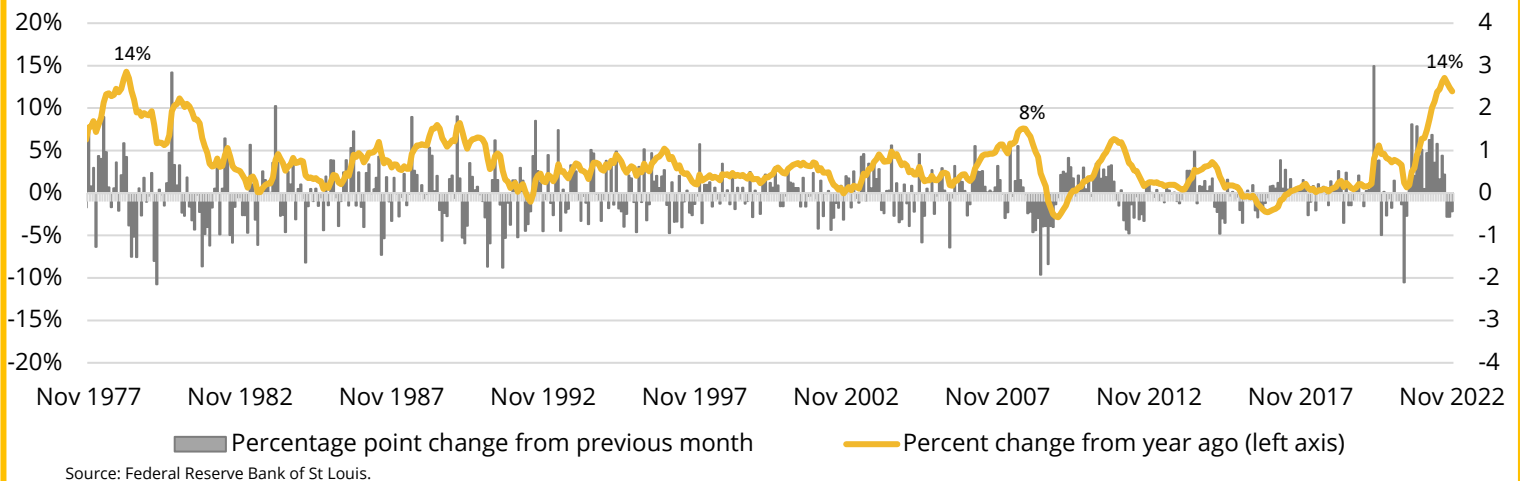




## Food at Home Price Index Declining But Prices Likely Remain Above Pre-Pandemic Levels in 2023

The recent record increase in food at home (FAH) consumer price index (CPI) may feel like déjà vu from more than 40 years ago (Figure 1). In February 1979, the year-over-year (YOY) percent change in FAH CPI reached a peak of 14.3% and declined to 6% a year later. Another recent bump occurred in September 2008, when the YOY percent change reached 7.6%. After decreasing at an average monthly rate of 0.84 percentage point for 12 consecutive months, the FAH CPI was 2% below its level from the previous year.

**Figure 1. Monthly Change in Food at Home Consumer Price Index (FAH CPI)**



Much can be observed from changes in the FAH CPI and implications on food prices. As seen above, the month-to-month percentage-point change is likely to stay within the [-1,1] band. Spikes are sporadic, indicating that food prices tend to be less volatile than commodity prices. Months with a declining rate of change in the index see a maximum of 2.15 percentage points, while months experiencing an increasing rate of change see a maximum of 2.99 percentage points, implying that food price increases are likely more intense and once prices go up, it is harder for them to go down.

Based on historical observations, we examine four scenarios for FAH CPI annual change in 2023 using different monthly rates of decline:

- **Scenario 1** takes the 1977-2022 rate of -0.49 percentage point by averaging across months with decreasing rates.
- **Scenario 2** takes the October 2008-September 2009 average rate of -0.84 percentage point.
- **Scenario 3** assumes more drastic hypothetical rate of -1 percentage point.
- **Scenario 4** assumes that FAH CPI in this month would remain the same to November, which was 299.

We then calculate the 12-month percent change for each month of 2023 and compute the annual change for each scenario (Figure 2). Our analysis shows that even if FAH CPI increases by only 4% in 2023, prices remain 24% higher than 2019 in aggregate, implying that it will take time for food prices to return to pre-pandemic levels.

**Figure 2. Food At Home CPI Annual Change**

