

Macro Roundup Article

Headline: [It's All About Shelter](#)

Article Link: <https://gregmankiw.blogspot.com/2024/04/its-all-about-shelter.html>

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Tweet: Greg Mankiw argues that CPI inflation is temporarily elevated because the housing component lags actual rents, which have now stabilized. He believes that CPI Y/Y in early 2025 will be < 2.5%.

Summary: PPI for final demand tracks the CPI less shelter very closely. By both measures, inflation is now very much under control. The problem is that the CPI for shelter is up 5.6%, so the overall CPI looks quite hot. Some would argue that leaving out shelter is misleading because shelter is such a large fraction of the typical household budget. On the other hand, the CPI for shelter is well known to be a lagging indicator of rents by virtue of how it is constructed, and other more current series show no recent inflation in rents. This latter argument puts me in the optimistic camp on inflation. By the way, I recently made a bet with my friend Larry Ball that overall CPI from February 2024 to February 2025 will be less than 2.5%. I am writing the bet here as a sort of contract. We will check back next year. The bet is for \$5. That is in nominal terms. So, in real terms, I get more if I win than Larry gets if he wins.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Housing, Inflation, Op-Ed/Blog Post, Weekly

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