

13 November 2024

# Global Inflation Watch

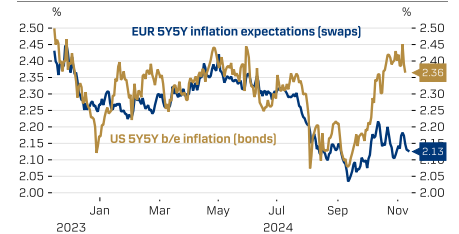
## Disinflation still on track

- Overview:** underlying inflation has moderated both in the euro area and the US. Inflation pressures ease gradually with weak goods inflation and in the case of US, cooling job market and lower wage growth. In the euro zone, wage growth remains elevated but is also now cooling. US elections drove a modest uptick in markets' inflation expectations, but we do not expect the result to derail the Fed from cutting in December. Oil prices have also moved lower despite the geopolitical tensions. We continue to forecast gradual disinflation despite the near-term uncertainties.
- Inflation expectations:** in the US, market-based inflation expectations rose modestly following the election result. That said, the level of most inflation expectations measures remains well aligned with central banks' targets.
- US:** the October CPI was close to expectations on headline level (+0.2% m/m SA, cons. +0.2%, Sep +0.2%). The uptick in annual terms (2.6% y/y, Sep 2.4%) was almost purely explained by a weaker reading a year ago. Core CPI grew also as expected (+0.28% m/m SA, cons. +0.3%, Sep. +0.31%). Around 60% of the increase in core prices was driven by shelter component, which ticked higher in October, but remains on a cooling trend. Other major core inflation components (core goods, health care and other non-housing services) showed declining price pressures. The reading supports our call for the Fed's next rate cut in December.
- Euro:** inflation increased to 2.0% y/y in October (cons: 1.9%, prior: 1.7%) driven by energy and food inflation, while core inflation was unchanged at 2.7%. Core inflation rose 0.20% m/m SA driven by still elevated service price increases of 0.30% m/m SA while goods prices remained unchanged at 0.0% m/m SA. The October data thus showed that the very soft services inflation registered in September was a "blip" and inflation dynamics remain the same as we saw in the first months of Q3, namely momentum in underlying inflation heading slowly in the right direction. Worth keeping an eye on going forward is also food prices as they continued to rise quite strongly in October like in previous months.
- China:** October CPI declined from 0.4% y/y to 0.3% y/y while core CPI rose to 0.2% y/y from 0.1% y/y. PPI dropped to -2.9% y/y from -2.8% y/y.

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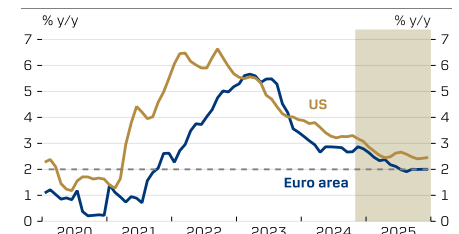
### US elections caused markets' inflation expectations to diverge



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

Source: Bloomberg, Macrobond Financial

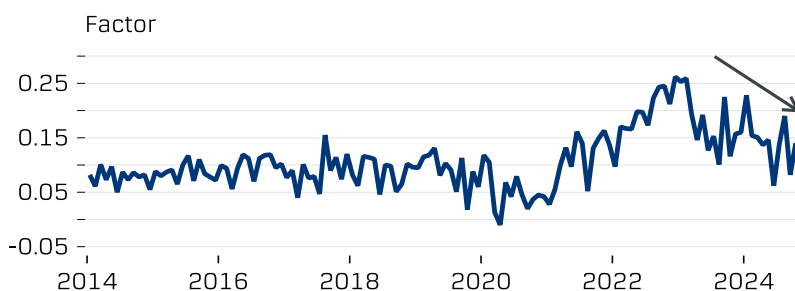
### Core inflation outlook



Source: BLS, Eurostat, Danske Bank, Macrobond Financial

### US housing inflation is volatile on monthly level, but remains on a cooling trend

#### US CPI, Housing, Shelter, Seasonally Adjusted Effect on All Items (P/P)



Source: Macrobond Financial, U. S. Bureau of Labor Statistics

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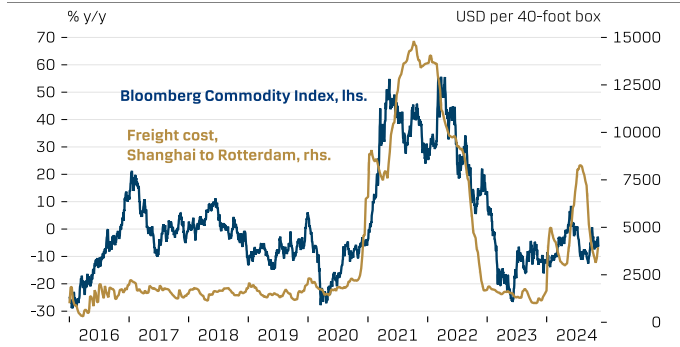
# Top down overview

## Overview of inflation drivers

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		↓

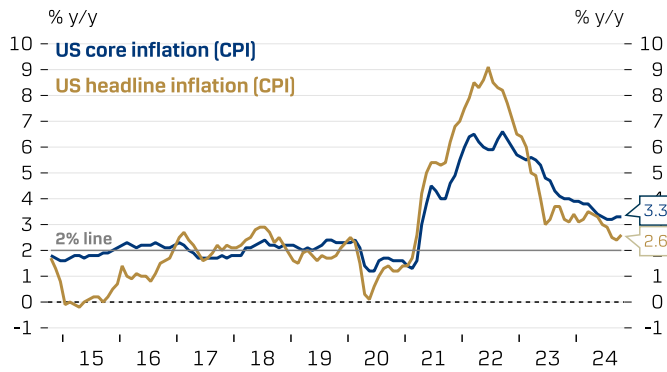
Source: Danske Bank

## Commodity price and freight inflation



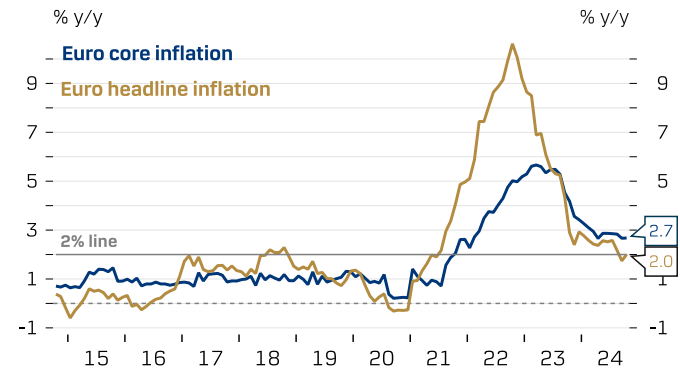
Source: Macrobond Financial, Eurostat, Bloomberg

## US headline and core inflation (CPI)



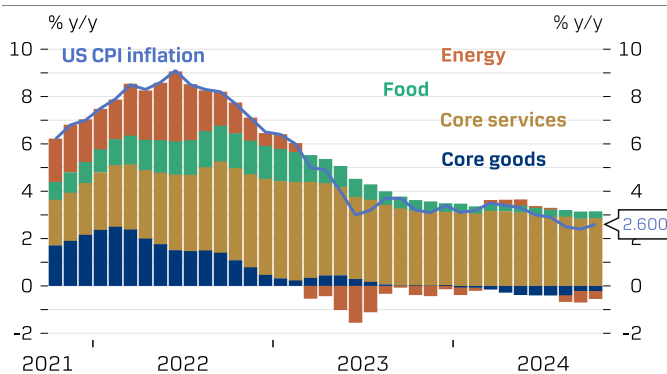
Source: Macrobond Financial, BLS

## Euro headline and core inflation



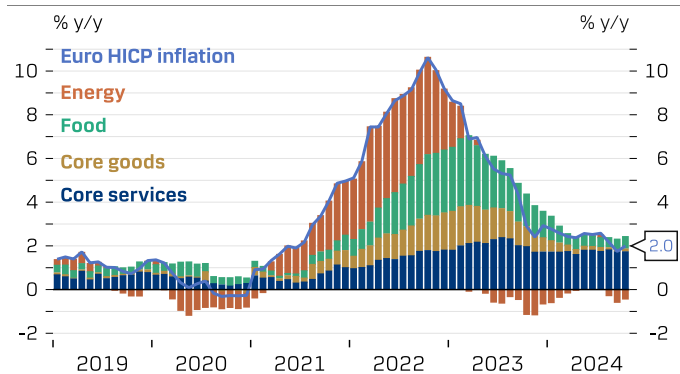
Source: Macrobond Financial, Eurostat

## Contributions to US inflation



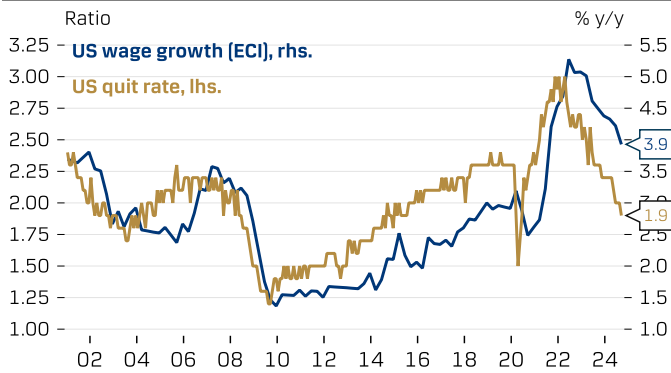
Source: Macrobond Financial, BLS

## Contributions to euro inflation



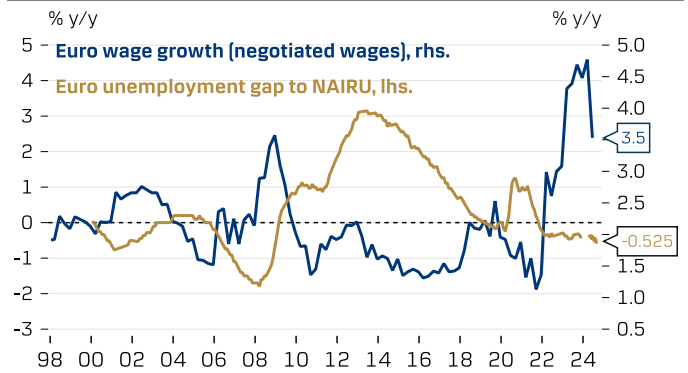
Source: Macrobond Financial, Eurostat

### US wage growth and labour market tightness



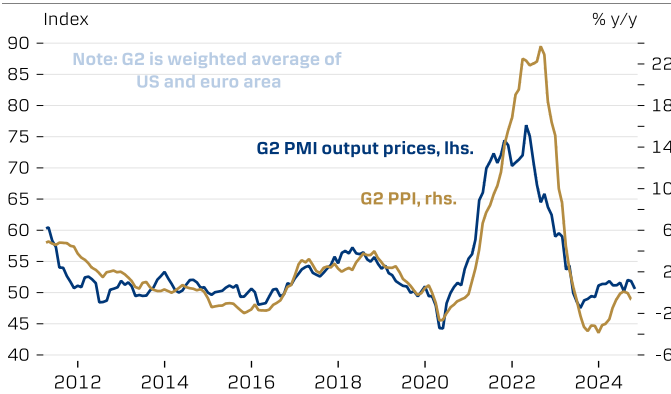
Source: Macrobond Financial, BLS

### Euro wage growth and labour market tightness



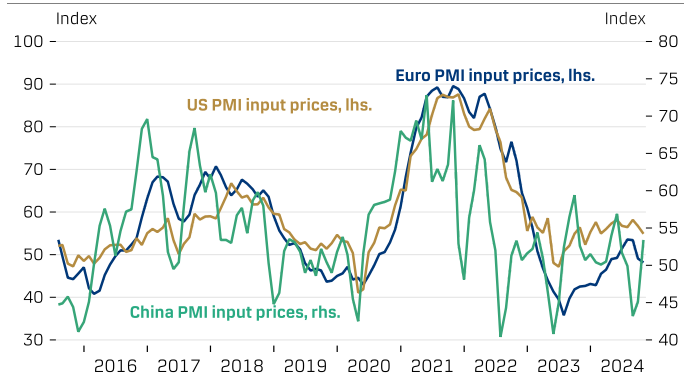
Source: Macrobond Financial, Eurostat, ECB

### G2 PPI inflation vs oil price inflation



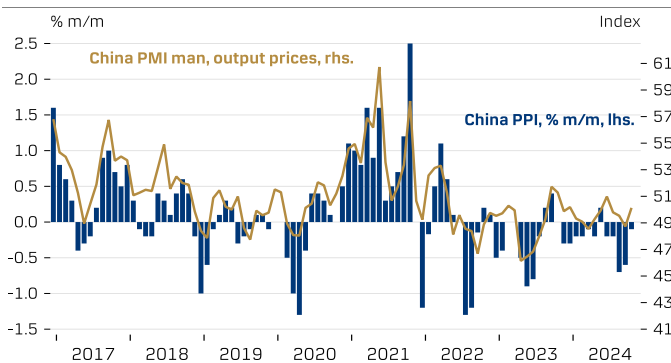
Source: Macrobond Financial, BLS, Eurostat

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



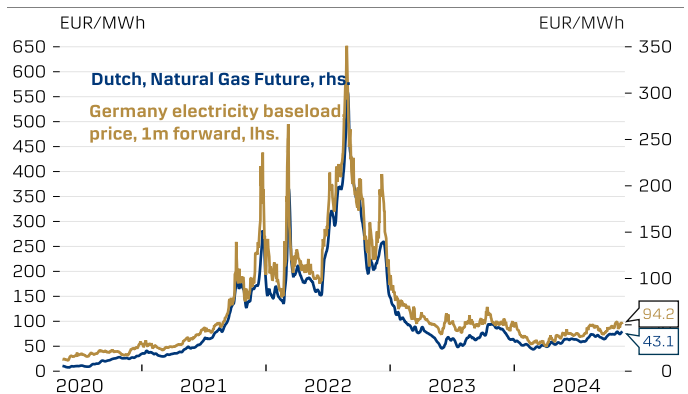
Source: Macrobond Financial, Markit

### China PPI inflation momentum



Source: Macrobond Financial, Markit

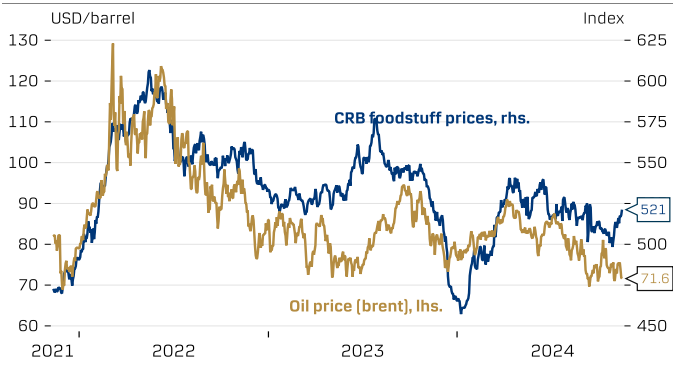
### European natural gas and electricity prices



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

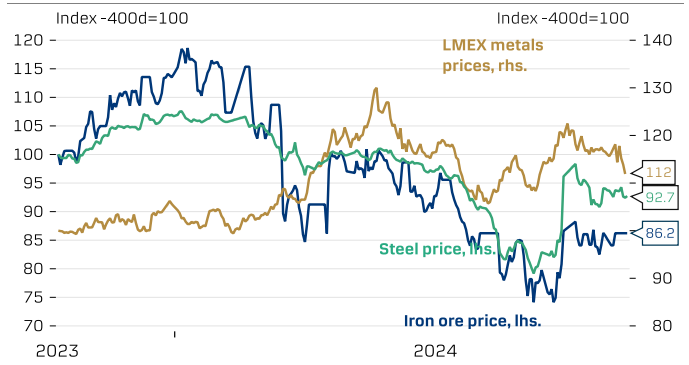
Source: Macrobond Financial, PBoC, Danske Bank

### Commodity price levels – oil and food



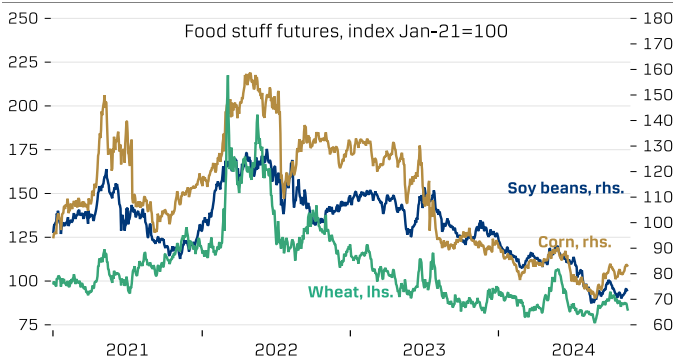
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Commodity price levels – metals and iron ore



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

### Grain prices



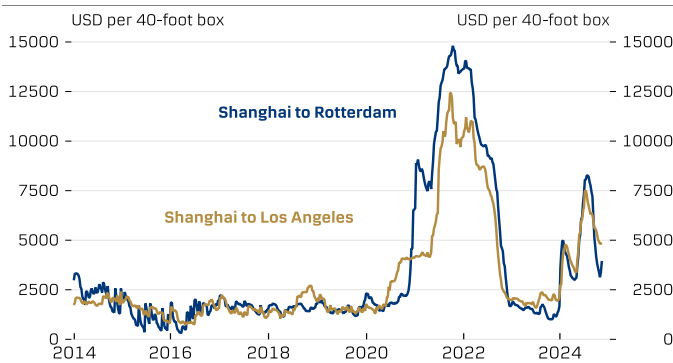
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Fertilizer input prices



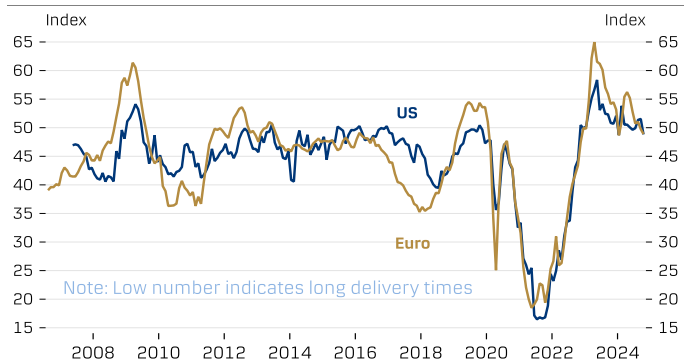
Source: Macrobond Financial, Bloomberg  
 Note: Past performance is not a reliable indicator of future performance.

### Freight rates



Source: Macrobond Financial, Bloomberg, WCI

### Bottle necks – PMI supplier delivery indices



Source: S&P Global, Macrobond Financial

# Country details - US

## Top down

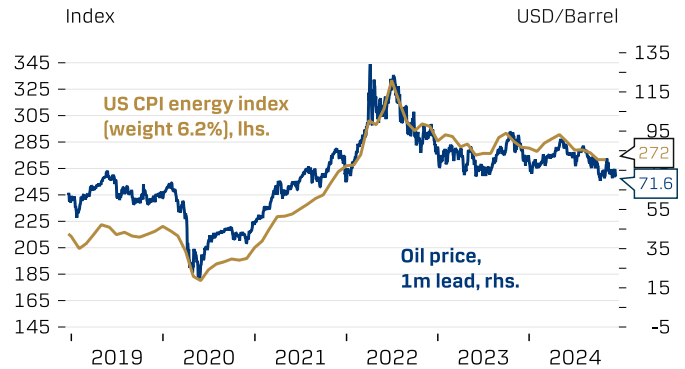
### Headline CPI inflation vs. oil prices



Source: Macrobond Financial, BLS.

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

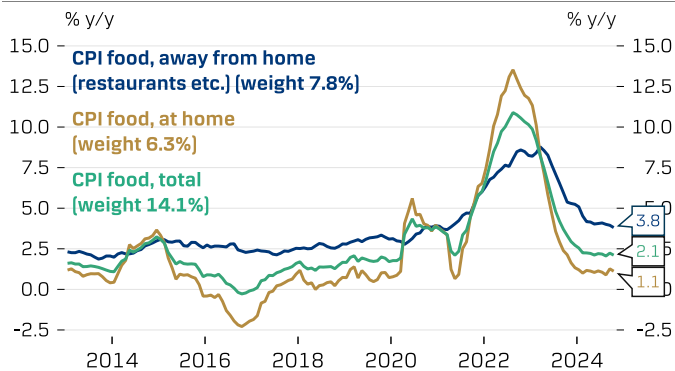
### CPI energy prices vs oil



Source: Macrobond Financial, BLS.

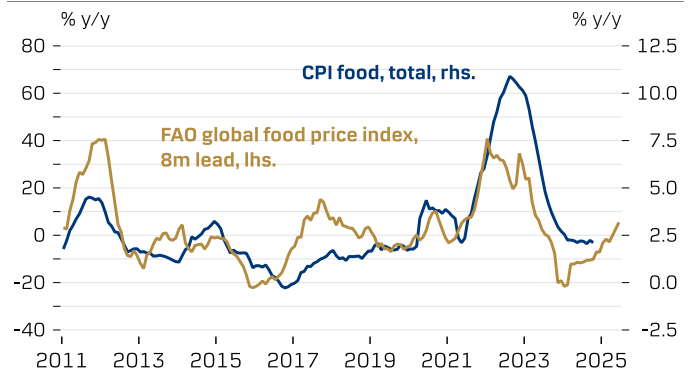
Note: Past performance is not a reliable indicator of future performance.

### Food prices



Source: Macrobond Financial, BLS

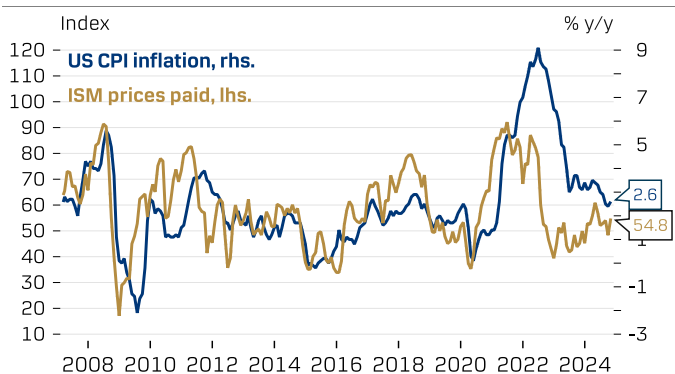
### Food prices vs FAO food price index



Source: Macrobond Financial, FAO, BLS

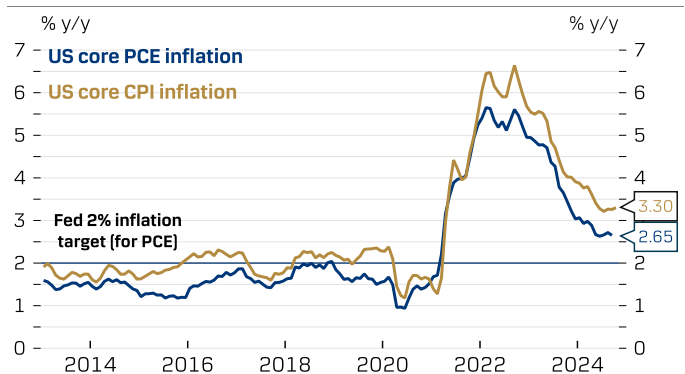
Note: Past performance is not a reliable indicator of future performance.

### US PMI output prices vs CPI inflation



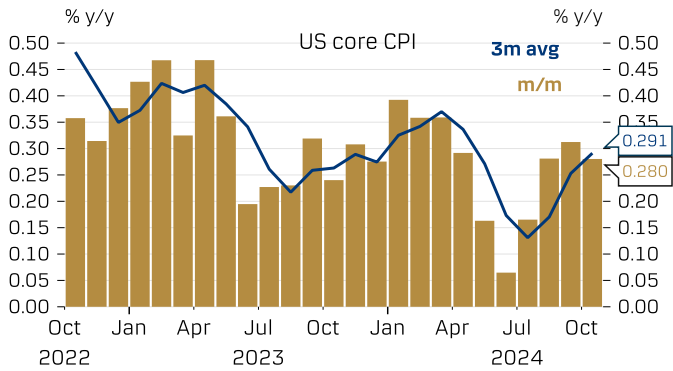
Source: Macrobond Financial, BLS, Markit

### Core PCE inflation vs core CPI inflation



Source: Macrobond Financial, BLS, BEA

**Core CPI momentum**



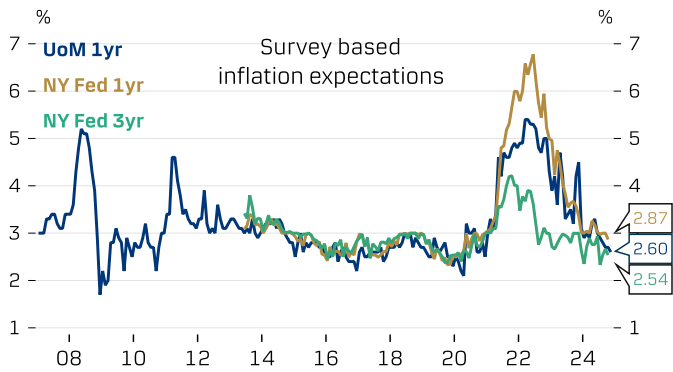
Source: Macrobond Financial, BLS

**Headline CPI since 1980**



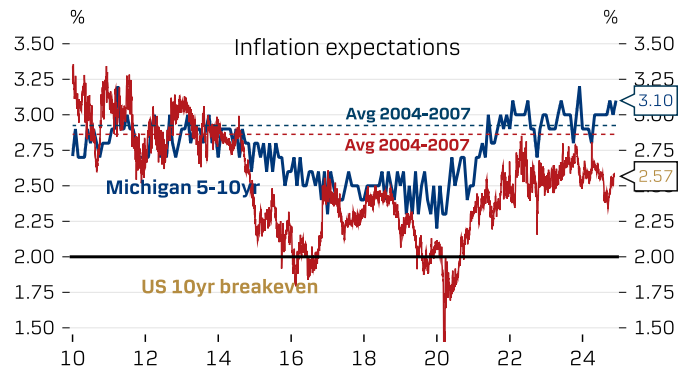
Sources: BEA, BLS, Macrobond Financial

**Survey-based inflation expectations**



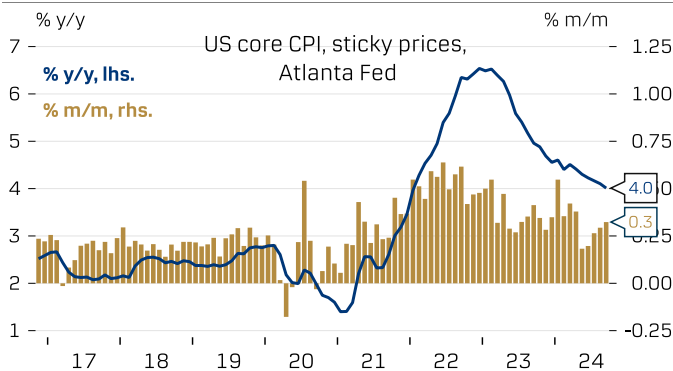
Source: NY Fed, University of Michigan, Macrobond Financial

**Long-term inflation expectations**



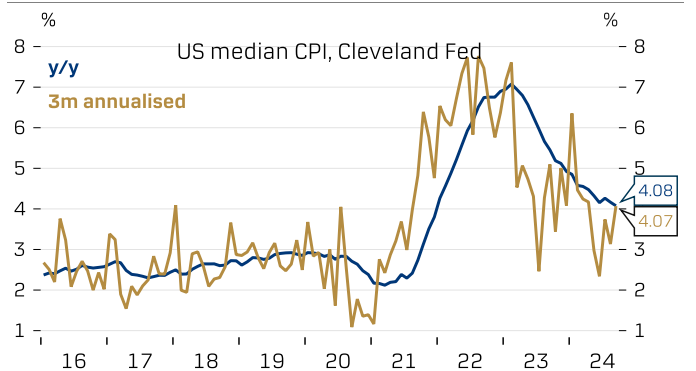
Source: Macrobond Financial, University of Michigan  
Note: Past performance is not a reliable indicator of future performance.

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



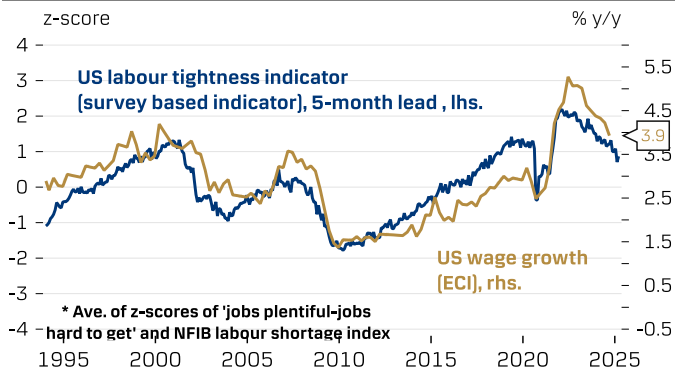
Source: Macrobond Financial, Atlanta Fed

**Median CPI inflation**



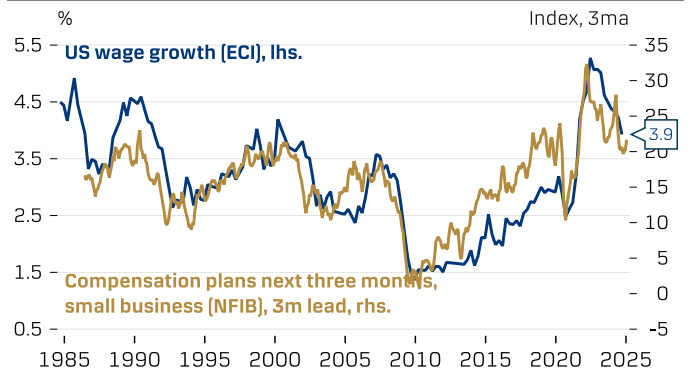
Source: Macrobond Financial, Cleveland Fed

### Labour market tightness: wage growth vs tightness



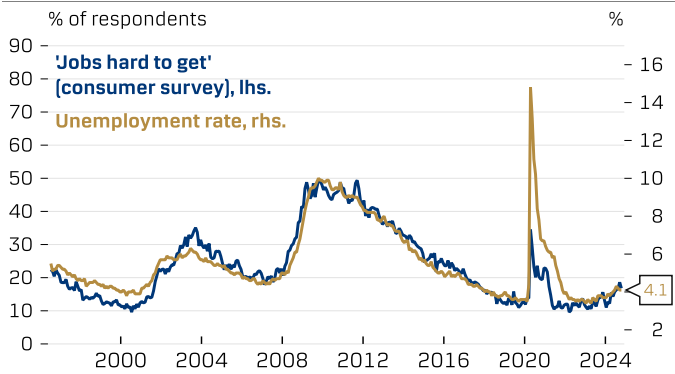
Source: Macrobond Financial, Conference Board, NFIB, BLS, Danske Bank

### Labour market tightness: job openings and shortage



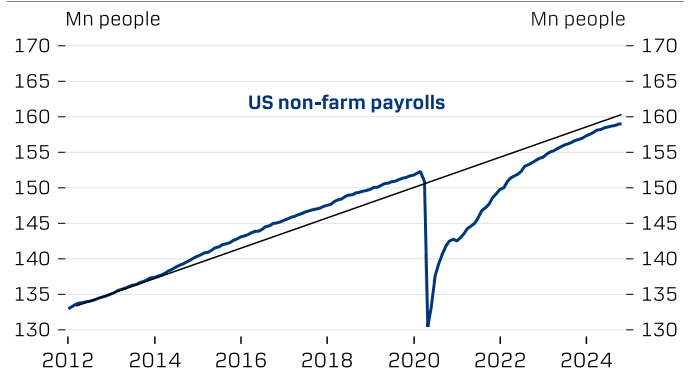
Source: Macrobond Financial, NFIB, BLS

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



Source: Macrobond Financial, Conference Board, BLS

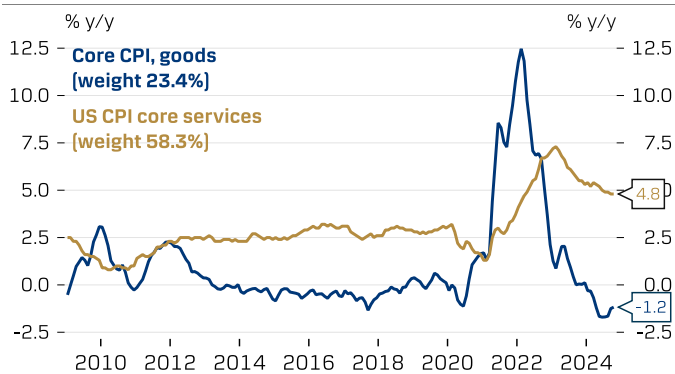
### Employment gap



Source: Macrobond Financial, BLS

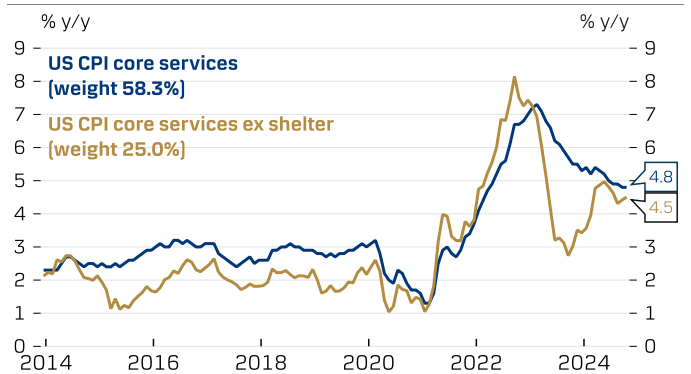
## Bottom up

### Core goods vs. services



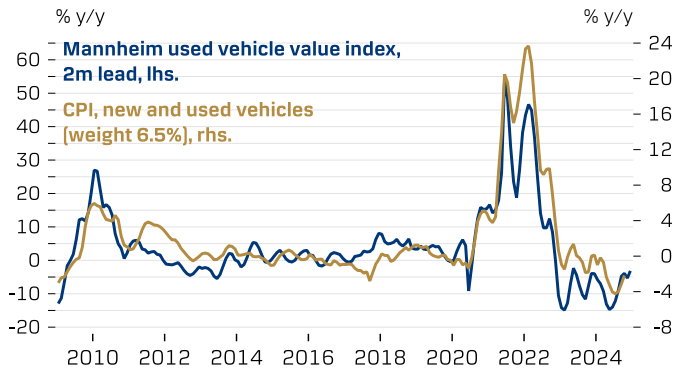
Source: Macrobond Financial, BLS

### Core services ex shelter



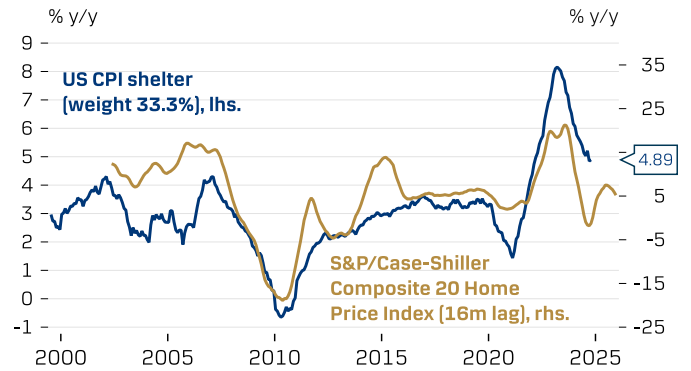
Source: Macrobond Financial, BLS

Used car prices



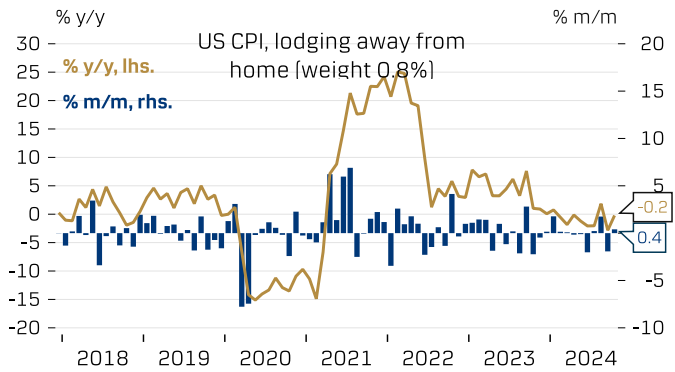
Source: Macrobond Financial, BLS, Manheim Consulting

Rent of shelter



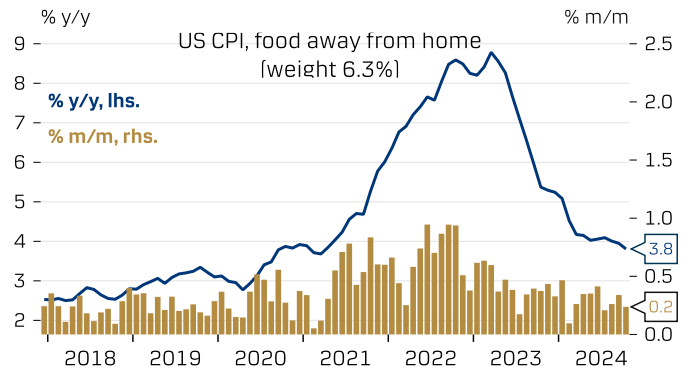
Source: Macrobond Financial, BLS, S&P Dow Jones

Lodging away from home (hotels etc.)



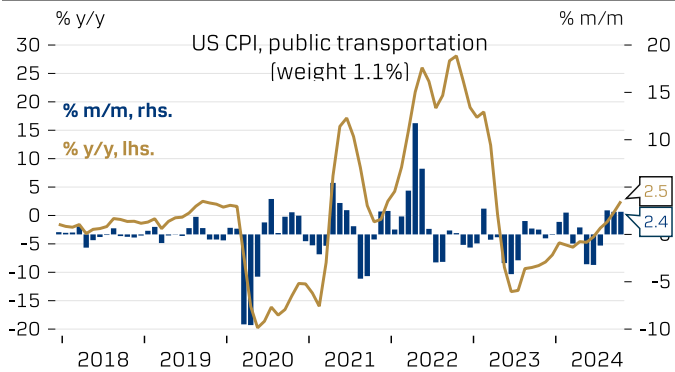
Source: Macrobond Financial, BLS

Food away from home (restaurants etc.)



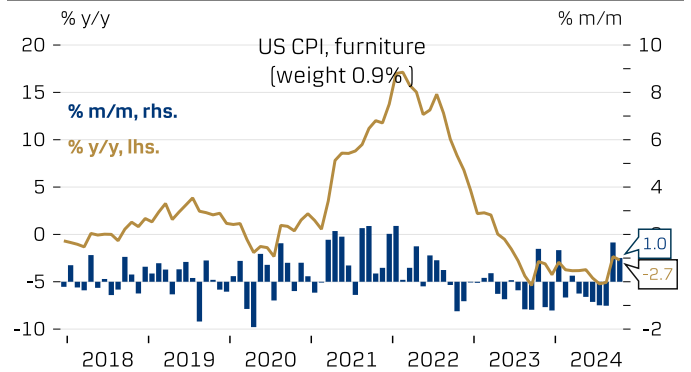
Source: Macrobond Financial, BLS

Public transportation (airfares etc.)



Source: Macrobond Financial, BLS

Furniture



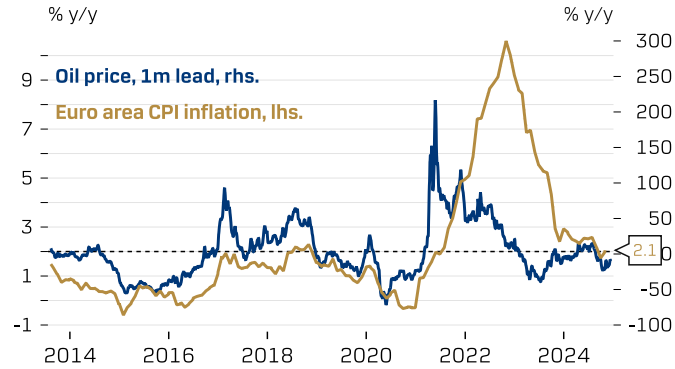
Source: Macrobond Financial, BLS



# Country details – Euro area

## Top Down

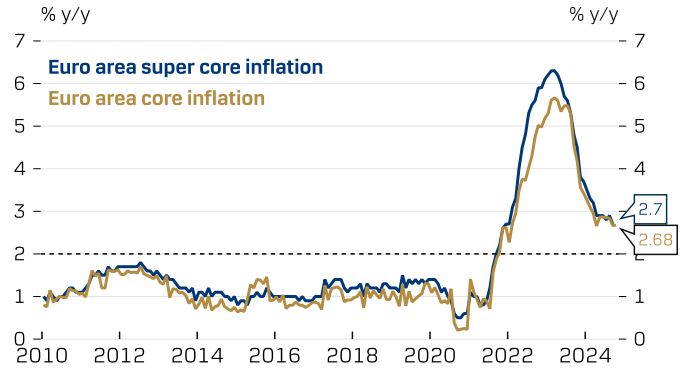
### Headline vs. oil prices



Source: Macrobond Financial, Eurostat

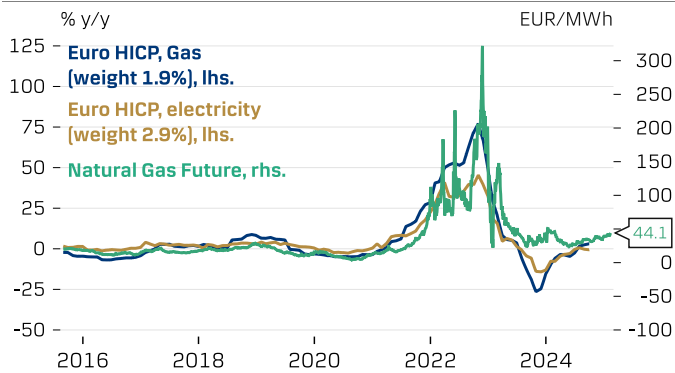
Note: Past performance is not a reliable indicator of future performance.

### Core inflation



Source: Macrobond Financial, Eurostat, Danske Bank

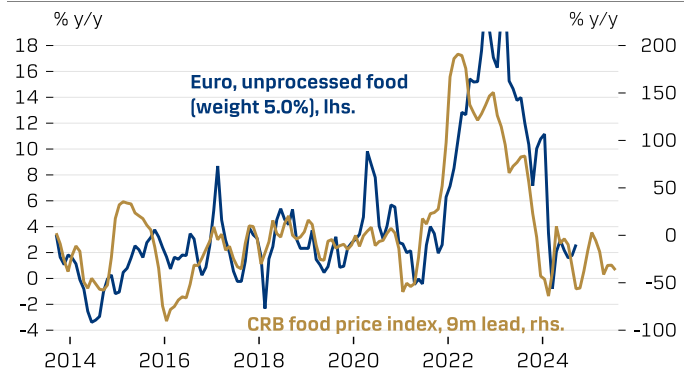
### Natural gas & electricity



Source: Macrobond Financial, Eurostat

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

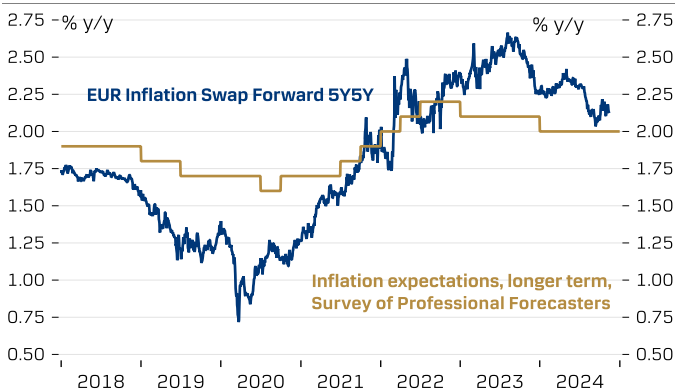
### Food



Source: Macrobond Financial

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

### Inflation expectations



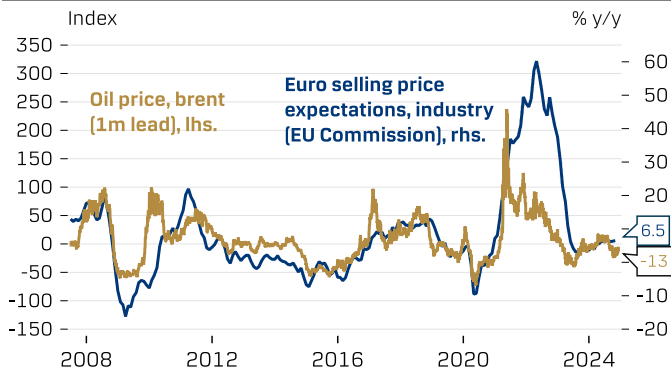
Source: Macrobond Financial, Bloomberg, ECB

### Consumer confidence - price expectations



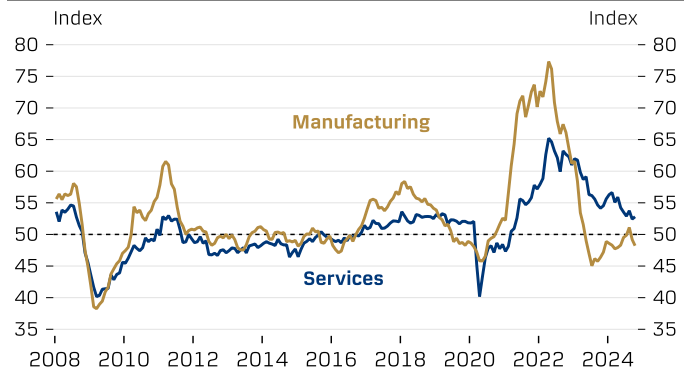
Source: Macrobond Financial, EU Commission, Eurostat

### Selling price expectations from companies



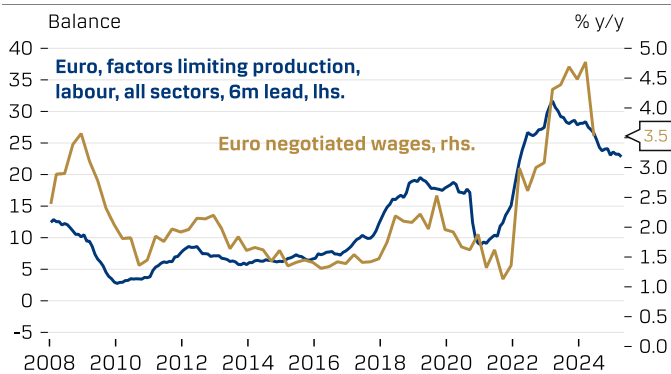
Source: Macrobond Financial, EU Commission  
 Note: Past performance is not a reliable indicator of future performance.

### PMI output prices



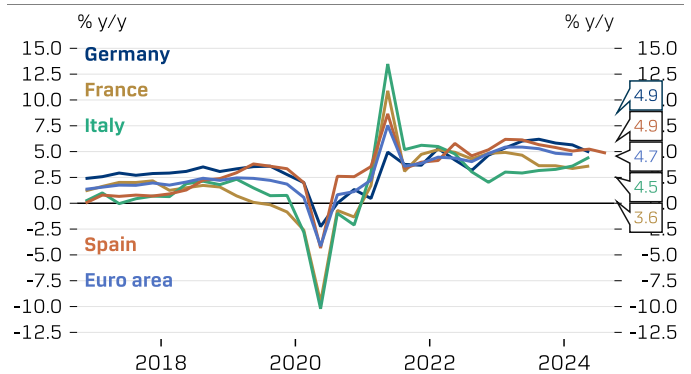
Source: Macrobond Financial, Markit

### Labour shortage and wage growth



Source: Macrobond Financial, EU Commission

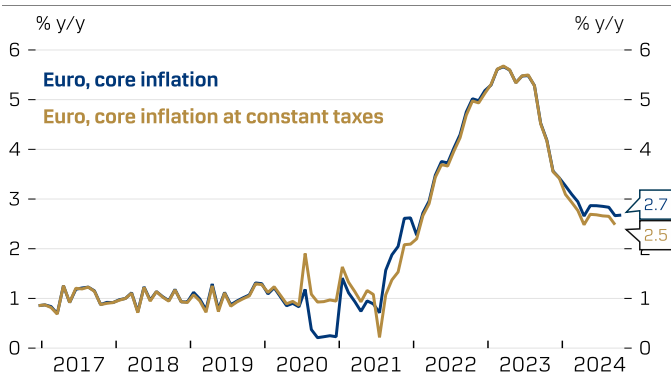
### Wage growth (compensation per employee)



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

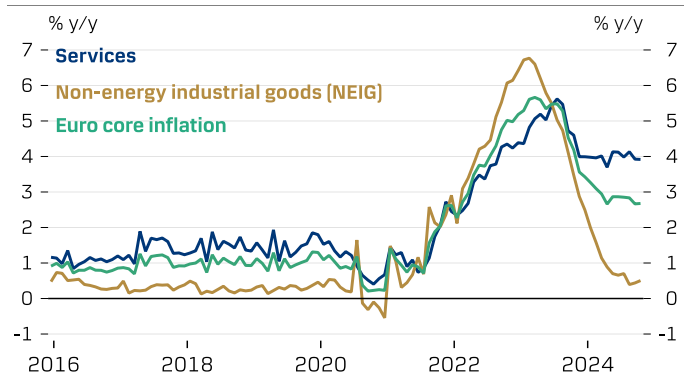
## Bottom up

### Core inflation, effect from taxes



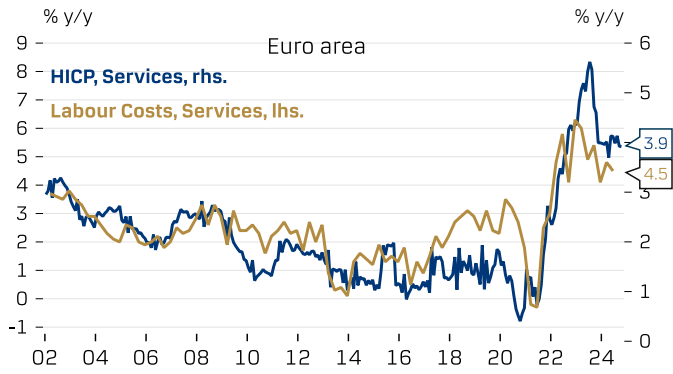
Source: Macrobond Financial, Eurostat

### Core inflation components



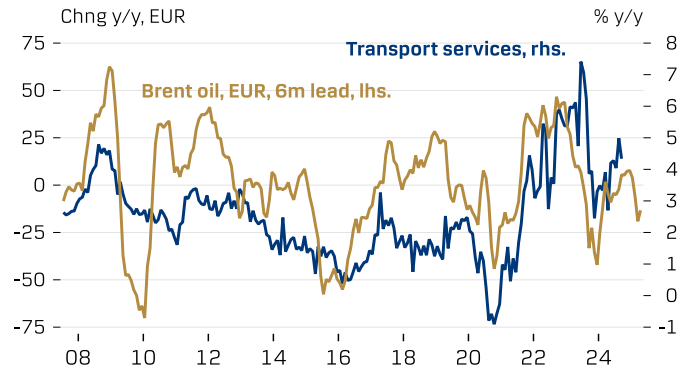
Source: Macrobond Financial, Eurostat, ECB

Service inflation vs. labour costs



Source: Macrobond Financial, Eurostat, Danske Bank

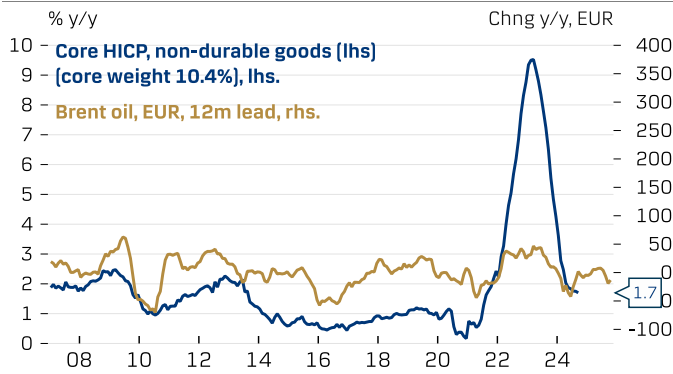
Transport services vs. oil



Source: Macrobond Financial, Eurostat, Danske Bank

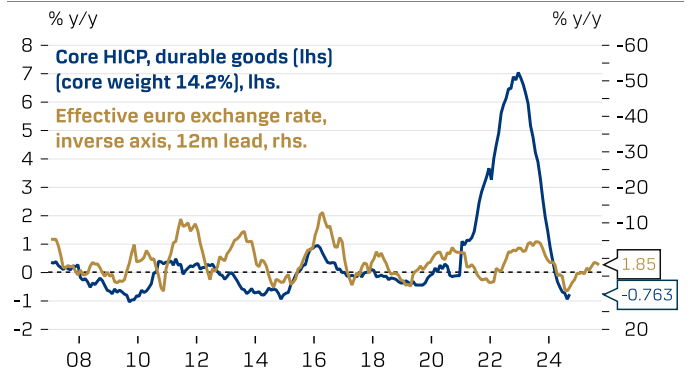
Note: Past performance is not a reliable indicator of future performance.

Core non-durable goods



Source: Macrobond Financial, Eurostat

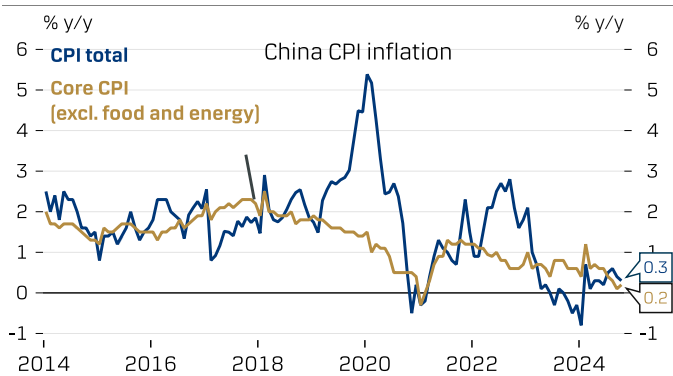
Core durable goods



Source: Macrobond Financial, BIS, Eurostat

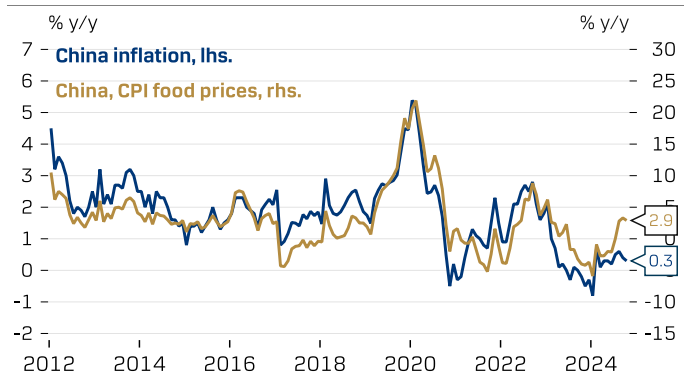
Country details – China

CPI and core CPI



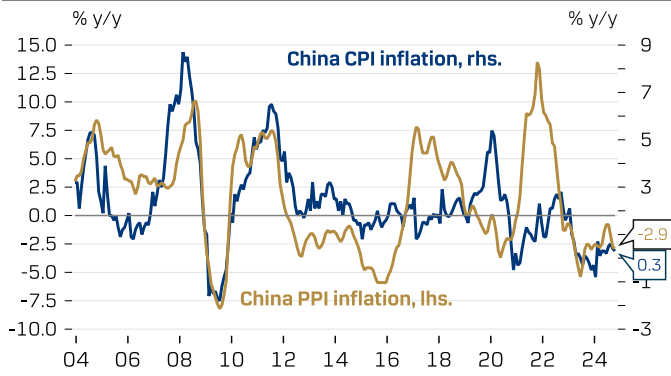
Source: Macrobond Financial, NBS

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 Antti Ilvonen, Senior Analyst, Rune Thyge Johansen, Analyst and Allan von Mehren, Chief Analyst

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### Expected updates

Monthly

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