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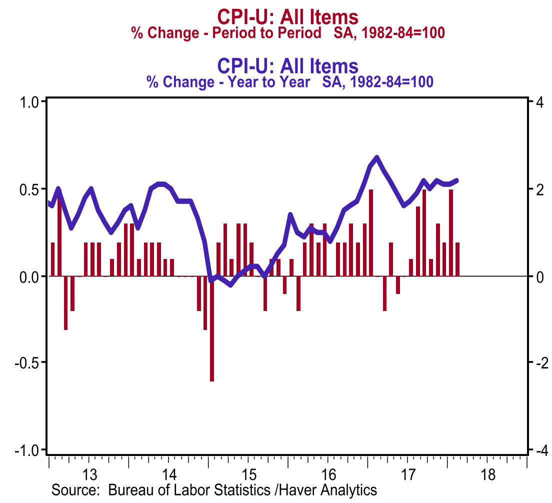
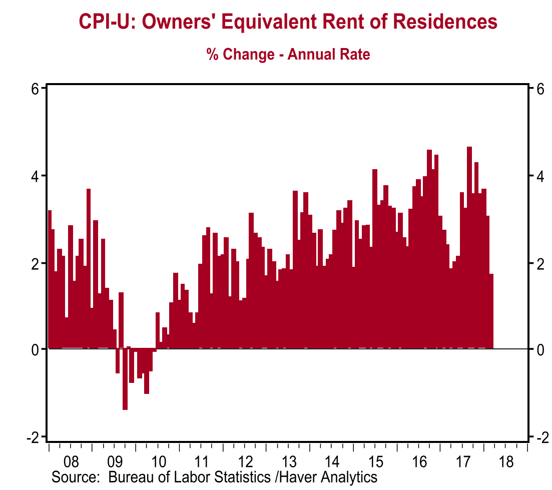
February CPI

Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist
Strider Elass – Economist

- The Consumer Price Index (CPI) rose 0.2% in February, matching consensus expectations. The CPI is up 2.2% from a year ago.
- Energy prices rose 0.1% in February, while food prices were unchanged. The "core" CPI, which excludes food and energy, increased 0.2% in February, also matching consensus expectations. Core prices are up 1.8% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – were unchanged in February but are up 0.4% in the past year. Real average weekly earnings are up 0.6% in the past year.

Implications: Consumer prices marched higher in February, continuing an acceleration in the pace of inflation. The persistent and consistent rise in prices gives the Fed plenty to think about when they meet next week. The consumer price index rose 0.2% in February and is up 2.2% in the past year, marking a sixth consecutive month of year-to-year inflation above 2%. But, in both the past three and six months, the CPI is up at a 3.6% annual rate, showing clear acceleration. Energy prices increased 0.1% in February, while food prices were unchanged. Remove these, and "core" prices rose 0.2% in February following January's 0.3% increase. Core prices are up 1.8% in the past year, but are showing acceleration in recent months, up at a 2.5% annual rate over the past six-months and a 3.1% rate in the past three months. In other words, both headline and core inflation stand above the Fed's 2% target, and both have been accelerating. Housing costs led the increase in "core" prices in February, rising 0.3%, and are up 2.8% in the past year. Meanwhile prices for services rose 0.2% in February and are up 2.6% over the past twelve months. Both remain key components pushing "core" prices higher and should maintain that role in the year ahead. One piece of disappointing news in today's report is that real average hourly earnings were unchanged in February. Inflation-adjusted hourly earnings have been on the decline in recent months, down at a 0.7% annualized rate over the past six months. However, these earnings data do not include irregular bonuses – like the ones just paid by companies after the tax cut. In addition, earnings are still up a modest 0.4% in the past year, while job growth is accelerating. We expect a visible pickup in wage pressures in the months ahead. A strong February jobs report, combined with today's inflation data suggests the Fed is on track to raise rates four times in 2018.





CPI - U All Data Seasonally Adjusted Except for Yr to Yr	Feb-18	Jan-18	Dec-17	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Consumer Price Index	**0.2%**	0.5%	0.2%	3.6%	3.6%	2.2%
Ex Food & Energy	**0.2%**	0.3%	0.2%	3.1%	2.5%	1.8%
Ex Energy	**0.2%**	0.3%	0.2%	2.9%	2.3%	1.8%
Energy	**0.1%**	3.0%	-0.2%	12.1%	20.3%	7.7%
Food	**0.0%**	0.2%	0.2%	1.6%	1.2%	1.4%
Housing	**0.3%**	0.2%	0.3%	3.2%	3.1%	2.8%
Owners Equivalent Rent	**0.2%**	0.3%	0.3%	3.2%	3.2%	3.2%
New Vehicles	**-0.5%**	-0.1%	0.5%	-0.1%	-0.7%	-1.5%
Medical Care	**-0.1%**	0.4%	0.3%	2.5%	1.7%	1.8%
Services (Excluding Energy Services)	**0.2%**	0.3%	0.3%	3.4%	3.1%	2.6%
Real Average Hourly Earnings	**0.0%**	-0.3%	0.2%	-0.4%	-0.7%	0.4%

Source: U.S. Department of Labor