

11 April 2024

# Global Inflation Watch

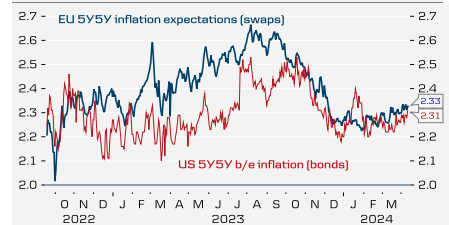
## Another upward surprise in US inflation

- Overview:** Underlying inflation momentum remains elevated in the US and is more well-behaved in euro area. Inflation drivers paint a mixed picture with weak goods inflation and strong service inflation, but inflation is likely to edge lower in 2024. Energy and metal prices have moved higher over the past month. Tight labour markets continue to support upside risks to core inflation despite signs of gradual easing. We expect central banks to take a cautious approach to cutting policy rates.
- Inflation expectations:** Short-term market-based inflation expectations have edged higher in the US and remained steady in the euro area. Longer-dated and survey-based measures remain well anchored close to the 2% target level.
- US:** March CPI exceeded expectations again, with headline CPI at +0.38% m/m SA (Cons. +0.3%; Feb +0.44%) and core CPI at +0.36% m/m SA (Cons. +0.3%; Jan. +0.36%). Energy contribution remained positive amid rising oil prices, while food prices continued to rise more modestly. Non-housing services inflation has picked up speed in early 2024, which is a worrying sign for the Fed. Especially car insurance and health care prices lifted services CPI in March. Core goods prices fell back to modestly deflationary territory and shelter contribution also eased somewhat, which is in line with what the Fed has expected.
- Euro:** Both headline and core inflation fell in March, printing 2.4% y/y (prior: 2.6%) and 2.9% y/y (prior: 3.1%), respectively. Food inflation has been elevated in recent months due to base effects but finally edged down to 2.7% (prior: 3.9%). Services inflation continued to remain sticky around 4% for the fifth consecutive month, and with high current wage growth, the fight against domestic inflation is not over. On top of this, the timing of Easter seems to have affected inflation less than expected in March, and since Easter also spans April, some effects could materialise in the April print. Overall, the print should not have altered the ECB's view on inflation.
- China:** March CPI rose to 0.1% y/y (cons: 0.4%) from 0.7% y/y in February as effects from the Chinese New Year fell out. Core CPI dropped to 0.6% y/y from 1.2% y/y.

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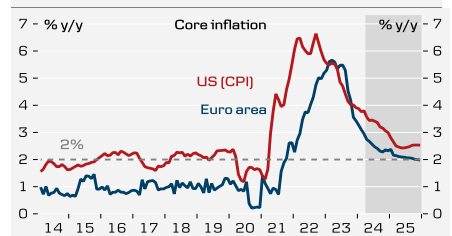
### Market-based inflation expectations almost consistent with 2% targets



Note: Past or current performance is no guarantee of future performance

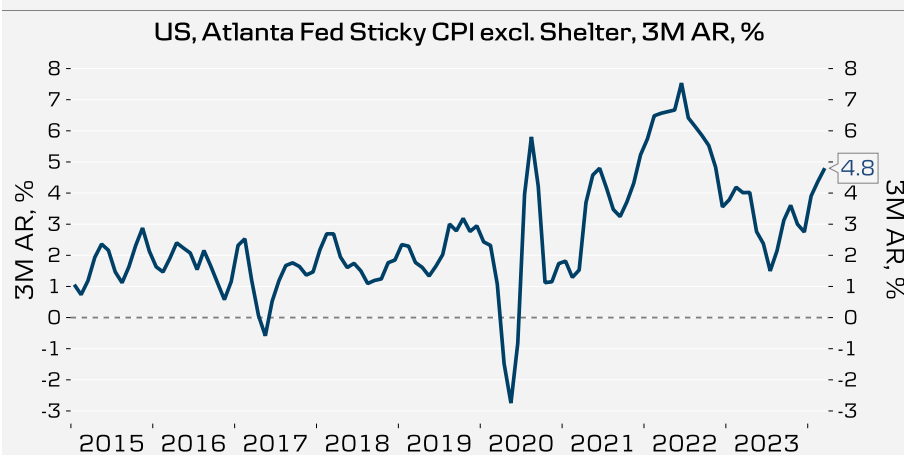
Source: Macrobond Financial, Bloomberg

### Core inflation outlook



Source: Macrobond Financial, Eurostat, Danske Bank

### Underlying inflation momentum picking up in the US



Source: BLS, ECB, Danske Bank, Macrobond Financial

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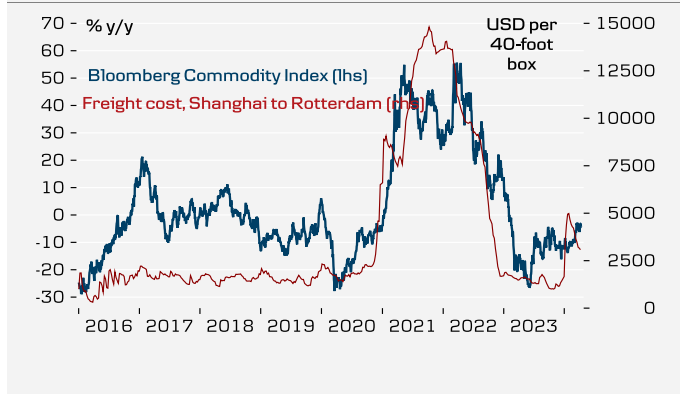
# Top down overview

Trend in inflation pressure more mixed lately

Inflation Score Card (3-6M trend)		
Commodity prices	Oil	↗
	Metals	↗
	Food stuff	→
	Gas	→
Supply Chains	Freight rates	↗
	Delivery times	→
Wage pressure		↗
Inflation expectations		→
Pricing power		↘

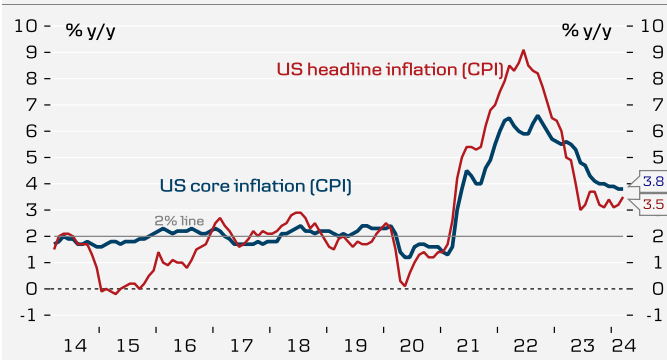
Source: Macrobond Financial, BLS

Commodity price and freight inflation



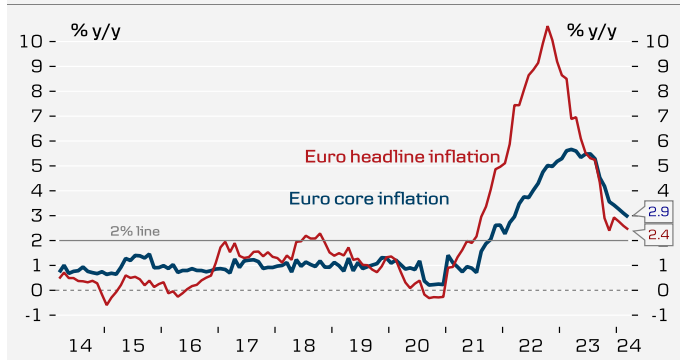
Source: Macrobond Financial, Eurostat

US headline and core inflation (CPI)



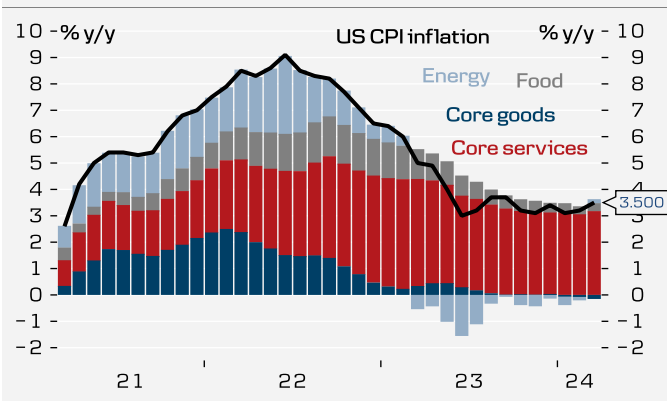
Source: Macrobond Financial, BLS

Euro headline and core inflation



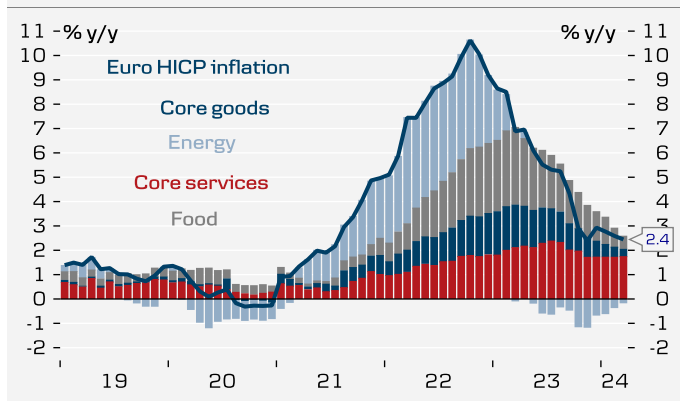
Source: Macrobond Financial, Eurostat

Contributions to US inflation



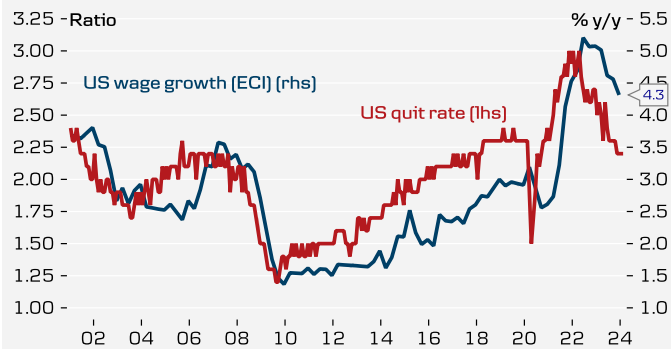
Source: Macrobond Financial, BLS

Contributions to euro inflation



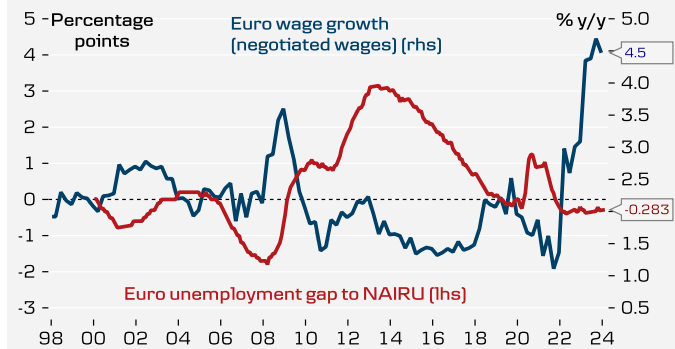
Source: Macrobond Financial, Eurostat

### US wage growth and labour market tightness



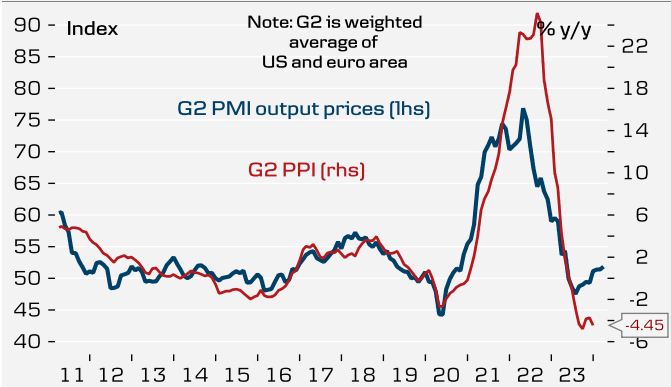
Source: Macrobond Financial, BLS

### Euro wage growth and labour market tightness



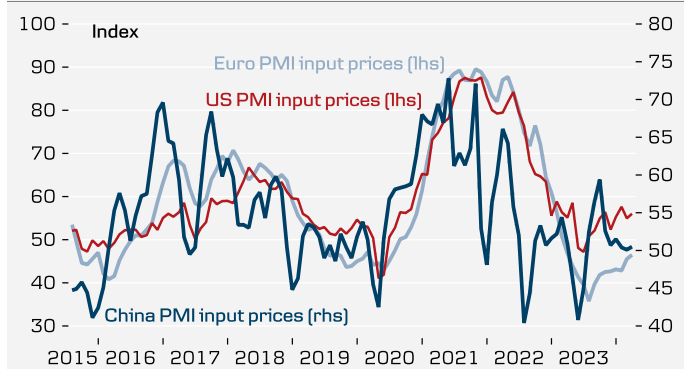
Source: Macrobond Financial, Eurostat, ECB

### G2 PPI inflation vs oil price inflation



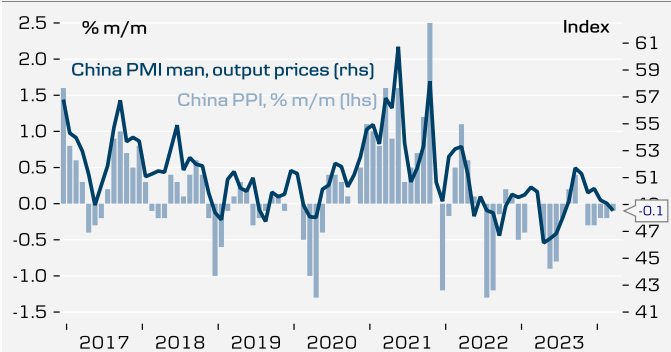
Source: Macrobond Financial, BLS, Eurostat

### PMI input price indices US, Euro and China



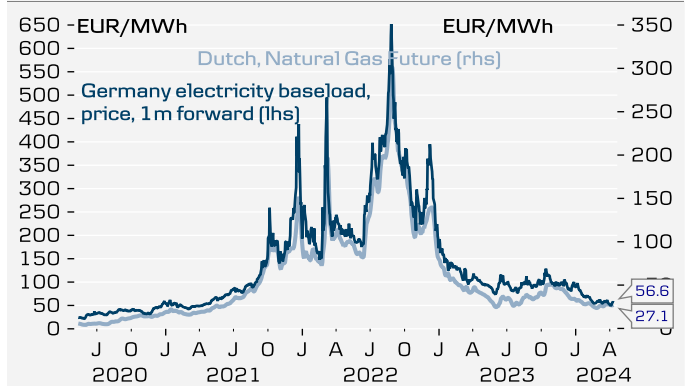
Source: Macrobond Financial, Markit

### China PPI inflation momentum



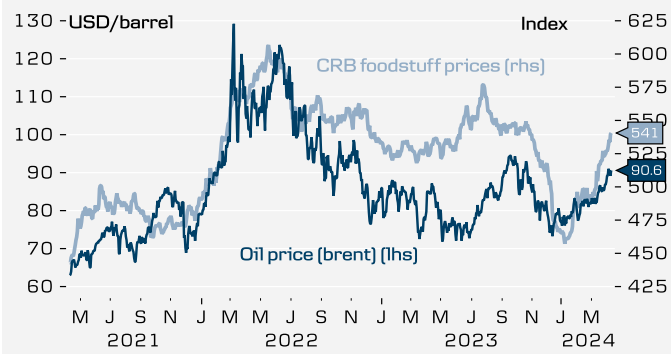
Source: Macrobond Financial, Markit

### European natural gas and electricity prices



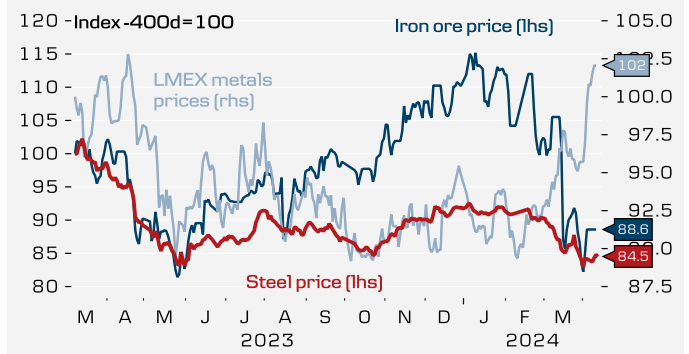
Note: Past or current performance is no guarantee of future performance  
Source: Macrobond Financial, PBoC, Danske Bank

### Commodity price levels – oil and food



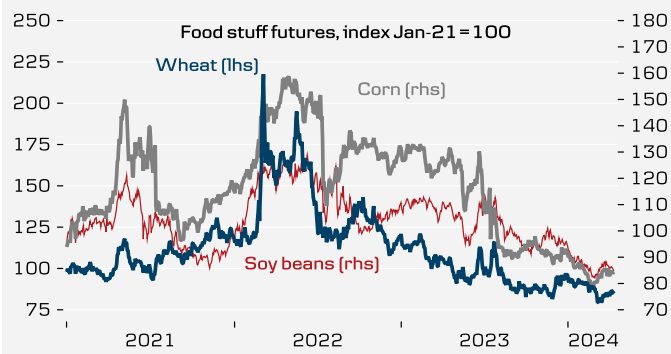
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Commodity price levels – metals and iron ore



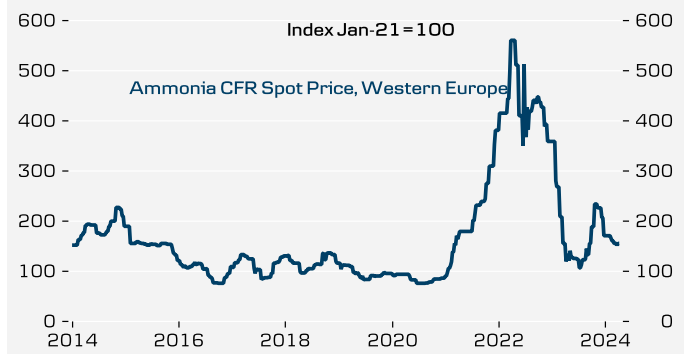
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Grain prices



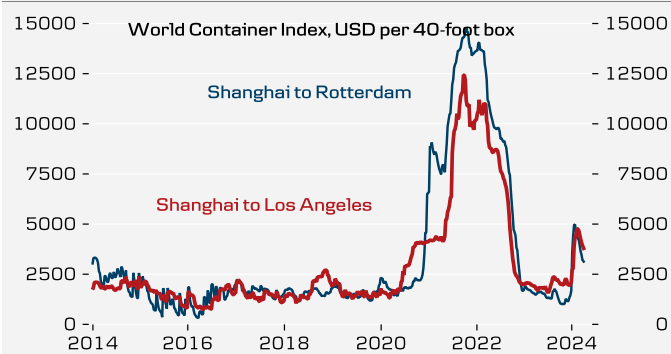
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Fertilizer input prices



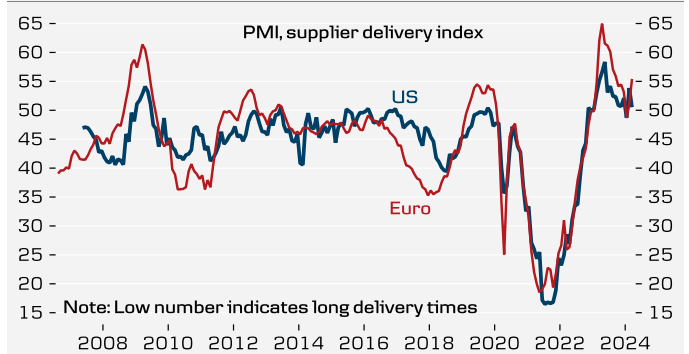
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Freight rates



Source: Macrobond Financial, Bloomberg, WCI

### Bottle necks - supplier delivery indices

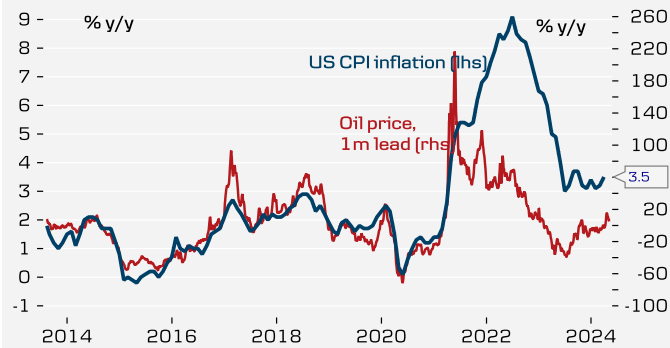


Source: Macrobond Financial, Markit

# Country details - US

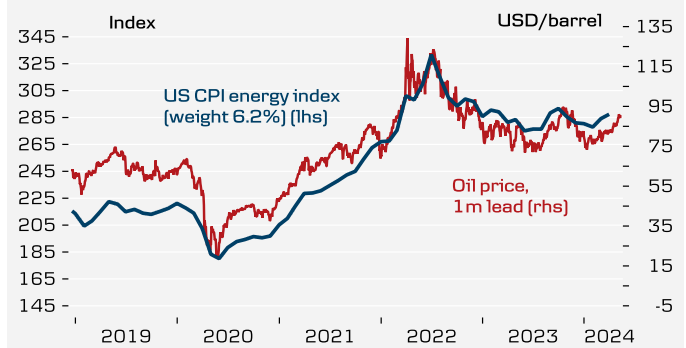
## Top down

Headline CPI inflation vs. oil prices



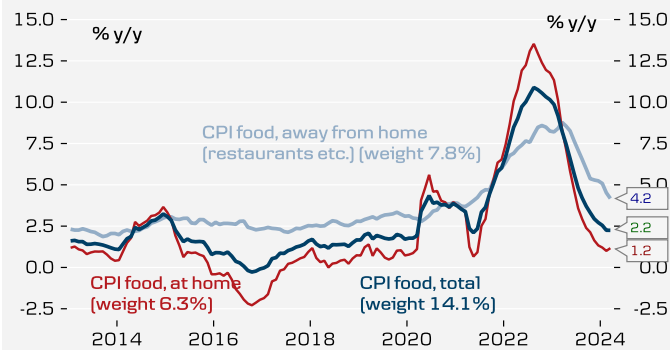
Source: Macrobond Financial, BLS.  
 Note: Past performance is not a reliable indicator of future performance.

CPI energy prices vs oil



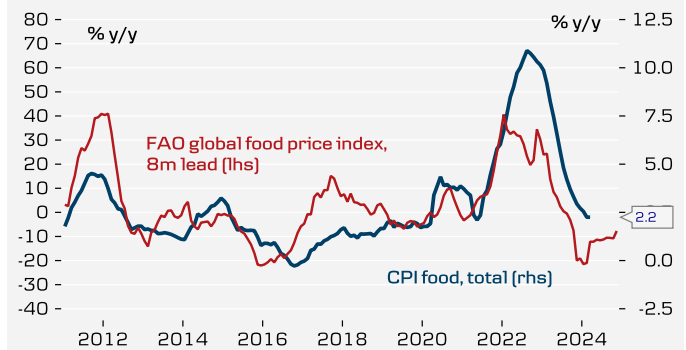
Source: Macrobond Financial, BLS.  
 Note: Past performance is not a reliable indicator of future performance.

Food prices



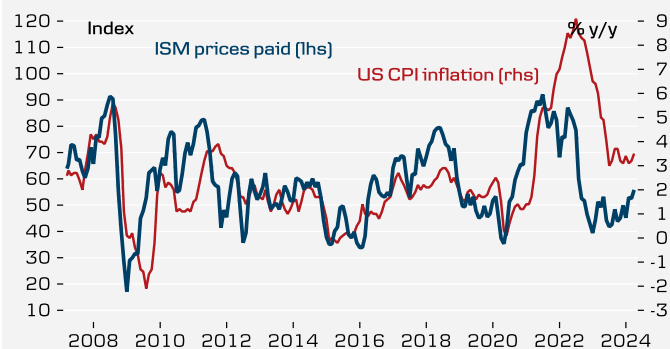
Source: Macrobond Financial, BLS

Food prices vs FAO food price index



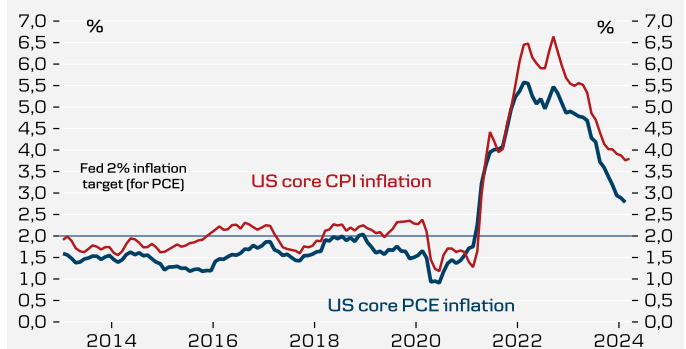
Source: Macrobond Financial, FAO, BLS  
 Note: Past performance is not a reliable indicator of future performance.

US PMI output prices vs CPI inflation



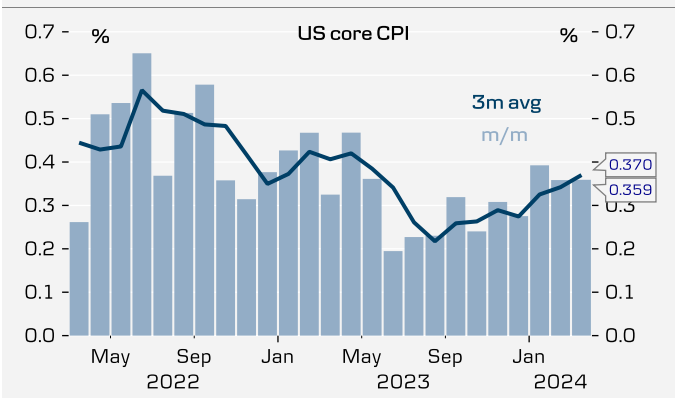
Source: Macrobond Financial, BLS, Markit

Core PCE inflation vs core CPI inflation



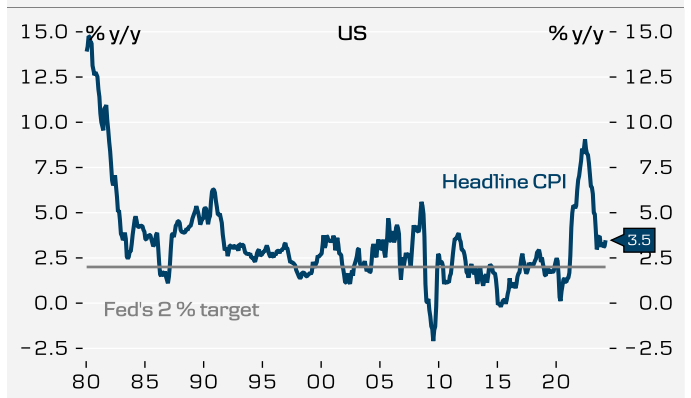
Source: Macrobond Financial, BLS, BEA

**Core CPI momentum**



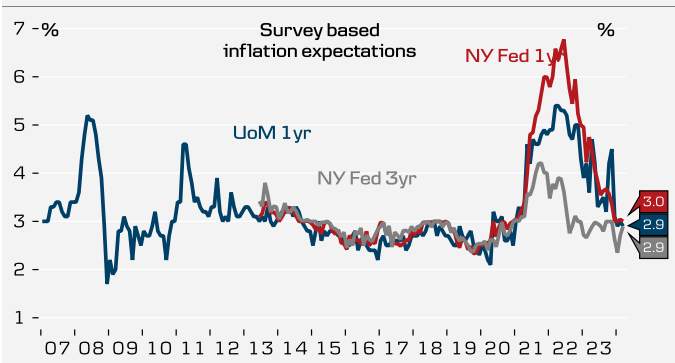
Source: Macrobond Financial, BLS

**Headline CPI since 1980**



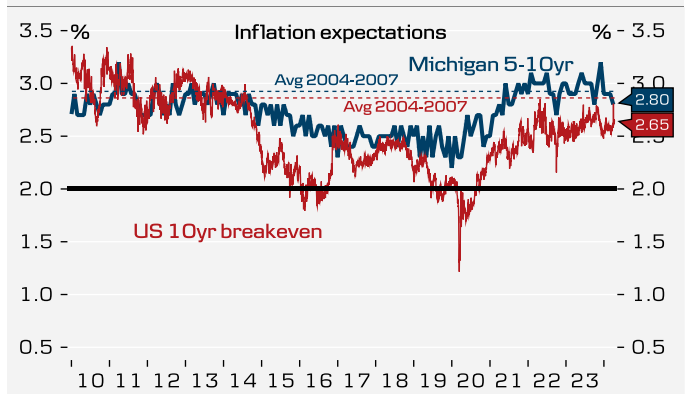
Sources: BEA, BLS, Macrobond Financial

**Survey-based inflation expectations**



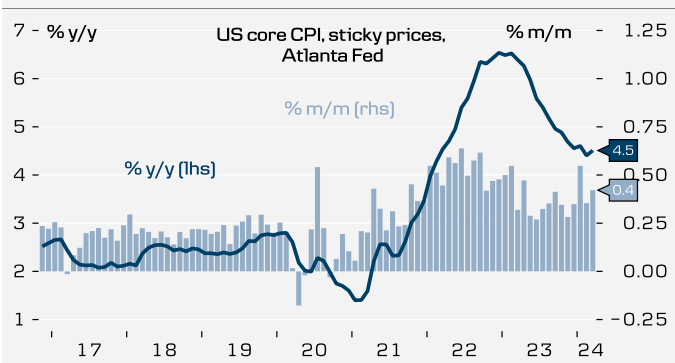
Source: NY Fed, University of Michigan, Macrobond Financial

**Long-term inflation expectations**



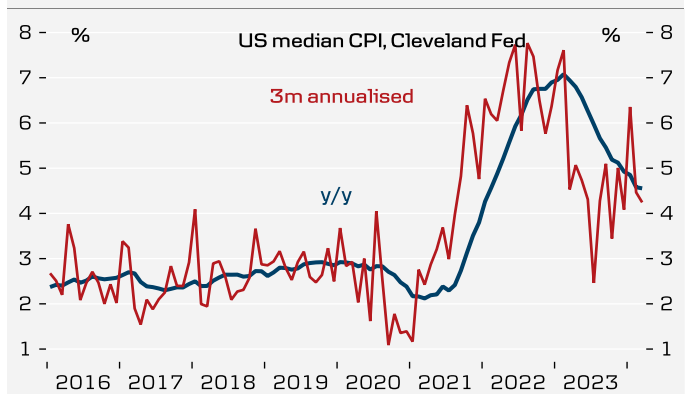
Source: Macrobond Financial, University of Michigan  
Note: Past performance is not a reliable indicator of future performance.

**Core sticky prices inflation (prices changed less frequently)**



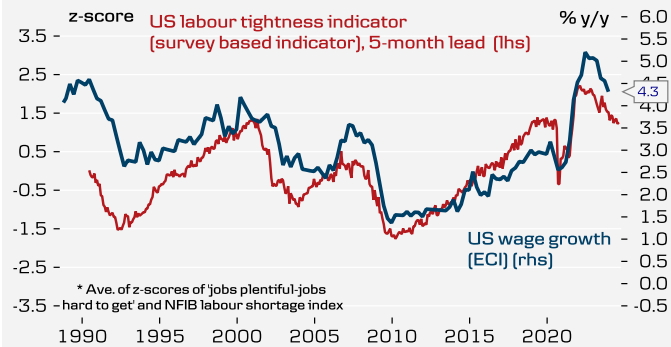
Source: Macrobond Financial, Atlanta Fed

**Median CPI inflation**



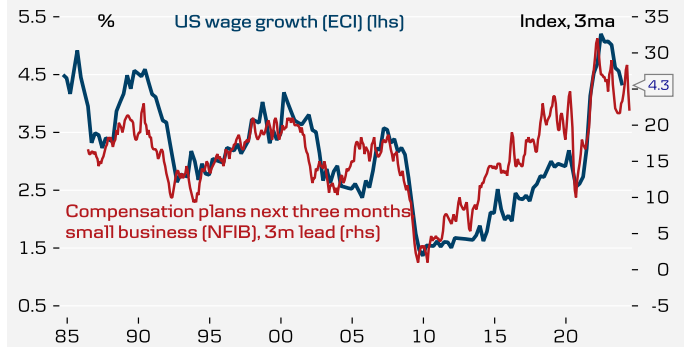
Source: Macrobond Financial, Cleveland Fed

### Labour market tightness: wage growth vs tightness



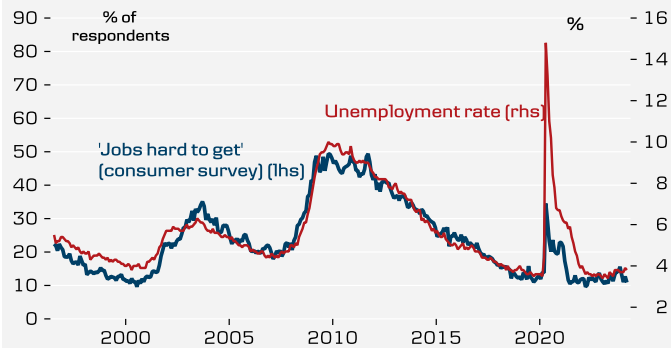
Source: Macrobond Financial, Conference Board, NFIB, BLS, Danske Bank

### Labour market tightness: job openings and shortage



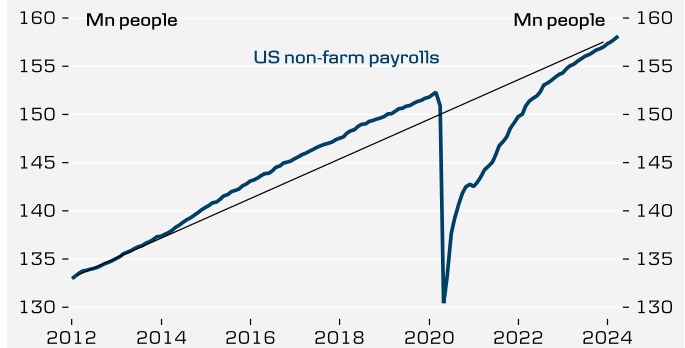
Source: Macrobond Financial, NFIB, BLS

### Labour market tightness: Jobs hard to get and unemployment



Source: Macrobond Financial, Conference Board, BLS

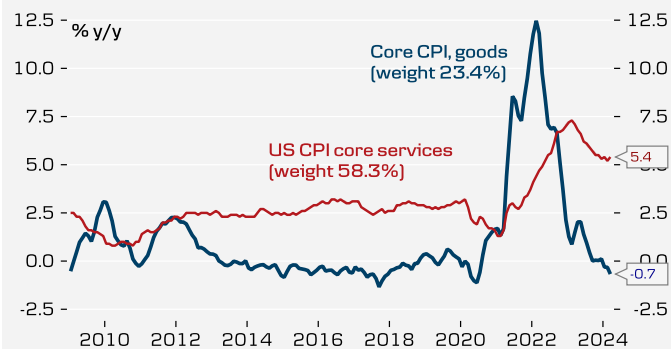
### Employment gap



Source: Macrobond Financial, BLS

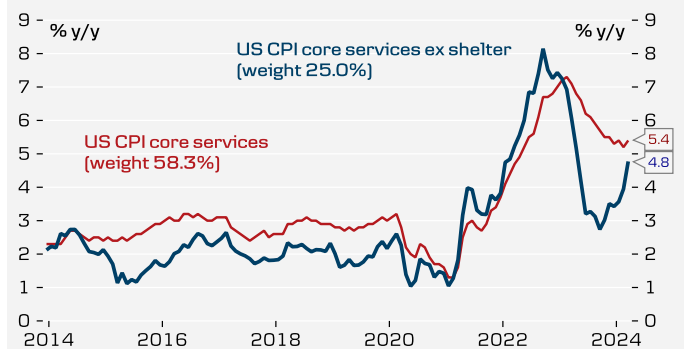
## Bottom up

### Core goods vs. services



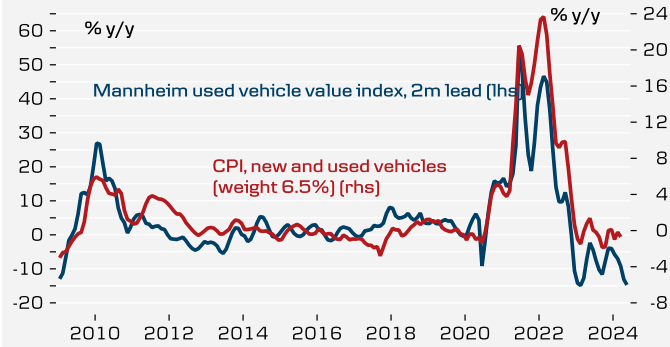
Source: Macrobond Financial, BLS

### Core services ex shelter



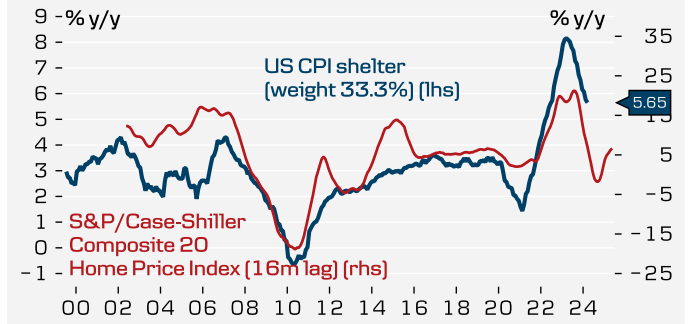
Source: Macrobond Financial, BLS

Used car prices



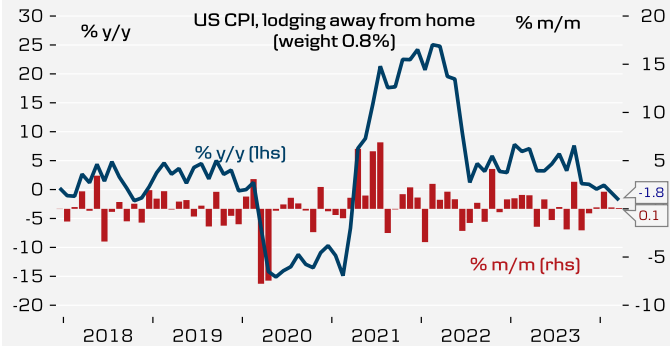
Source: Macrobond Financial, BLS, Manheim Consulting

Rent of shelter



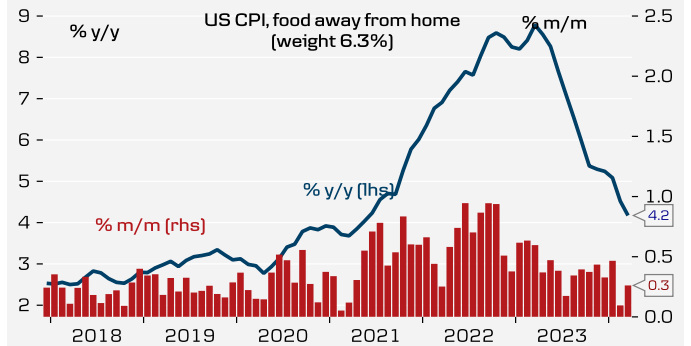
Source: Macrobond Financial, BLS, S&P Dow Jones

Lodging away from home (hotels etc.)



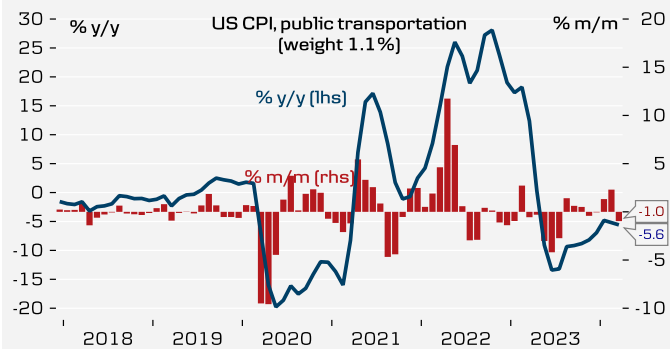
Source: Macrobond Financial, BLS

Food away from home (restaurants etc.)



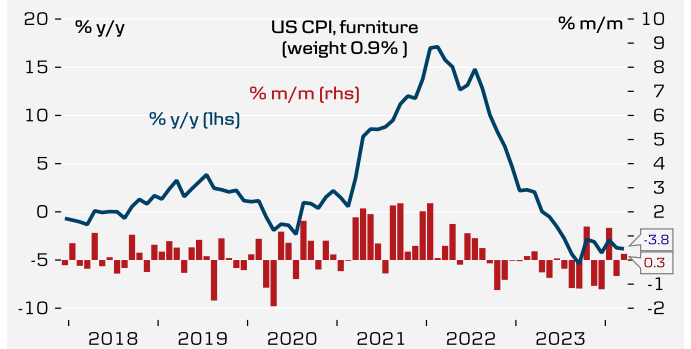
Source: Macrobond Financial, BLS

Public transportation (airfares etc.)



Source: Macrobond Financial, BLS

Furniture



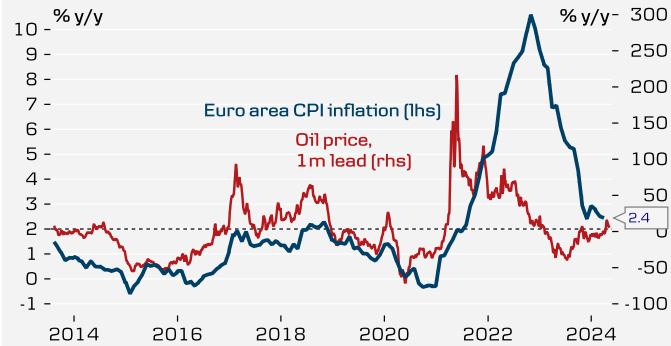
Source: Macrobond Financial, BLS



# Country details – Euro area

## Top Down

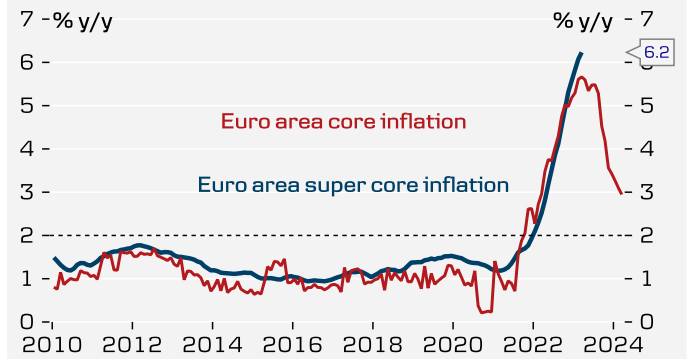
### Headline vs. oil prices



Source: Macrobond Financial, Eurostat

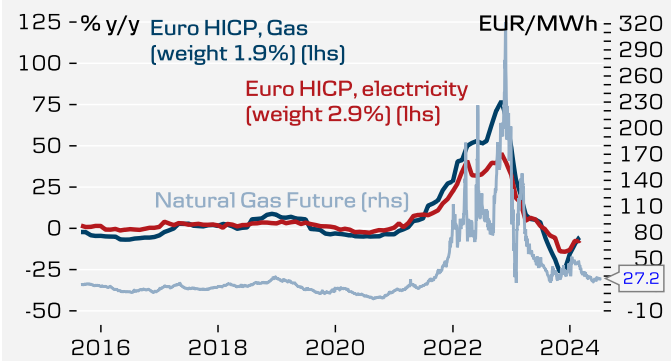
Note: Past performance is not a reliable indicator of future performance.

### Core inflation



Source: Macrobond Financial, Eurostat, Danske Bank

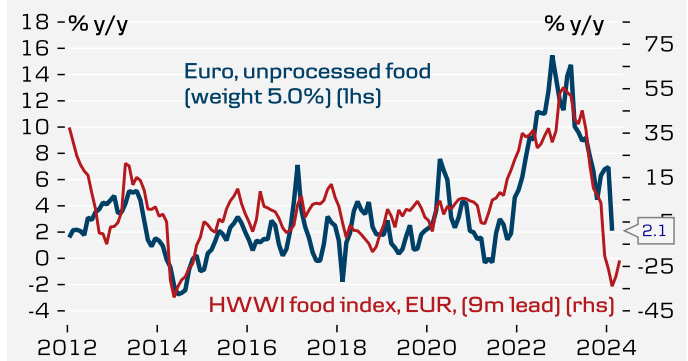
### Natural gas & electricity



Source: Macrobond Financial, Eurostat

Note: Past performance is not a reliable indicator of future performance.

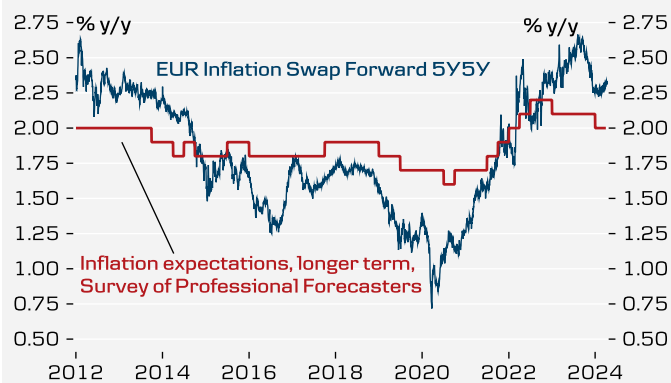
### Food



Source: Macrobond Financial

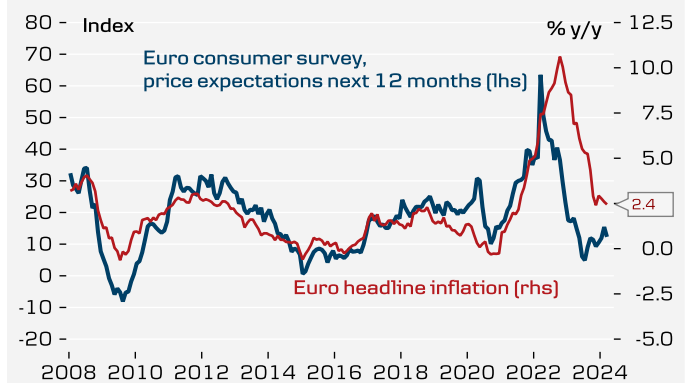
Note: Past performance is not a reliable indicator of future performance.

### Inflation expectations



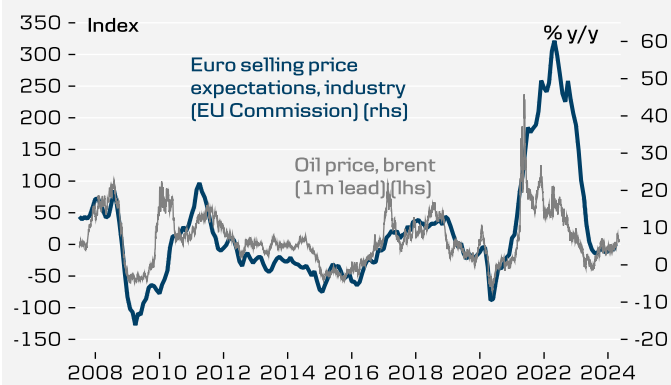
Source: Macrobond Financial, Bloomberg, ECB

### Consumer confidence - price expectations



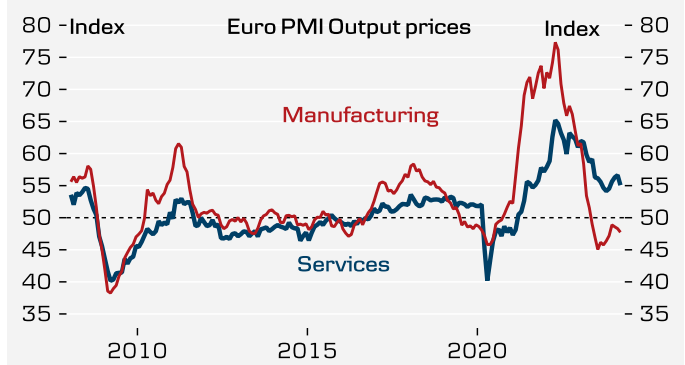
Source: Macrobond Financial, EU Commission, Eurostat

### Selling price expectations from companies



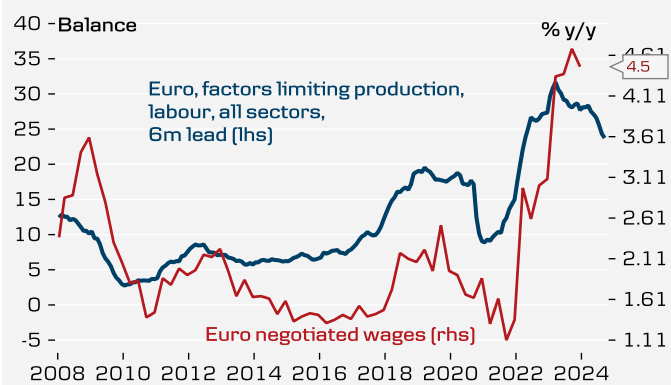
Source: Macrobond Financial, EU Commission  
 Note: Past performance is not a reliable indicator of future performance.

### PMI output prices



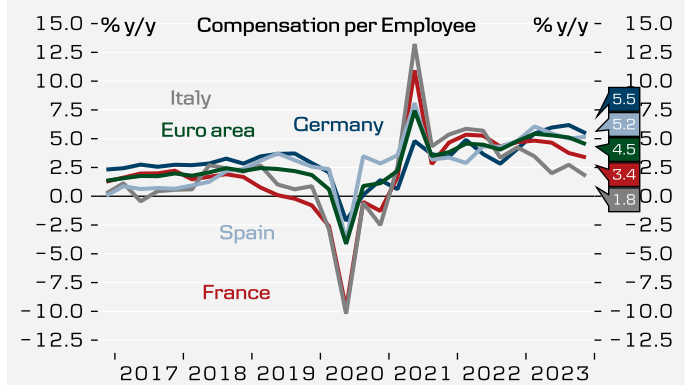
Source: Macrobond Financial, Markit

### Labour shortage and wage growth



Source: Macrobond Financial, EU Commission

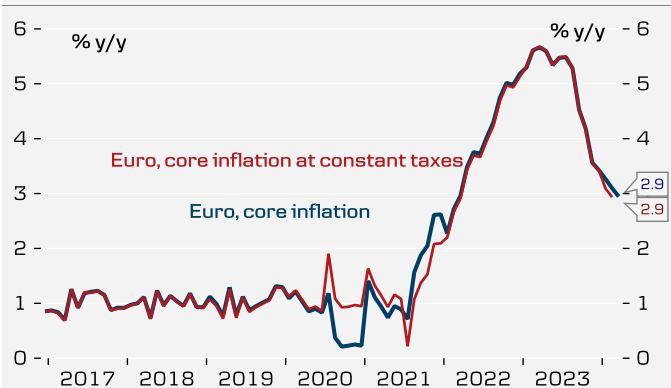
### Wage compensation



Source: Macrobond Financial, ECB.  
 Note: Compensation is affected by changes in working hours in contrast to negotiated wages, which is per hour worked.

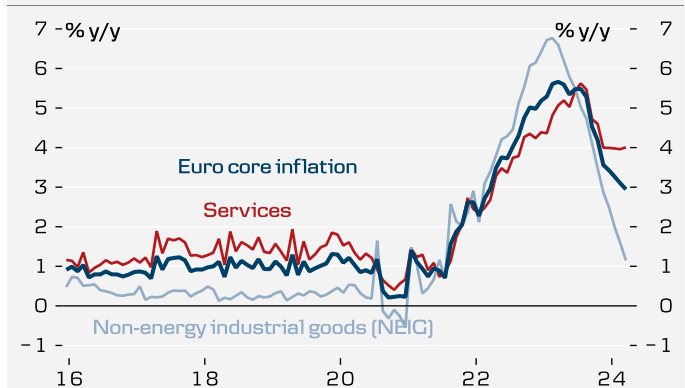
## Bottom up

### Core inflation, effect from taxes



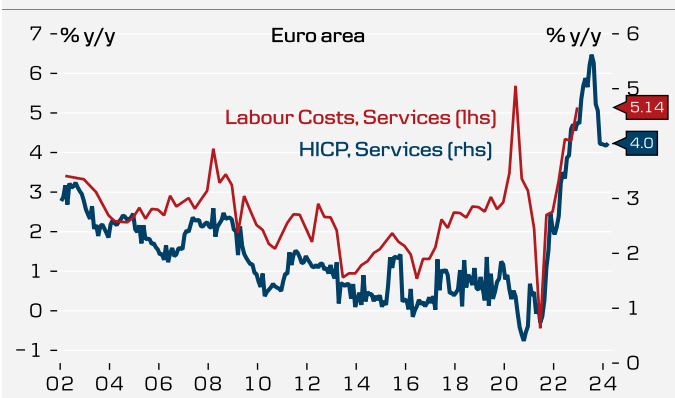
Source: Macrobond Financial, Eurostat

### Core inflation components



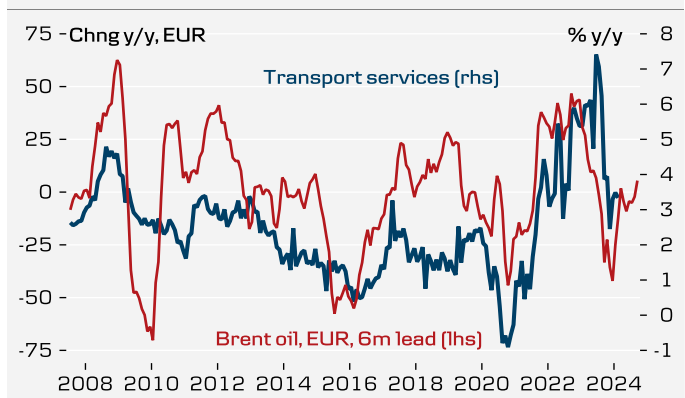
Source: Macrobond Financial, Eurostat, ECB

Service inflation vs. labour costs



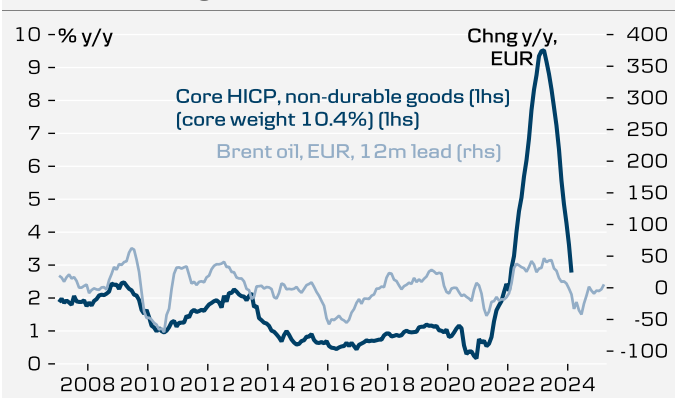
Source: Macrobond Financial, Eurostat, Danske Bank

Transport services vs. oil



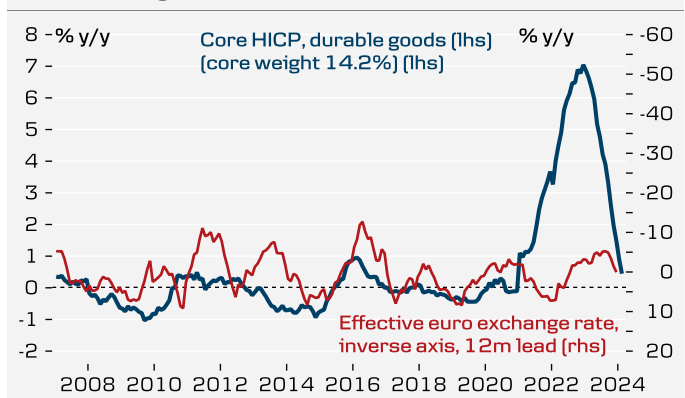
Source: Macrobond Financial, Eurostat, Danske Bank  
Note: Past performance is not a reliable indicator of future performance.

Core non-durable goods



Source: Macrobond Financial

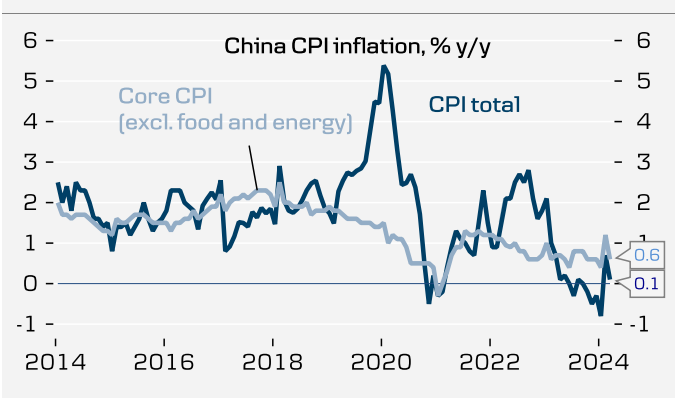
Core durable goods



Source: Macrobond Financial

## Country details – China

CPI and core CPI



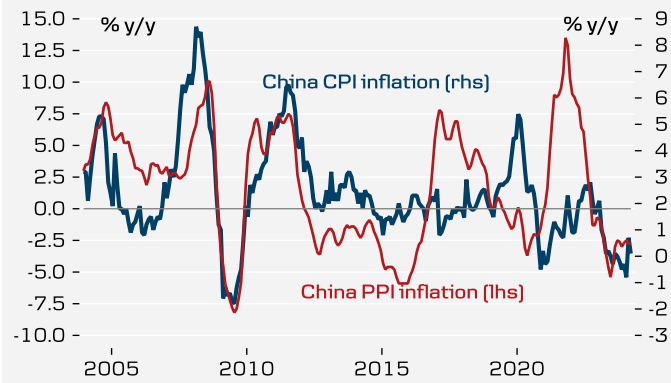
Source: Macrobond Financial, NBS

CPI and food prices



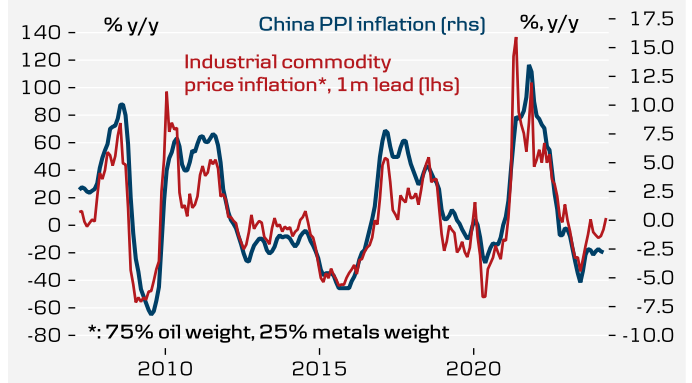
Source: Macrobond Financial, NBS

PPI vs. CPI



Source: Macrobond Financial, NBS

PPI vs. commodity prices



Source: Macrobond Financial, NBS, Danske Bank

Note: Past performance is not a reliable indicator of future performance.

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Rune Thyge Johansen, Analyst and Allan von Mehren, Chief Analyst

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

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