

# U.S. Data Review

- PCE inflation: food and energy under pressure; some easing in core
- Income & consumption: soft in February; Q1 still firm

**Michael Moran**

Daiwa Capital Markets America  
 212-612-6392  
[michael.moran@us.daiwacm.com](mailto:michael.moran@us.daiwacm.com)

## Personal Income, Consumption, Prices

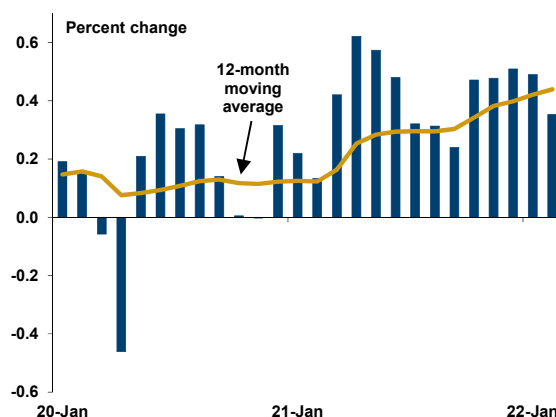
The price index for personal consumption expenditures rose 0.6 percent in February, in line with expectations and close to other recent observations. The increase left the year-over-year change at 6.4 percent, up from 6.0 percent in January and the fastest pace since January 1982. Prices of food and energy remained under pressure, with food prices posting their largest increase of the current cycle (1.4 percent), and energy prices posting a change in the upper portion of their recent range (3.7 percent).

Core prices rose 0.4 percent, matching expectations, but this index almost rounded down to 0.3 percent (0.354 percent). The increase ended four consecutive advances of 0.5 percent (chart, left). Several items cooled noticeably and helped to limit the pressure. Prices of used vehicles fell 1.1 percent, while prices of new cars and trucks rose 0.3 percent (versus an average of 1.0 percent in the prior six months). Airfares were unchanged, while ticket prices for live entertainment (ex-sports) and movie theaters both fell 0.2 percent. Charges for dental and physician services were unchanged. Prices of financial services fell 1.0 percent, but this is a noisy area and the change was within the bounds of normal volatility. Although the monthly change showed a hint of cooling, the increase in the core index moved to 5.4 percent on a year-over-year basis, up from 5.2 percent in January and the fastest advance since April 1983.

Consumer spending rose only 0.2 percent, shy of the expected advance of 0.5 percent. The modest increase translated to a drop of 0.4 percent after adjusting for inflation. Outlays for services held up reasonably well (up 0.6 percent in real terms), but real spending on goods fell 2.1 percent (both durable and nondurable contributing). The soft results in February followed strong results in January, and thus consumer spending in Q1 is still likely to register solid growth. Even if real outlays were to show no change in March, the Q1 advance in the GDP accounts would total 3.6 percent, firmer than in the prior two quarters (chart, right).

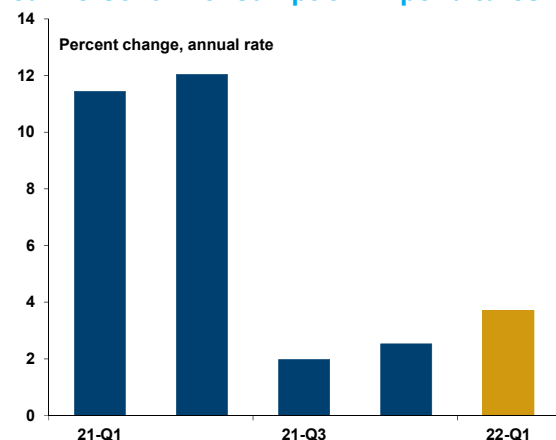
Personal income rose moderately in nominal terms (0.5 percent), but it translated to a dip of 0.1 percent after adjusting for inflation. Wages and salaries and rental income both rose noticeably (up 0.8 percent and 0.7 percent, respectively, nominal; real not available), but transfer payments and dividends both dipped (off 0.3 percent and 0.2 percent, respectively).

**Core PCE Price Index\***



\* PCE = personal consumption expenditures  
 Source: Bureau of Economic Analysis via Haver Analytics

**Real Personal Consumption Expenditures\***



\* The reading for 2022-Q1 is a projection based on results for January and February.  
 Sources: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.