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Inflation Watch

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The Bureau of Labor Statistics released the February Consumer Price Index on Thursday, March 17th and released the October Producer Price Index on Wednesday, March 16th 2011.

The following tables contain statistics on the Consumer Price Index (including the Median CPI), the Producer Price Index, the Personal Consumption Expenditure Index, and various sub-indices and special indices for all three.

Additional Information

To see charts for all the indices shown in the attached tables, go to the Inflation Watch section of our web site (<http://www.biancoresearch.com>).

Consumer Price Inflation

The Consumer Price Index rose **2.11%** from February 2010 to February 2011.

Within the eight major sub-groups:

Four groups are growing faster than the base rate. They comprise 37.46% of the index:

- Transportation (7.29%)
- Medical Care (2.84%)
- All Items less Food (2.13%)
- Food and Beverages (2.24%)

Five are growing slower than the base rate. They comprise 62.54% of the index:

- Housing (0.64%)
- Education and Communication (1.25%)
- Apparel (-0.36 %)
- Recreation (-0.15%)
- Other Goods and Services (1.97%)

The commonly watched special index, all items less food and energy (or "core rate"), rose **1.11%** in the February to February period.

Many prefer to watch the Federal Reserve Bank of Cleveland's Median CPI as a better measure of the "core rate." This index rose **1.11%** on a year-over-year basis.

Two other special indices are notable on a year-over-year basis. The energy index **rose 10.84%** while the energy commodities index **rose 18.84%**.

Personal Consumption Expenditures

In the year ending **January** 2011, the PCE Index increased 1.22%. The "core" PCE Index (less food and energy) increased by 0.81%.

Producer Price Inflation

In the twelve months ending January 2011, the Producer Price Index for Finished Goods rose 5.78%, the Producer Price Index for Intermediate Goods rose 7.81%, and the Producer Price Index for Crude Materials rose 22.02%.

Which Measure Do You Prefer: Core vs. Headline

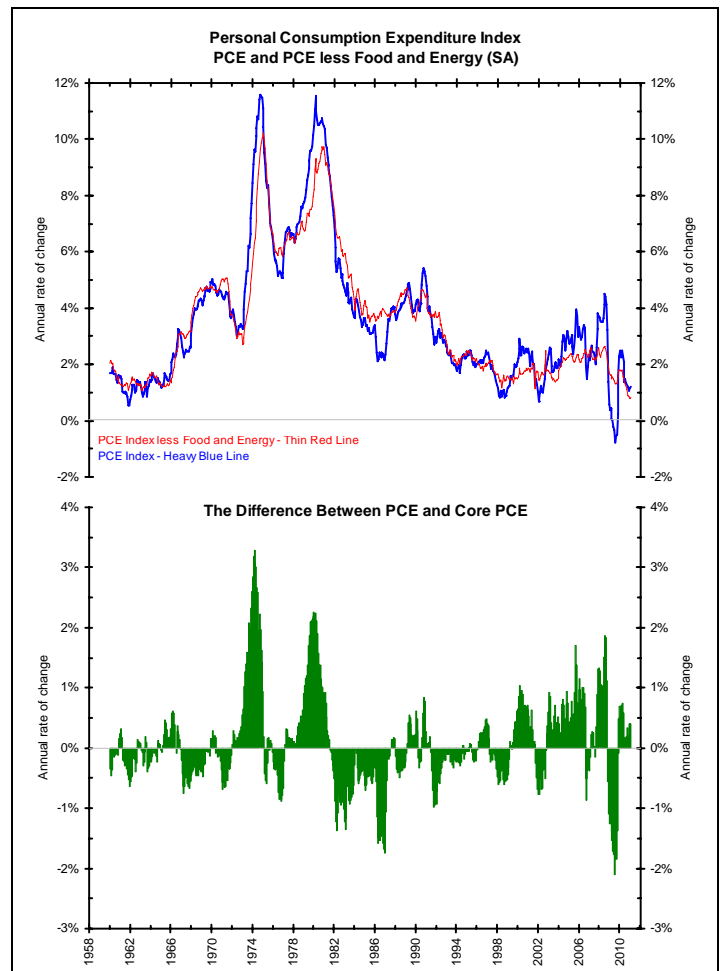
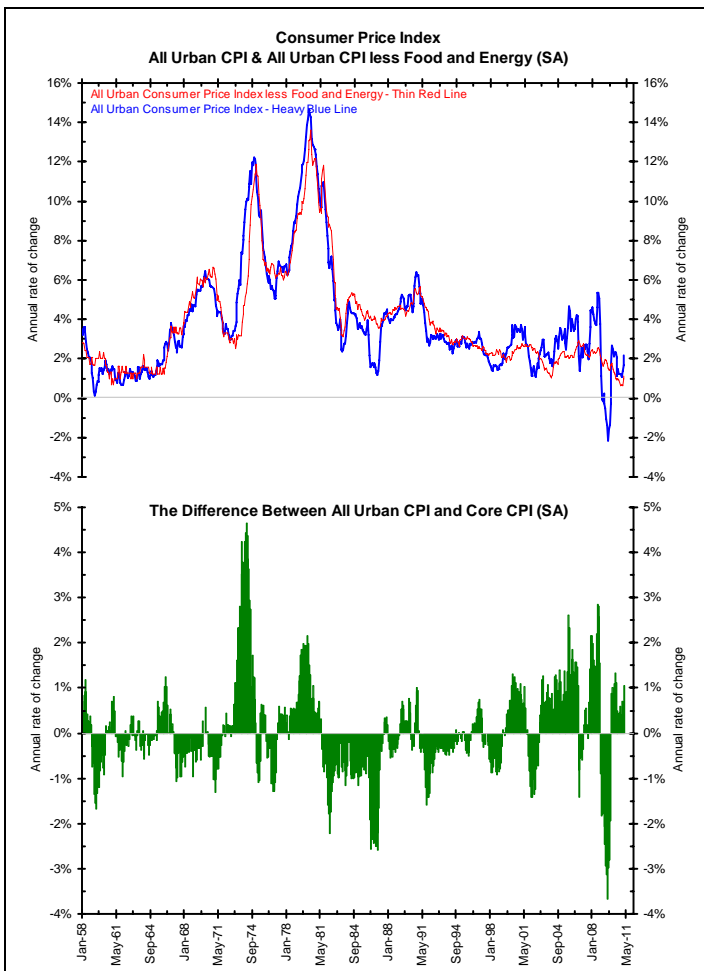
The Federal Reserve's preference for core inflation rather than headline inflation has been discussed ad-nauseum. In fact, [Federal Reserve has even changed the way in which they refer to "inflation"](#) in an attempt to avoid the subject altogether.

Between this change in dialect and the recent explosion in food and energy prices, one might assume that the difference between these two measures is at a historic extreme.

As the charts below show, however, neither CPI (left) nor PCE (right) are currently that far above

their core counterparts on a historical basis. CPI has outpaced Core CPI by 0.96% in the year ending January 2011 while PCE has outpaced Core PCE by 0.41% over the same period.

At the height of the crisis in 2008 CPI was almost 3% higher than Core CPI. While a nearly 1% difference in these measures should not be discounted entirely, perhaps the Federal Reserve's obsession with core inflation is a bit overstated.



Consumer Price Index

	Annualized through February 2011								Index Weights as of 12/31/2008
	Feb 2011	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	20 Years	
Consumer Price Index									
All Urban Consumers									
All Items (NSA)	0.49%	4.66%	2.76%	2.11%	1.49%	2.18%	2.33%	2.51%	100.000
All Items (SA)	0.55%	5.64%	3.89%	2.16%	1.50%	2.23%	2.36%	2.53%	100.000
Food and beverages (SA)	0.53%	4.68%	3.51%	2.24%	2.28%	2.87%	2.68%	2.53%	15.757
Housing (SA)	0.27%	2.03%	1.19%	0.64%	0.66%	1.62%	2.21%	2.51%	43.421
Owners' Equivalent Rent (SA)	0.14%	1.32%	1.12%	0.61%	1.00%	1.98%	2.44%	2.80%	24.433
Rent of Primary Residence (NSA)	0.11%	2.44%	2.27%	1.13%	1.57%	2.59%	2.92%	2.92%	5.957
Apparel-SA	-0.89%	0.85%	-1.36%	-0.36%	0.01%	0.25%	-0.81%	-0.32%	3.691
Transportation (SA)	1.87%	22.67%	15.62%	7.29%	2.19%	3.24%	2.92%	2.61%	15.314
Medical care (SA)	0.45%	3.12%	3.51%	2.84%	3.08%	3.61%	3.96%	4.25%	6.390
Recreation (SA)	0.27%	0.90%	-0.23%	-0.15%	0.26%	0.56%	0.83%	N/A	5.741
Education and communication (SA)	0.16%	0.80%	0.60%	1.25%	2.41%	2.48%	2.32%	N/A	6.301
Other goods and services (SA)	0.13%	1.87%	0.54%	1.97%	4.29%	3.87%	3.35%	4.28%	3.386
Special indexes									
All items less food (SA)	0.55%	5.76%	3.84%	2.13%	1.37%	2.12%	2.30%	2.53%	85.371
All items less energy (SA)	0.25%	2.23%	1.51%	1.29%	1.55%	2.00%	2.04%	2.38%	92.373
All items less food and energy (SA)	0.20%	1.76%	1.13%	1.11%	1.41%	1.85%	1.92%	2.35%	77.746
Energy (SA)	3.35%	45.09%	29.42%	10.84%	1.18%	4.44%	5.88%	4.19%	7.624
Energy commodities (SA)	4.79%	80.55%	54.92%	18.84%	1.68%	7.39%	8.38%	5.41%	3.465
Median CPI	0.20%	2.02%	1.61%	1.11%	1.58%	2.28%	2.48%	2.73%	100.000

Data Sources: Bureau of Labor Statistics (<http://stats.bls.gov/datahome.htm>)

Federal Reserve Bank of Cleveland (<http://www.clev.frb.org/Research/index.htm#cp>)

NSA = Not seasonally adjusted

SA = Seasonally adjusted

	12 Months through February 2011	10 Year High ¹	Date	10 Year Low ¹	Date
Consumer Price Index					
All Urban Consumers					
All Items (NSA)	2.11%	5.60%	Jul 2008	-2.10%	Jul 2009
All Items (SA)	2.16%	5.36%	Aug 2008	-2.15%	Jul 2009
Food and beverages (SA)	2.24%	6.13%	Oct 2008	-0.47%	Nov 2009
Housing (SA)	0.64%	4.63%	May 2001	-0.76%	Jul 2009
Owners' Equivalent Rent (SA)	0.61%	4.59%	Feb 2002	-0.33%	May 2010
Rent of Primary Residence (NSA)	1.13%	4.69%	Dec 2001	-0.06%	May 2010
Apparel-SA	-0.36%	2.46%	Feb 2007	-3.99%	Apr 2003
Transportation (SA)	7.29%	14.22%	Jan 2010	-14.42%	Jul 2009
Medical care (SA)	2.84%	5.15%	Dec 2007	2.52%	Jan 2009
Recreation (SA)	-0.15%	2.42%	Aug 2008	-1.36%	Sep 2010
Education and communication (SA)	1.25%	3.68%	Jul 2008	1.01%	Aug 2003
Other goods and services (SA)	1.97%	8.05%	Dec 2009	0.98%	Sep 2003
Special indexes					
All items less food (SA)	2.13%	5.26%	Jul 2008	-2.62%	Jul 2009
All items less energy (SA)	1.29%	3.11%	Aug 2008	0.74%	Oct 2010
All items less food and energy (SA)	1.11%	2.93%	Sep 2006	0.61%	Oct 2010
Energy (SA)	10.84%	34.25%	Sep 2005	-29.45%	Jul 2009
Energy commodities (SA)	18.84%	52.47%	Sep 2005	-40.79%	Dec 2008
Median CPI	1.11%	4.01%	Nov 2001	0.30%	May 2010

Data Sources: Bureau of Labor Statistics (<http://stats.bls.gov/datahome.htm>)

Federal Reserve Bank of Cleveland (<http://www.clev.frb.org/Research/index.htm#cp>)

NSA = Not seasonally adjusted

SA = Seasonally adjusted

¹ Education and communication Index started January 1994

¹ Recreation Index started January 1994

Personal Consumption Expenditures

Annualized through January 2011								
	Jan 2011	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	20 Years
Personal Consumption Expenditures								
PCE								
All Items (SA)	0.29%	2.61%	2.18%	1.22%	1.36%	1.97%	1.02%	1.54%
Core PCE - Less Food and Energy	0.12%	0.97%	0.66%	0.81%	1.41%	1.82%	0.92%	1.51%
Durable Goods								
All (SA)	0.05%	-2.18%	-1.66%	-1.88%	-1.58%	-1.63%	-0.83%	-0.71%
Motor Vehicles and Parts (SA)	0.00%	0.35%	0.04%	1.43%	1.25%	0.59%	0.27%	1.03%
Furniture and Household Equipment	0.52%	-2.62%	-2.30%	-3.76%	-2.03%	-1.57%	-0.52%	-2.14%
Other (SA)	0.30%	4.29%	2.90%	2.65%	4.51%	3.85%	1.90%	1.06%
Nondurable Goods								
All (SA)	1.11%	9.67%	7.96%	2.68%	1.55%	2.54%	1.39%	1.47%
Food (SA)	0.66%	3.16%	2.43%	1.72%	2.08%	2.61%	1.28%	1.65%
Clothing and Shoes (SA)	1.11%	3.94%	-0.67%	-0.65%	-0.19%	-0.16%	-0.10%	-0.53%
Gasoline, Fuel Oil, and Other Energy	3.97%	53.79%	50.90%	11.79%	0.04%	5.51%	3.58%	2.66%
Other (SA)	0.24%	1.94%	1.39%	1.04%	2.67%	2.29%	1.14%	1.69%
Services								
All (SA)	0.05%	1.06%	0.90%	1.22%	1.76%	2.40%	1.21%	2.07%
Housing (SA)	0.03%	0.94%	0.70%	0.54%	1.22%	2.07%	1.12%	2.03%
Household Operation (SA)	0.01%	0.83%	0.77%	1.13%	1.84%	2.49%	0.95%	1.41%
Transportation (SA)	0.52%	4.74%	1.71%	1.92%	3.00%	3.02%	1.66%	2.25%
Medical care (SA)	-0.34%	-0.51%	0.97%	1.60%	2.32%	2.74%	1.29%	2.42%
Recreation (SA)	-0.50%	-9.07%	-6.69%	-5.90%	-5.74%	-5.71%	-3.41%	-0.26%
Other (SA)	0.31%	1.81%	1.41%	2.09%	2.71%	2.95%	1.60%	2.17%

Data Sources: Bureau of Labor Statistics (<http://stats.bls.gov/datahome.htm>)

Federal Reserve Bank of Cleveland (<http://www.clev.frb.org/Research/index.htm#cp1>)

NSA = Not seasonally adjusted

SA = Seasonally adjusted

	12 Months through January 2011	10 Year High ¹	Date	10 Year Low ¹	Date
Personal Consumption Expenditures					
PCE					
All Items (SA)	1.22%	4.51%	Jul 2008	-0.79%	Jul 2009
Core PCE - Less Food and Energy (SA)	0.81%	2.63%	Jul 2008	0.77%	Jul 2009
Durable Goods					
All (SA)	-1.88%	-0.56%	Dec 2004	-4.19%	Oct 2003
Motor Vehicles and Parts (SA)	1.43%	6.03%	Feb 2010	-4.04%	Oct 2003
Furniture and Household Equipment (SA)	-3.76%	1.22%	Apr 2009	-5.16%	Jun 2010
Other (SA)	2.65%	7.06%	Apr 2008	-3.08%	Jan 2003
Non-Durable Goods					
All (SA)	2.68%	9.24%	Jul 2008	-5.14%	Jul 2009
Food (SA)	1.72%	7.03%	Oct 2008	-1.64%	Nov 2009
Clothing and Shoes (SA)	-0.65%	2.05%	Dec 2009	-4.08%	Jan 2002
Gasoline, Fuel Oil, and Other Energy (SA)	11.79%	54.14%	Sep 2005	-39.52%	Dec 2008
Other (SA)	1.04%	5.07%	Jul 2009	-0.26%	Jun 2003
Services					
All (SA)	1.22%	3.88%	Jul 2008	0.96%	Sep 2009
Housing (SA)	0.54%	5.16%	May 2001	0.00%	Feb 2010
Household Operation (SA)	1.13%	3.99%	Jul 2008	1.13%	Jan 2011
Transportation (SA)	1.92%	6.85%	Sep 2008	-1.03%	Oct 2001
Medical care (SA)	1.92%	4.25%	Feb 2004	1.60%	Jan 2011
Recreation (SA)	1.60%	-3.60%	Nov 2008	-7.59%	Sep 2001
Other (SA)	-5.90%	4.83%	Jul 2008	1.65%	Jul 2009

Data Sources: Bureau of Labor Statistics (<http://stats.bls.gov/datahome.htm>)

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NSA = Not seasonally adjusted

SA = Seasonally adjusted

¹ Education and communication Index started January 1994

¹ Recreation Index started January 1994

Producer Price Index

	Annualized through February 2011								Index Weights as of 12/31/2007
	Feb 2011	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years	20 Years	
Producer Price Index									
Commodities									
All (NSA)	1.72%	16.94%	12.28%	8.07%	2.34%	3.86%	3.59%	2.59%	100.000
Industrial (NSA)	1.24%	14.19%	9.97%	6.87%	2.07%	3.43%	3.45%	2.61%	85.907
Farm Products (NSA)	9.31%	84.35%	62.20%	32.82%	4.76%	11.05%	6.20%	2.89%	14.093
Finished Goods									
All (SA)	1.62%	13.81%	10.03%	5.78%	2.78%	3.50%	2.88%	2.21%	100.000
All Less Energy (SA)	1.12%	7.93%	4.95%	3.03%	2.55%	2.80%	2.07%	1.70%	78.252
Finished consumer goods (SA)	2.14%	18.14%	13.47%	7.03%	3.23%	4.16%	3.44%	2.58%	78.317
Capital equipment (SA)	0.13%	2.31%	0.38%	0.76%	1.45%	1.64%	1.29%	1.16%	21.683
Intermediate Goods									
All (SA)	1.99%	17.27%	14.07%	7.81%	2.48%	3.84%	3.98%	2.63%	100.000
Manufacturing (SA)	0.12%	2.78%	1.13%	1.19%	-1.74%	1.18%	2.26%	1.50%	41.976
Construction (SA)	0.48%	5.13%	2.93%	2.75%	2.28%	2.49%	3.38%	2.66%	13.391
Processed fuels and lubricants (SA)	4.17%	39.03%	34.70%	14.46%	1.70%	4.92%	6.32%	4.27%	22.234
Containers (SA)	0.34%	-2.70%	-1.74%	3.40%	3.17%	3.56%	2.90%	2.31%	2.933
Supplies (SA)	0.72%	7.41%	7.11%	4.45%	2.48%	3.04%	2.68%	2.02%	19.466
Crude materials									
All (SA)	3.36%	67.50%	47.32%	22.02%	0.92%	6.58%	5.93%	4.52%	100.000
Foodstuffs and feedstuffs (SA)	6.74%	57.91%	49.01%	29.13%	3.71%	9.52%	5.77%	2.77%	32.604
Nonfood except fuel (SA)	-0.43%	55.76%	77.47%	35.69%	5.89%	12.91%	12.15%	6.42%	40.991
Fuel (SA)	6.41%	135.56%	-6.53%	-13.20%	-12.60%	-6.77%	-1.35%	4.05%	26.405

Data Sources: Bureau of Labor Statistics (<http://stats.bls.gov/datahome.htm>)

Federal Reserve Bank of Cleveland (<http://www.clev.frb.org/Research/index.htm#cpi>)

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SA = Seasonally adjusted

	12 Months through February 2011	10 Year High ¹	Date	10 Year Low ¹	Date
Producer Price Index					
Commodities					
All (NSA)	8.07%	17.42%	Jul 2008	-16.10%	Jul 2009
Industrial (NSA)	6.87%	17.82%	Jul 2008	-16.60%	Jul 2009
Farm Products (NSA)	32.82%	32.82%	Feb 2011	-24.50%	Jul 2009
Finished Goods					
All (SA)	5.78%	9.79%	Jul 2008	-6.63%	Jul 2009
All Less Energy (SA)	3.03%	5.22%	Aug 2008	-0.94%	Sep 2002
Finished consumer goods (SA)	7.03%	11.75%	Aug 2008	-9.02%	Jul 2009
Capital equipment (SA)	0.76%	4.17%	Jan 2009	-1.00%	Aug 2002
Intermediate Goods					
All (SA)	7.81%	16.81%	Jul 2008	-15.14%	Jul 2009
Manufacturing (SA)	1.19%	15.54%	Aug 2008	-15.41%	Aug 2009
Construction (SA)	2.75%	13.82%	Sep 2008	-8.09%	Sep 2009
Processed fuels and lubricants (SA)	14.46%	37.59%	Oct 2005	-35.44%	Jul 2009
Containers (SA)	3.40%	9.33%	Sep 2008	-3.27%	Nov 2009
Supplies (SA)	4.45%	10.37%	Aug 2008	-4.14%	Aug 2009
Crude materials					
All (SA)	22.02%	48.61%	Jul 2008	-45.02%	Jul 2009
Foodstuffs and feedstuffs (SA)	29.13%	31.79%	May 2007	-25.68%	Jul 2009
Nonfood except fuel (SA)	35.69%	68.93%	Jan 2010	-47.84%	Apr 2009
Fuel (SA)	-13.20%	177.30%	Mar 2003	-67.56%	Jan 2002

Data Sources: Bureau of Labor Statistics (<http://stats.bls.gov/datahome.htm>)

Federal Reserve Bank of Cleveland (<http://www.clev.frb.org/Research/index.htm#cpi>)

NSA = Not seasonally adjusted

SA = Seasonally adjusted

¹ Education and communication Index started January 1994

¹ Recreation Index started January 1994

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