Exh. MM-5
Docket TP-220513
Witness: Michael Moore

BEFORE THE STATE OF WASHINGTON

UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. PUGET SOUND PILOTS, Respondent.	Docket No. TP-220513

EXHIBIT TO TESTIMONY OF

Captain Michael Moore

ON BEHALF OF

PACIFIC MERCHANT SHIPPING ASSOCIATION

Kiplinger's Inflation Outlook 2023

FEBRUARY 10, 2023

Kiplinger's Inflation Outlook: Goods Prices Continue to Ease, Rent Costs Accelerate

We expect the declining overall inflation trend to continue through 2023.

(Image credit: iStockphoto)

BY DAVID PAYNE
LAST UPDATED 12 JANUARY 2023

Kiplinger's Economic Outlooks are written by the staff of our weekly Kiplinger Letter *and are unavailable elsewhere. Click here for a free issue of* The Kiplinger Letter *or for more information.*

Annual inflation fell to 6.5% in December, the sixth consecutive month of decline. The slowing economy is likely to bring the yearly rate down to 3.2% by the end of 2023. However, this will still be higher than the Federal Reserve's target of 2-2.5%, so the Fed will not be cutting short-term interest rates this year.

Used car prices declined for the sixth month in a row, and are now 8.8% below the level of a year ago. New vehicle prices declined for the first time in almost two years. Food price growth eased for the third month, bringing some hope that the strong food price inflation of the past year may finally be running out of steam. Gasoline prices fell 9.4% in December, and are below their level of a year ago. Goods prices excluding food and energy declined for the third month in a row, posting a yearly inflation rate of only 2.1%.

But services price inflation is still strong. Rent increases picked up to a 7.6% yearly rate, though we expect that they will slow down eventually. (Rent increases will remain strong in the index for a while because of the length of time it takes for leases to come up for renewal.) Price increases for other services have not slowed down yet. Price changes in the services sector tend to lag behind the goods sector, so it is likely that services price inflation will ease if the economy slows as we expect.

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The Federal Reserve will likely see this report as justification to dial back its next short-term interest rate hike to 0.25 percentage points at its next policy meeting on Feb. 1, instead of the 0.50 percentage-point increase it made at its last meeting. The easing in broader underlying components of the inflation rate is what the Fed is looking for, not just decreases in gasoline prices. The Fed knows that rent and housing cost increases will slow down this year, but it is still worried about inflationary momentum in the economy due to wage increases. Pay raises are slowing, but they are still high. That could generate further rounds of price increases as businesses try to maintain their profit margins by passing wage costs along to customers.

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David Payne
Staff Economist, The Kiplinger Letter
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David is both staff economist and reporter for The Kiplinger Letter, overseeing Kiplinger forecasts for the U.S. and world economies. Previously, he was senior principal economist in the Center for Forecasting and Modeling at IHS/GlobalInsight, and an economist in the Chief Economist's Office of the U.S. Department of Commerce. David has co-written weekly reports on economic conditions since 1992, and has forecasted GDP and its components since 1995, beating the Blue Chip Indicators forecasts two-thirds of the time. David is a Certified Business Economist as recognized by the National Association for Business Economics. He has two master's degrees and is ABD in economics from the University of North Carolina at Chapel Hill.

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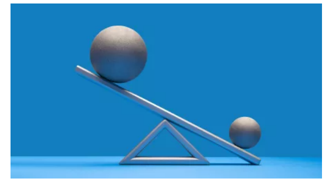

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