# **Scotiabank**

# **GLOBAL ECONOMICS**

### **SCOTIA FLASH**

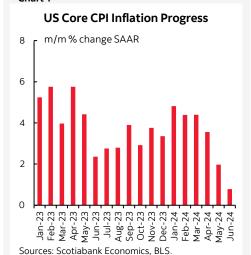
July 11, 2024

### **Contributors**

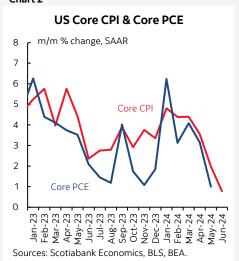
#### **Derek Holt**

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#### Chart 1



### Chart 2



# **US CPI Post-Mortem: Why Not Cut in July?!**

- US core CPI inflation was soft again...
- ...and backed by widening breadth of disinflationary pressures
- Could core PCE drop for the first time in 7+ years?
- Powell's pre-blackout appearance on Monday may be key
- Rebalancing forces suggest that trend core inflation may remain weak
- A case for receiving the July contract that is priced for no FOMC action...
- ...and why cutting this month could make sense
- The risk of a bounce back from this inflation soft patch is lower than previously

### US CPI / core CPI, m/m %, SA, June:

Actual: -0.06 / +0.06 Scotia: 0.1 / 0.3 Consensus: 0.1 / 0.2 Prior: 0.01 / 0.16

Another softer core CPI reading in the context of broader forces makes our forecast for 50bps of cuts this year starting in September look a little light (details here). There is a case for markets to receive pricing for the July 31st meeting. Even a hold this month opens up greater risk of 75bps+ of easing by year-end.

Core inflation was basically flat at 0.06% m/m SA following a mild rise of 0.16% m/m SA in May. Only four out of 72 forecasters got this call right that surprised markets, and only with the help of generous rounding up to 0.1% m/m. The deceleration is vividly shown in chart 1.

### MARKETS ARE PUSHING FOR MORE THAN 50BPS OF CUTS IN 2024

The US two-year yield fell by about 13bps post-data and is now about 50bps below the 5% peak of not so long ago which pays off on the recommendation to buy the front-end. The 10-year yield fell by about 10bps. The dollar tumbled especially against the yen. A September 18th cut is now fully priced. Fed funds futures are leaning toward about the mid-point between 50-75bps of cuts by year-end. The July 31st decision is priced for no change.

Chart 3

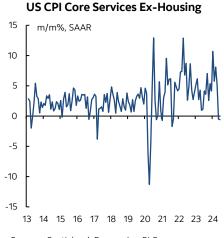
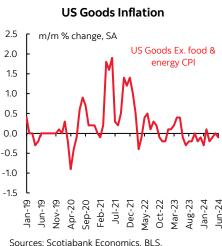


Chart 4



Sources: Scotiabank Economics, BLS.

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#### **CORE PCE COULD TURN NEGATIVE**

US core PCE could be negative m/m on July 26th and hence just five days before the July FOMC. Core PCE tends to track beneath core CPI (chart 2). Take core CPI at +0.06% m/m SA, but convert to PCE's methodology that, among other things, attaches higher weight to the core services reading than CPI and it's likely that core PCE will land at 0% m/m or even –0.1% m/m.

#### **DETAILS—ONGOING IMPROVEMENT TO BREADTH**

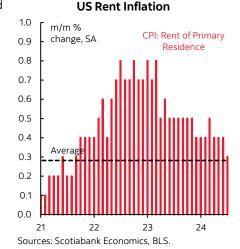
Key is that CPI core services that excludes energy services and housing was soft again at -0.05% m/m SA after a very similar prior reading (-0.04%). That is the weakest back-to-back pairing of core services inflation readings since August–September 2021 (chart 3).

Also key is that core goods CPI (commodities ex-food and energy) was –0.1% m/m SA which extends the string of soft readings (chart 4).

Also note that shelter inflation cooled at just 0.2% m/m which is half of the prior gain. That was driven by OER that cooled to 0.3% m/m (0.4% prior) as well as rent of primary residence that also ebbed by the same magnitude (charts 5, 6).

Breadth continues to massively improve as more and more of the basket is converging toward soft inflation readings (charts 7, 8).

More components are shown on the following page. Grocery prices (aka 'food at home') were little changed



#### Chart 7

Chart 5

#### **US Inflation Showing Falling Breadth** 100 % of components 90 Federal Reserve adopts 80 2% inflation target 70 Over 3% 60 y/y 50 growth 40 30 20 10

90 93 96 99 02 05 08 11 14 17 20 23

#### Chart 6

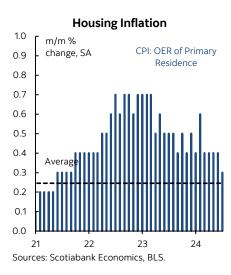
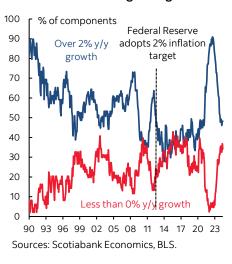


Chart 8
US Inflation Showing Falling Breadth



again (+0.2% m/m) but food away from home prices (aka take-out, dining in etc) were firm again at 0.4% m/m (chart 9). Gasoline prices fell by 3.8% m/m SA, roughly matching the prior month's drop (chart 10). Vehicle prices made little contribution to the inflation readings as new vehicle prices were little change d(-0.2% m/m SA) but used vehicles fell 1.5% m/m and yet at a 1.9% weight this was a trivial influence (chart 11).

Sources: Scotiabank Economics, BLS.

Airfare was off again (chart 12) as TSA checkpoints data indicates a plateauing of demand for air travel. Auto insurance increased, but the recent trend is well off the peak (chart 13). Clothing prices were roughly flat again (chart 14). Charts 15–17 show a few other components.

Charts 18–19 break down the whole basket in y/y terms and in terms of weighted contributions to the overall y/y rate of change in CPI. Charts 20 and 21 do likewise for the month-over-month changes by component.

Please also see the detailed table in the appendix that provides more figures and micro-charts.

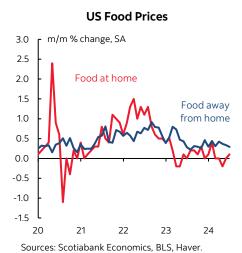
### THE PRESSURE IS ON POWELL THIS MONDAY

This sets up an interesting appearance by Chair Powell on Monday when he will be interviewed at noon by David Rubinstein at the Econ Club of Washington. He'll very likely say that the Committee has rising confidence. Key is how far he may go in that regard.

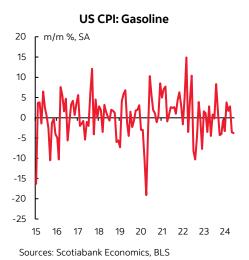
The FOMC's blackout period starts on Saturday the 20th. Powell's Monday appearance will be his last scheduled opportunity to attempt to influence market pricing if he chooses to do so.



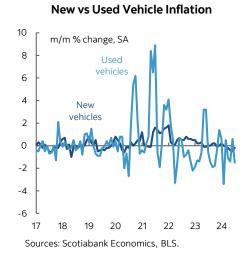
#### Chart 9



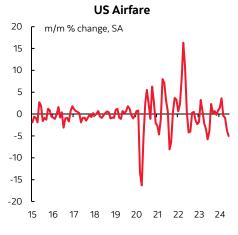
#### Chart 10



#### Chart 11



#### Chart 12



Sources: Scotiabank Economics, BLS.

Chart 13

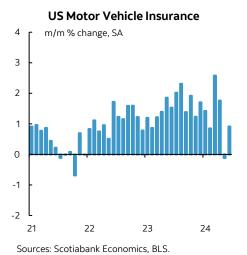


Chart 14



#### Chart 15

**US CPI: Household Furnishings** 

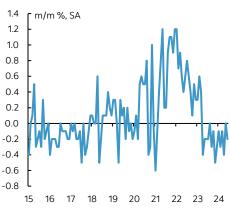


Chart 16

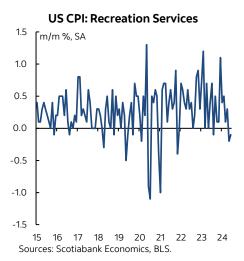
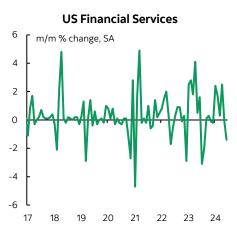


Chart 17

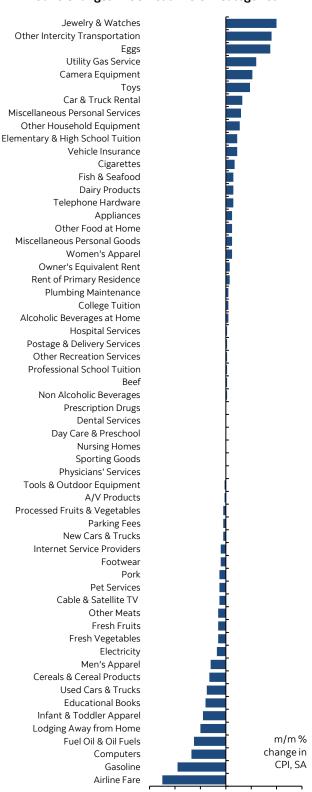


Sources: Scotiabank Economics, BLS.

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#### Chart 18

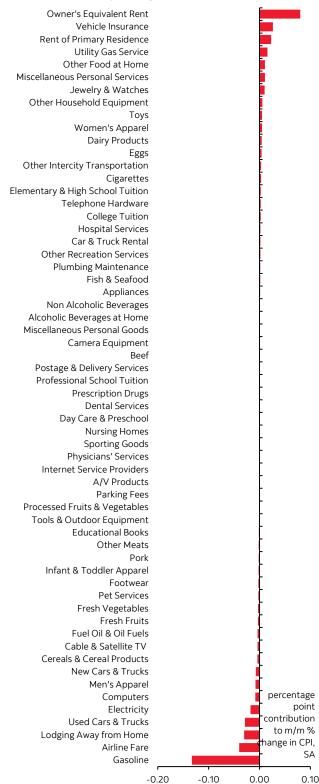
# June Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

#### Chart 19

# June Weighted Contributions to Monthly Change in US Headline CPI



Sources: Scotiabank Economics, US BLS.

#### Chart 20

# June 12-Month Changes in **US Headline CPI Categories**

# Motor vehicle insurance Repair of household items Photographic Equipment & supplies Tobacco & smoking products Hospital & related services Motor vehicle maintenance & repair OER of residences Rent of shelter Pet services Rent of primary residence Food from vending machines & mobile Water & sewage maintenance Personal care services Miscellaneous personal services Electricity Internet services Limited services meals and snacks Leased cars & trucks Other food away from home Other recreation services Full services meals & snacks Garbage & trash collection Food at employee sites and school Postage & delivery Utility (piped gas service) Medicinal Drugs Tenants' & household insurance Gardening & lawncare Motor vehicle fees Motor vehicle fees Tuition, school fees, child care Meats, poultry, fish & eggs Jewlery & watches Video & audio services Alcoholic beverages away from home Professional Services Alcoholic beverages at home Other food at home Domestic services Domestic services Non-alcoholic beverages Recreational reading materials Fuel oils & other fuels Personal care products Men's & boys apparel Women's & girls apparel Medical equipment & supplies Footwear Cereals & bakery products Telephone services Housekeeping supplies Dairy & related products Pets & pet products Fruits & vegetables Educational books & supplies

# June Weighted Contributions to the 12-Month Change in US Headline CPI

Chart 21



Source: Scotiabank Economics, BLS

у/у %

NSA

25

change,

10 15 20

5

Sources: Scotiabank Economics, BLS.

Sporting goods New vehicles

Photo services Lodging away from home

Motor fuel

Motor vehicle parts & equipment Other household equipment Moving, storage, freight

Miscellaneous personal goods Gasoline

Window & floor coverings Infant & toddler's apparel Tools & hardware Appliances

Public transportation

Used cars & trucks

-10 -5

Video & audio products Health insurance

Furniture & bedding Other recreational goods IT commodities

That said, blackouts are no longer key. Recall when the Committee used clandestine tactics to plant a story with media outlets like the WSJ in blackout to adjust market pricing. It's rare, but not impossible that if they don't like market pricing after seeing PCE five days before the July decision then we could hear from 'anonymous key Fed officials.'

#### THE CASE FOR EARLY CUTS

In my opinion, markets are too lightly priced for a cut at the July 31st decision as risk continues to pivot toward viewing cumulative pricing for this year as being too low. I wouldn't make it a base case at this point but think it may be worth receiving the nearer term contracts that are priced for nothing this month and one cut by September.

The case for going this month includes:

- 1. Soft core inflation prints. We now have at least two of them and arguably a third if we count April's mild deceleration.
- Job growth is roughly at breakeven rates as excess demand for workers has been removed. Ergo there is less pressure on both components of the overall dual mandate.
- 3. Powell and the Committee have been signalling less weight applied to backward data, and more weight on forward expectations rooted in the narrative that the broad forces influencing their dual mandate are coming into greater balance. Given the lagging effects of monetary easing, there is a case to go in advance.
- 4. There is an argument for not being as restrictive and in favour of starting the experimentation phase for monetary easing. The intense crisis pressures on the dual mandate are arguably no longer at emergency proportions, so emergency levels of tightness should be reduced. This is the reverse analog to moments in the past such as when former BoC Governor Carney back in 2010 began to deliver modest hikes notwithstanding high uncertainty about the outlook and because the case for emergency stimulus at the lower bound had lessened. Today, emergency pressures on the dual mandate have ebbed and so should the emergency policy rate which still enables the Committee to say the policy rate remains significantly restrictive.
- 5. Powell has consistently said they're not going to wait until inflation is at 2%. That reinforces the forward looking pivot that welcomes good data but applies less weight to it. It would be like waiting to see the score of the game until placing one's bet.
- 6. The FOMC is going to have to be opportunistic amid the uncertainty governing the outlook. Seize tactical moments when they present themselves as opposed to the pitfalls of perfectionism. A quarter point cut won't do much if delivered with extreme caution on the bias, but it starts the process and opens up greater optionality around future meetings by beginning to move off of the 250–275bps of tightness over neutral rate guesses. They would be far wiser to start in either July or September in order to give them optionality around Nov/Dec imo. Despite all of the "we're independent" talk, I think the Committee was always highly unlikely to *start* cutting two days after the election!
- 7. There is a long gap between the July 31st and September 18th meeting. It may be easier to cut at the end of this month than to leave markets hanging for the next seven weeks.

All of the above arguments are backed by evidence on higher level aggregate supply and demand imbalances. The US still has a positive output gap, but it is no longer under upward pressure. Q1 GDP was up by 1.4% q/q SAAR. Q2 is tracking similarly in the mid- to upper-1s. Our forecast is for one-handled Q3 and Q4 growth. We all know that the FOMC does not target GDP but the broad supply and demand forces have become more balanced as the economy has definitely slowed and with more downside than upside going forward based on drivers such as the following.

- 1. Fiscal policy is a drag on growth now (here).
- 2. Market tightening of 150–175bps of rate cut pricing earlier this year is de facto tightening relative to what's priced now.
- 3. The Fed's SLOS shows ongoing tightening of credit conditions for C&I and CRE loans with lagging effects on GDP growth.
- 4. A strong-ish USD carries lagging negative effects on net trade contributions to gdp growth.
- 5. Housing is struggling. Existing home months' supply is back to early pandemic levels given where the 30-year fixed mortgage rate sits.
- 6. I believe that the election uncertainty is a confidence dampening influence on c-suite willingness to invest that will become more binding as the election draws nearer. Whomever wins. And this has been going on for a while as core capital goods orders have been moving sideways despite capacity pressures on the US economy.

- 7. On the supply side, US population growth has risen and aids potential GDP growth. Trend productivity growth is uncertain after three strong quarters last year and evidence it stalled out over 2024H1, but I still argue that if I had to pick one economy in the world that is most likely to achieve solid trend productivity gains in future then it would be the good oi' U.S. of A.
- 8. In addition to rebalancing aggregate supply and aggregate demand forces is the likelihood that housing's influences on core inflation turns will more disinflationary. The lags attached to when ebbing trend market rents show up in shelter within inflation gauges are long and variable, but not dead.

An argument that leans against going now is that the dot plot didn't prime markets for this possibility. It showed Committee members on the bubble between one and two cuts this year which would imply starting later. I don't think the Committee should view this as a constraint. What's that Keynes quote about what you do when the facts change? Right. You show flexibility, ditch the dots and say see you with fresh insights in September. Nobody really treats the dots that seriously anyway.

#### **INFLATION RISK PERSISTS**

All of which is not to say there is no inflation risk. This cycle is replete with evidence that just when you think inflation is in a soft patch, boom, it accelerates again (chart 22).

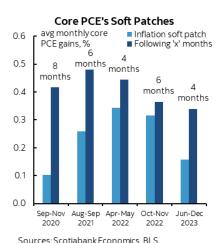
The difference this time, however, is that the broader set of arguments lends more confidence to potentially avoiding a repeat of these past occurrences as argued in this note regarding the rebalancing of the macro forces in the US economy.

Charts 23–24 offer another example of inflation risk. The Red Sea mess is driving shipping costs sharply higher again. That's true into US ports but especially into Europe's ports, as Asian traffic is forced to take the longer and more expensive route.

For an economy like the US that is relatively closed, this is modest inflation risk just by virtue of the sheer size of the domestic economy, the relatively low share of net trade in GDP and the dominance of locally produced services in driving inflation.

For more open economies—looking at you Europe, Canada etc—it could be a somewhat bigger risk as higher shipping costs get passed on. Key will be to monitor this evidence as retailer stocking takes place ahead of the holiday shopping season later in the year.

#### Chart 22



# Chart 23

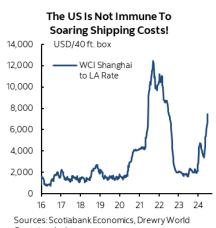
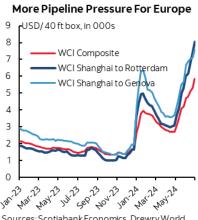


Chart 24



Sources: Scotiabank Economics, Drewry World Container Index

# **Scotiabank**...

July 11, 2024

Jun 2024					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y% change	10-year trend Pandemi (Jan 2019–P		Weights (%)	у/у	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score	
Food	2.2	/	0.2	13.39	0.29	0.03	1.3	0.8	1.2	1.7	1.1	0.4	
Food, home	1.1	~~~~	0.1	8.05	0.09	0.01	0.2	1.1	0.8	1.2	1.9	0.0	
Cereals & bakery products	0.5		-0.1	1.05	0.01	0.00	0.4	0.9	0.1	0.9	1.7	-0.3	
Meats, poultry, fish & eggs	2.6	~~~~~^	0.2	1.70	0.05	0.00	-0.2	3.2	0.9	2.1	3.9	0.1	
Dairy & related products	-0.1	~~~~~/	0.6	0.73	0.00	0.00	-0.6	1.6	0.3	1.1	3.1	-0.4	
Fruits & vegetables	-0.5	my man	-0.5	1.39	-0.01	-0.01	0.4	1.7	-0.6	1.0	2.0	-0.7	
Non-alcoholic beverages	1.5	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.1	1.02	0.02	0.00	0.6	1.0	0.9	0.5	1.6	0.6	
Other food at home	1.6		0.5	2.16	0.04	0.01	0.5	0.6	1.7	1.0	1.6	0.4	
Food, away	4.1	······································	0.4	5.34	0.20	0.02	2.7	0.3	4.7	2.5	0.5	3.1	
Full services meals & snacks	3.9		0.6	2.45	0.09	0.01	2.6	0.4	3.6	2.4	0.5	3.0	
Limited services meals and snacks	4.3		0.2	2.51	0.10	0.01	2.8	0.3	4.6	2.5	0.7	2.6	
Food at employee sites and school	3.7		0.0	0.08	0.00	0.00	2.8	2.4	0.4	2.8	1.9	0.5	
Food from vending machines & mobile vendors	5.0	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.4	0.05	0.00	0.00	3.1	1.0	1.9	2.5	1.3	1.9	
Other food away from home	4.2	manus Manager	0.2	0.26	0.01	0.00	2.5	1.3	1.3	2.3	1.0	1.9	
Energy	1.0	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-2.0	7.00	0.07	-0.14	-1.9	10.0	0.3	1.6	9.6	-0.1	
Energy comm.	-2.2	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-3.7	3.91	-0.08	-0.14	-2.8	17.0	0.0	3.0	17.1	-0.3	
Fuel oils & other fuels	1.3 .	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-2.5	0.16	0.00	0.00	-2.3	15.8	0.2	2.7	14.4	-0.1	
Motor fuel	-2.5	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-3.7	3.75	-0.09	-0.14	-2.8	17.1	0.0	3.0	17.3	-0.3	
<u>Gasoline</u>	<u>-2.5</u>	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	<u>-3.8</u>	<u>3.65</u>	<u>-0.09</u>	<u>-0.14</u>	<u>-2.8</u>	<u>17.1</u>	<u>0.0</u>	<u>3.0</u>	<u>17.4</u>	<u>-0.3</u>	
<u>Other</u>	<u>-2.3</u>	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	<u>-2.9</u>	<u>0.10</u>	0.00	<u>0.00</u>	<u>-2.3</u>	<u>19.5</u>	<u>0.0</u>	<u>3.6</u>	<u>17.9</u>	<u>-0.3</u>	
Energy serv.	4.3	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-0.1	3.09	0.14	0.00	0.0	2.4	1.7	0.5	2.7	1.4	
Electricity	4.4	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-0.7	2.45	0.11	-0.02	0.5	1.5	2.6	1.0	1.7	2.0	
Utility (piped gas service)	3.7	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	2.4	0.65	0.03	0.02	-1.4	7.5	0.7	-0.9	7.3	0.6	
All items less food and energy	3.3		0.1	79.61	2.63	0.08	2.0	0.2	5.6	1.8	0.4	3.6	
Commodities less food and energy	-1.8	^	-0.1	18.56	-0.38	-0.02	-0.3	0.4	-3.8	0.2	0.9	-2.2	
Household furnishings	-2.5		-0.2	3.93	-0.11	-0.01	-0.8	1.2	-1.4	-0.9	1.2	-1.3	
Window & floor coverings	-2.7	manual ma	-0.3	0.29	-0.01	0.00	-2.3	1.7	-0.2	-2.8	1.8	0.1	
Furniture & bedding	-4.6	^	-0.9	0.94	-0.05	-0.01	-0.3	1.7	-2.5	-0.9	2.1	-1.8	
Appliances	-3.6	was a second	0.5	0.22	-0.01	0.00	-1.2	3.1	-0.8	-1.6	3.0	-0.7	
Other household equipment	-1.0	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.5	0.50	-0.01	0.00	-3.5	1.8	1.4	-3.7	1.5	1.8	
Tools & hardware	-3.3		-0.1	0.70	-0.04	0.00	-0.1	1.0	-3.1	-0.3	1.2	-2.4	
Housekeeping supplies	0.0	^	0.3	0.79	0.00	0.00	0.3	1.2	-0.2	0.4	1.3	-0.3	

# **Scotiabank**...

July 11, 2024

Jun 2024					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y% change	Pandemic trend (Jan 2019–Present)	m/m% change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score	
Apparel	0.8	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.1	2.58	0.02	0.00	-0.5	1.0	1.4	0.3	1.7	0.3	
Men's & boys apparel	0.8	and the same of th	-1.2	0.67	0.01	-0.01	-0.3	1.5	0.7	0.5	2.3	0.2	
Women's & girls apparel	0.8	many man var	0.5	1.04	0.01	0.01	-1.3	1.9	1.2	-0.1	2.5	0.4	
Footwear	0.7	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-0.4	0.53	0.00	0.00	0.2	1.3	0.4	0.8	1.7	0.0	
Infant & toddler's apparel	-3.0	many many many	-1.8	0.10	0.00	0.00	0.4	3.8	-0.9	0.5	3.6	-1.0	
Jewlery & watches	2.5	when when we will the same of	4.0	0.24	0.01	0.01	1.0	3.4	0.4	1.5	3.8	0.3	
Trans. less fuel	-4.2		-0.6	6.03	-0.33	-0.04	-0.3	0.9	-4.4	0.4	1.5	-3.1	
New vehicles	-0.9		-0.2	3.59	-0.04	-0.01	0.1	0.7	-1.5	0.8	1.2	-1.4	
Used cars & trucks	-10.1		-1.5	1.91	-0.28	-0.03	-1.3	2.1	-4.3	1.1	4.8	-2.3	
Motor vehicle parts & equipment	-1.0		0.0	0.46	0.00	0.00	0.2	1.1	-1.2	0.9	2.2	-0.9	
Medical comm.	3.1	and the same of th	0.2	1.47	0.05	0.00	2.1	1.7	0.6	2.3	1.5	0.6	
Medicinal Drugs	3.3	white was a second	0.1	1.36	0.04	0.00	2.2	1.8	0.6	2.3	1.6	0.7	
Medical equipment & supplies	0.8		1.0	0.12	0.00	0.00	0.4	1.2	0.4	0.3	1.2	0.4	
Recreation comm.	-1.6		0.4	2.00	-0.04	0.01	-2.6	1.1	0.9	-2.3	0.9	0.8	
Video & audio products	-4.0	~~~~~~	-0.1	0.28	-0.01	0.00	-10.1	2.4	2.5	-9.2	2.2	2.4	
Pets & pet products	-0.2		0.8	0.61	0.00	0.00	0.4	1.5	-0.4	0.5	1.5	-0.4	
Sporting goods	-0.8	and the same of th	-0.9	0.64	-0.01	-0.01	-0.7	1.5	-0.1	-0.6	1.2	-0.1	
Photographic Equipment & supplies	10.1	www.m. www.m.	2.1	0.02	0.00	0.00	-1.7	4.6	2.6	-3.0	4.0	3.3	
Recreational reading materials	1.4	and the commentation of the comments of the co	2.2	0.10	0.00	0.00	1.6	1.9	-0.1	1.5	1.8	-0.1	
Other recreational goods	-5.0	many man	1.7	0.34	-0.02	0.01	-6.5	1.3	1.1	-5.2	1.7	0.1	
Educ. & communication comm.	-7.7	my market and the same and the	-0.5	0.83	-0.07	0.00	-3.7	1.0	-3.9	-3.5	0.9	-4.6	
Educational books & supplies	-0.6	was war warment	0.7	0.08	0.00	0.00	2.2	3.0	-0.9	3.6	2.7	-1.5	
IT commodities	-8.5		-0.4	0.75	-0.07	0.00	-6.1	1.9	-1.3	-6.8	1.8	-1.0	
Alcohol	1.8		0.2	0.84	0.02	0.00	1.3	0.3	1.6	1.4	0.4	1.2	
Alcoholic beverages at home	1.7	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.2	0.47	0.01	0.00	0.8	0.6	1.4	0.8	0.5	1.7	
Alcoholic beverages away from home	2.1	manufacture and a second	0.4	0.37	0.01	0.00	1.9	0.5	0.5	2.2	0.7	-0.2	
Other goods	3.5		0.2	1.37	0.04	0.00	1.4	0.9	2.5	1.4	0.7	2.9	
Tobacco & smoking products	8.2	mmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmmm	0.5	0.55	0.04	0.00	4.3	1.5	2.5	4.4	3.8	1.0	
Personal care products	1.0	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	-0.1	0.66	0.01	0.00	-0.3	0.6	2.3	-0.1	0.8	1.3	
Miscellaneous personal goods	-2.4	many home some	-0.6	0.16	0.00	0.00	-2.4	3.1	0.0	-1.7	2.4	-0.3	

# **Scotiabank**...

July 11, 2024

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Jun 2024					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score	
Services less energy services	5.1		0.1	61.05	2.97	0.06	2.8	0.2	9.8	2.4	0.6	4.3	
Shelter	5.2		0.2	36.24	1.81	0.07	3.3	0.2	11.4	2.5	1.2	2.3	
Rent of shelter	5.2		0.2	35.83	1.79	0.07	3.3	0.2	10.3	2.5	1.2	2.3	
Rent of primary residence	<u>5.1</u>		<u>0.3</u>	<u>7.62</u>	<u>0.39</u>	<u>0.02</u>	<u>3.7</u>	<u>0.1</u>	<u>10.5</u>	<u>2.9</u>	<u>1.1</u>	<u>2.0</u>	
Lodging away from home	<u>-2.3</u>		<u>-2.0</u>	<u>1.52</u>	<u>-0.03</u>	<u>-0.03</u>	<u>2.3</u>	<u>2.0</u>	<u>-2.3</u>	2.2	<u>2.2</u>	<u>-2.0</u>	
OER of residences	<u>5.4</u>		<u>0.3</u>	26.69	<u>1.38</u>	<u>0.08</u>	<u>3.2</u>	<u>0.2</u>	<u>10.7</u>	<u>2.4</u>	<u>1.1</u>	<u>2.8</u>	
Tenants' & household insurance	3.2		-0.7	0.41	0.01	0.00	1.4	1.2	1.5	2.3	1.5	0.6	
Water, sewer, trash collection	4.6	manufacture and a second	0.2	1.09	0.05	0.00	3.6	0.6	1.7	4.3	1.0	0.3	
Water & sewage maintenance	5.0	hamman market	0.2	0.76	0.04	0.00	4.0	0.8	1.3	4.8	1.4	0.1	
Garbage & trash collection	3.8		0.4	0.32	0.01	0.00	2.5	1.5	0.9	2.5	1.1	1.2	
Household ops.	3.7	many why who	-1.2	0.99	0.00	-0.01	3.8	1.3	-0.1	2.6	1.6	0.7	
Domestic services	1.5		-2.1	0.32	0.00	-0.01	2.0	1.1	-0.4	1.6	1.0	-0.1	
Gardening & lawncare	3.2	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.9	0.33	0.00	0.00	4.3	2.7	-0.4	2.8	2.6	0.2	
Moving, storage, freight	-1.5	man	1.6	0.14	0.00	0.00	5.6	3.9	-1.8	3.3	3.9	-1.2	
Repair of household items	18.0		1.7	0.14	0.00	0.00	4.8	2.1	6.2	4.2	2.0	7.0	
Medical serv.	3.3 ^		0.2	6.50	0.21	0.01	2.9	1.0	0.4	3.0	0.8	0.3	
Professional Services	2.1	man when	0.2	3.58	0.07	0.01	1.5	0.9	0.6	1.8	0.8	0.3	
Hospital & related services	7.1	municipal and a second	0.1	2.33	0.16	0.00	3.8	1.1	2.9	4.5	1.3	1.9	
Health insurance	-4.2		0.1	0.59	-0.02	0.00	5.0	5.8	-1.6	3.6	6.0	-1.3	
Transportation serv.	9.4 -		-0.5	6.53	0.56	-0.03	2.6	1.1	6.2	2.6	1.0	7.0	
Leased cars & trucks	4.3	~~~~	-0.2	0.53	0.00	0.00	0.5	3.0	1.2	-1.6	3.2	1.8	
Motor vehicle maintenance & repair	6.0		0.2	1.24	0.07	0.00	2.2	0.7	5.5	2.0	0.6	7.0	
Motor vehicle insurance	19.5		0.9	2.93	0.52	0.03	5.5	2.6	5.4	4.8	2.0	7.2	
Motor vehicle fees	2.9	manne manner	-0.4	0.54	0.01	0.00	1.8	0.7	1.6	2.2	1.9	0.4	
Public transportation	-3.8		-3.2	1.16	-0.03	-0.04	-1.2	1.5	-1.7	1.0	3.6	-1.3	
Recreation serv.	3.4	many my may man	-0.1	3.23	0.11	0.00	2.6	0.7	1.2	2.3	0.7	1.4	
Video & audio services	2.3	man man man	-0.5	0.91	0.02	0.00	2.7	1.4	-0.3	2.6	1.3	-0.2	
Pet services	5.1		-0.5	0.44	0.03	0.00	3.1	0.8	2.6	3.3	0.9	2.0	
Photo services	-1.5	manufacture phonone	0.3	0.05	0.00	0.00	-0.2	2.0	-0.7	0.8	1.8	-1.3	
Other recreation services	4.1		0.1	1.84	0.06	0.00	2.4	0.6	2.9	1.7	1.1	2.2	
Educ. & communication serv.	2.3	my many	0.0	4.98	0.11	0.00	0.4	1.3	1.4	1.1	1.3	1.0	
Tuition, school fees, child care	2.9	man and a second	0.2	2.37	0.06	0.00	2.8	0.6	0.2	3.3	0.8	-0.6	
Postage & delivery	3.7 <b>/</b>	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	0.1	0.07	0.00	0.00	2.3	2.0	0.7	3.3	2.0	0.2	
Telephone services	0.1	Champer	-0.1	1.54	0.00	0.00	-2.4	3.0	0.8	-1.3	2.4	0.6	
Internet services	4.3	mmmmmmm.	-0.4	0.99	0.04	0.00	-0.2	1.5	3.0	0.1	1.3	3.2	
Other personal serv.	4.8		0.9	1.52	0.07	0.01	2.7	0.7	3.1	2.4	0.6	3.8	
Personal care services	5.0		0.6	0.63	0.03	0.00	2.3	0.7	3.9	1.8	0.8	3.9	
Miscellaneous personal services	4.6	~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~	1.2	0.89	0.04	0.01	2.9	0.9	1.9	2.7	0.7	2.6	
*Number may not add due to rounding													

<sup>\*</sup>Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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