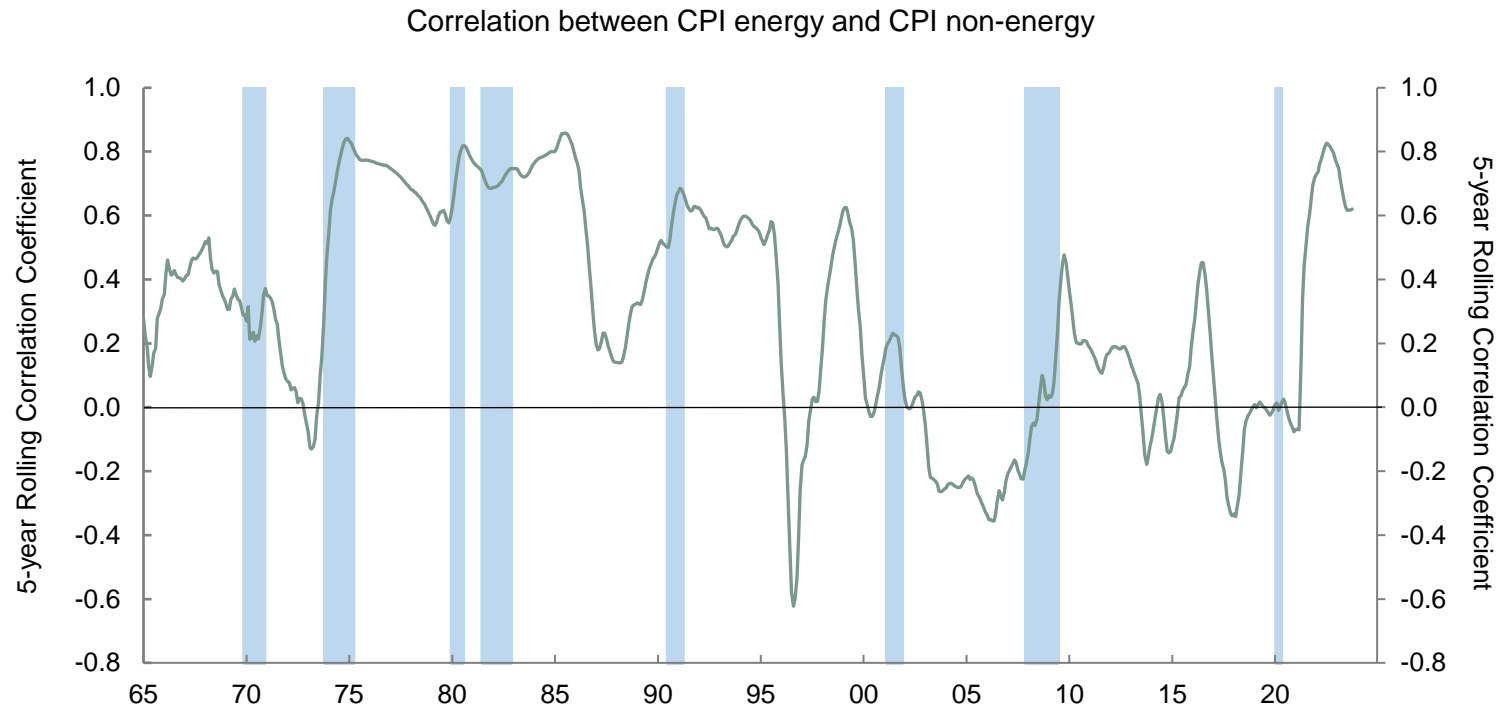
Importing Deflation

The US continues to import deflation from China, which will lead to falling US goods prices.



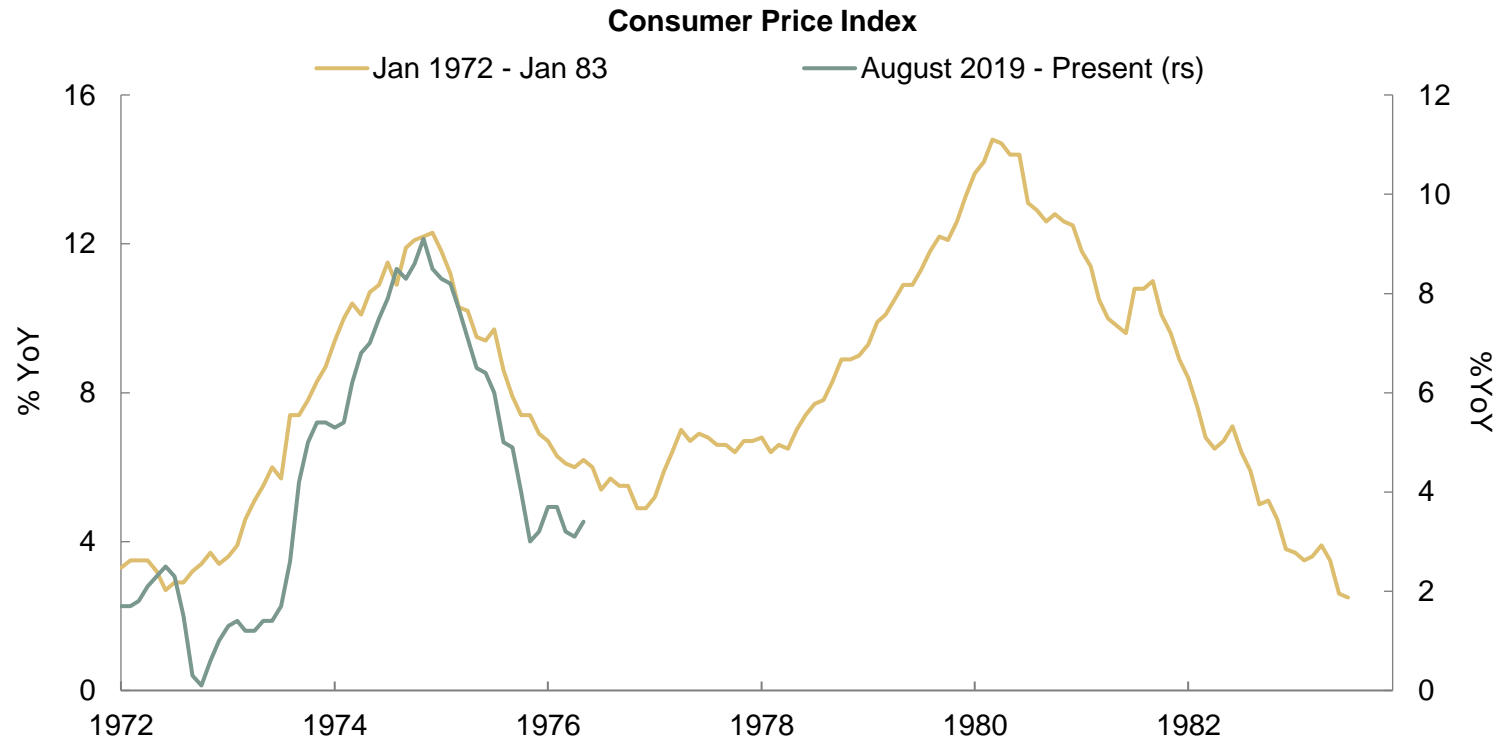
1970s Style Pass-Thru

Soaring energy costs fed through the rest of the economy, pushing core inflation higher.



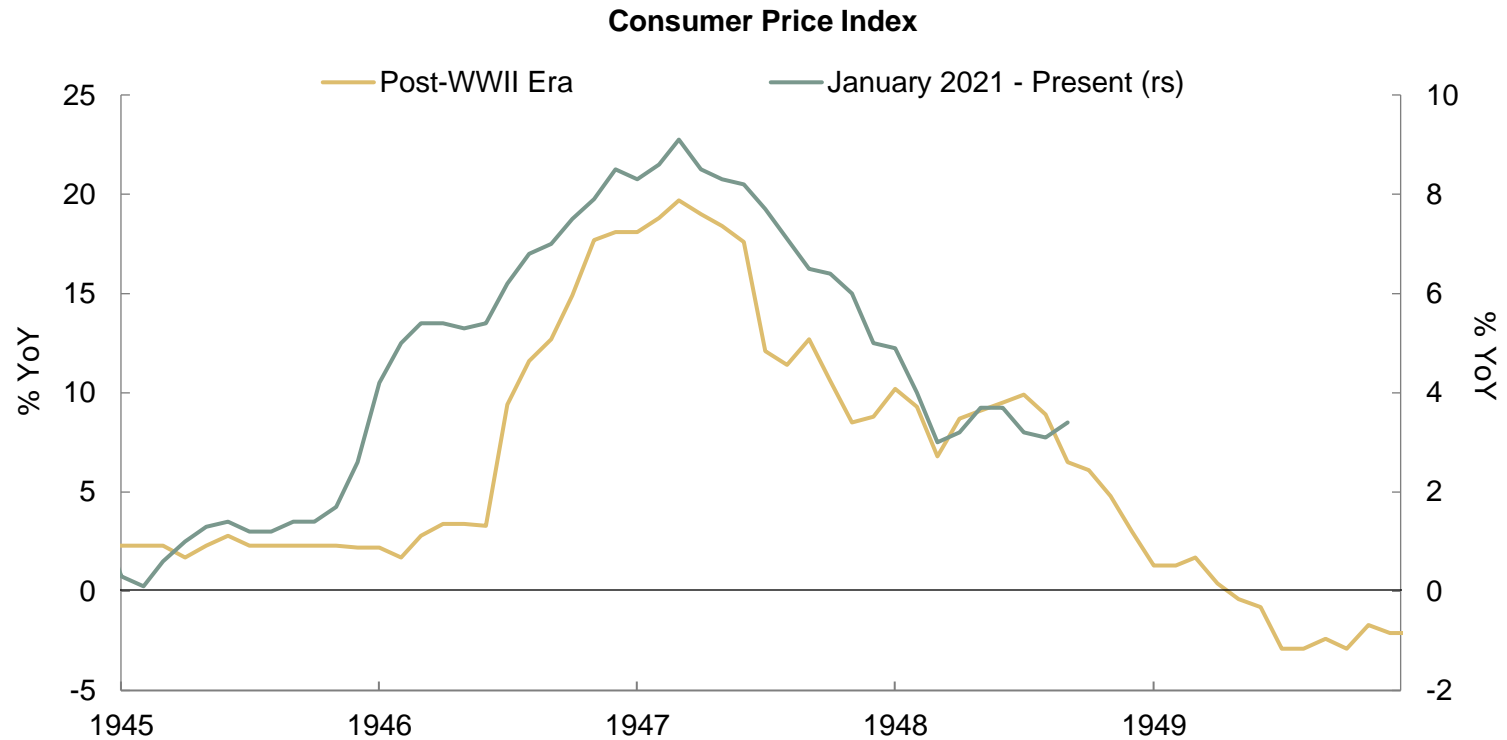
Uncanny Parallel?

On the surface, the current trend in inflation resembles that of the early 1970s



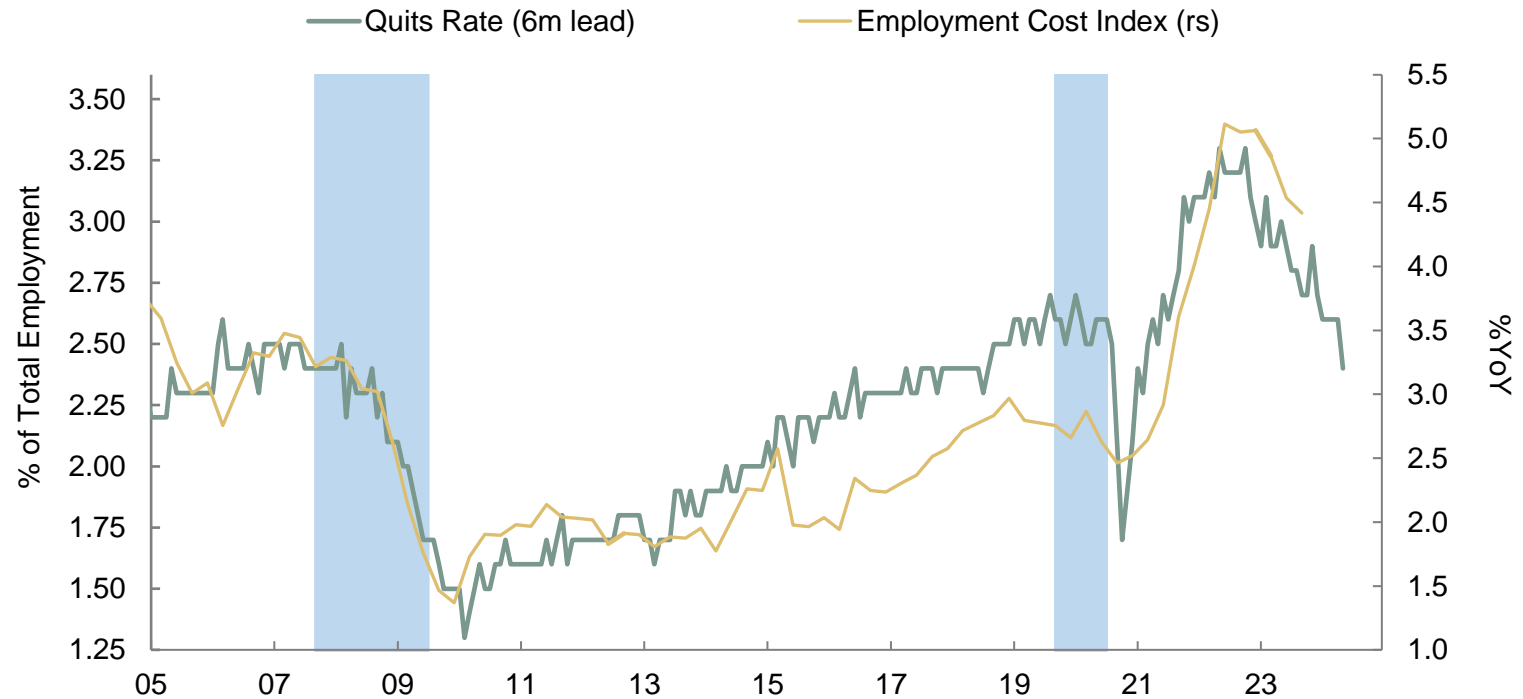
A Better Example

But the period before and after the Second World War may be more apropos.



Wage Inflation in Reverse

With the quits rate back to 2018 levels, wage growth has room to fall a lot more.



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