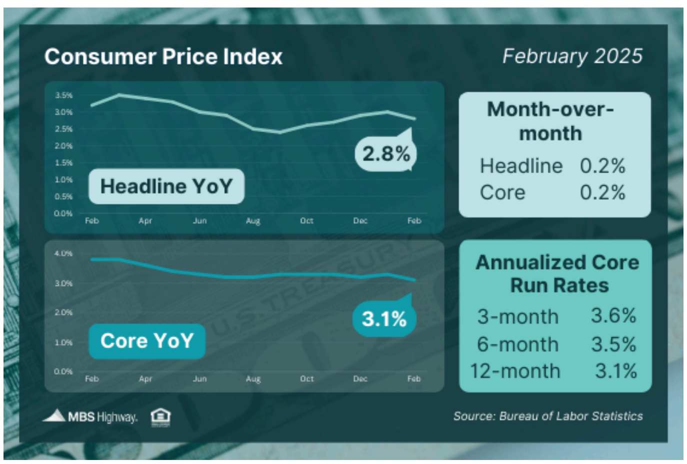
February Inflation Figures Fall Short of Forecasts

Ryan Champion
NMLS# 2294595 • Maverick Capital Lending
Cell: (970) 403-5677
ryan@championmortgagepros.com
www.championmortgagepros.com

Week of March 10, 2025 in Review

Inflation pressures moderated in February, and January job openings exceeded expectations. However, a closer examination of the data uncovers important insights. Continue reading for these updates and more.

Consumer Inflation Progresses Lower



Following a surge in food and energy costs that drove inflation higher in January, February brought more encouraging data, with both the headline and core Consumer Price Index (CPI) readings falling below forecasts.

Headline CPI rose by 0.2% month over month, while the year-over-year figure dipped from 3% to 2.8%. Core CPI, excluding food and energy, also increased by 0.2% month over month but softened to 3.1% year over year, down from 3.3% in the previous report.

What's the bottom line? The shelter component remains the primary contributor to ongoing inflationary pressures, accounting for 35% of the headline CPI and 44% of the core CPI. This significant weight indicates that shelter costs are pivotal in influencing the trajectory of inflation.

February's month-over-month shelter data was favorable, and the year-over-year reading of 4.24% showed a decrease of 0.2% from the prior report. However, this year-over-year figure remains elevated compared to more current rental data from sources like Realtor.com, Apartment List, Zillow and CoreLogic, which reflect an approximate blended increase of 1.6%. As CPI reporting catches up with this real-time data, it should assist in further reducing inflation.

Wholesale Inflation Eases, Yet Key Areas Increase

The Producer Price Index (PPI) remained stable from January to February, with the annual rate decreasing from 3.7% to 3.2%. This was aided by a 1.2% reduction in energy prices. Excluding the more volatile food and energy sectors, the Core PPI slipped by 0.1% month over month, while the year-over-year rate fell from 3.8% to 3.4%. These figures were all below expectations.

What's the bottom line? PPI data is crucial as it impacts the Personal Consumption Expenditures (PCE) index, which is the Federal Reserve's preferred inflation gauge. While the overall PPI showed cooler results than predicted, an analysis highlights increases in significant areas, such as healthcare, that may influence the PCE. The upcoming PCE report set for March 28 will be worth watching to assess any hotter-than-expected outcomes, or whether other factors will mitigate these increases.

January Job Openings Rise, But Signs of Weakness Persist

Following a significant decrease in December, job openings rose in January from 7.5 million to 7.7 million, slightly surpassing expectations. This increase was particularly noticeable in the retail and finance sectors; however, professional and business services, as well as leisure and hospitality, experienced marked declines.

Both the hiring rate of 3.4% and quits rate of 2.1% neared their lowest points in a decade, excluding the COVID-19 period. This reduced hiring rate complicates the job search for unemployed individuals, while the decline in quits reflects a lack of confidence in securing new opportunities.

What's the bottom line? Although January registered an uptick in job openings, the data reveals underlying weaknesses in the labor market. Overall, job openings continue to trend downward, considerably below the peak of 1.2 million in 2022.

Additionally, the report included revisions that lowered job openings for all of 2024 by an average of 263,000 per month. Plus, job listings may even be overstated, as the rise of remote work has resulted in postings across multiple states, likely contributing to an overcount in the JOLTS data.

Continuing Jobless Claims Remain Stubbornly High

Initial Jobless Claims dropped by 2,000, landing at 220,000 for the latest week and remaining fairly stable overall. Continuing Jobless Claims saw a decrease as well, falling by 27,000 to 1.87 million. However, it's worth noting that they've been hovering above 1.8 million since last June.

What's the bottom line? New unemployment claims continue at historically low levels, but the persistent elevation in Continuing Jobless Claims suggests job seekers are experiencing longer periods of unemployment. Additionally, since many individuals receive benefits for only 26 weeks, the rise in Continuing Claims as these benefits expire also indicates weaknesses in the labor market and a slower hiring pace, aligning with the low hiring rate reported in the JOLTS data.

Family Hack of the Week

If you're looking for a delicious treat to celebrate St. Patrick's Day, these Soda Bread Biscuits from the Food Network are a fantastic choice – and they're great any time of year! This recipe makes 4 to 6 biscuits.

In a large bowl, combine 2 cups of flour, 2 teaspoons of sugar, and 3/4 teaspoon each of baking soda and kosher salt. Use your hands to work in 2 tablespoons of diced cold butter. Add 1/2 cup of raisins and 1 tablespoon of caraway seeds, followed by 3/4 cup of buttermilk.

Pat the dough to a 1-inch thickness, then cut into four to six 2 1/2-inch rounds. Bake for 15 to 20 minutes. Allow the biscuits to cool on the baking sheet for a few minutes before transferring them to a wire rack to cool completely.

What to Look for This Week

The Federal Reserve meeting is the primary focus this week, with the Monetary Policy decision and press conference scheduled for Wednesday afternoon.

Key housing data will also be released, including builder confidence on Monday, construction data on Tuesday, and Existing Home Sales on Thursday. Additionally, Retail Sales will be reported on Monday, and Jobless Claims figures will be available on Thursday.

Technical Picture

Mortgage Bonds closed last week trading within a range with support at the 25-day Moving Average and overhead resistance at 101.39. Meanwhile, the 10-year Treasury yield ended the week below a significant ceiling at the 4.332% Fibonacci level. If yields break above this level, they will encounter another ceiling nearby at the 25-day Moving Average.