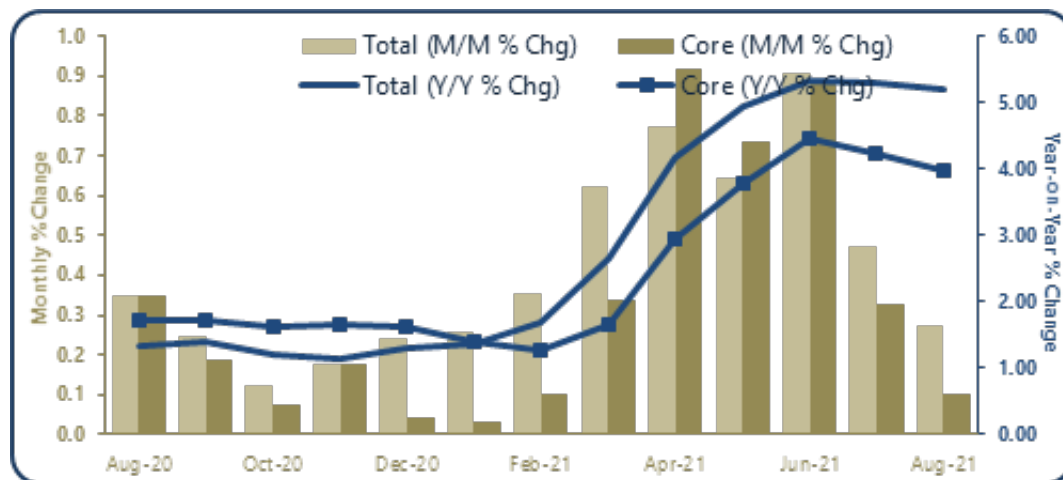


14.Sep.2021

CPI: Cooler But Not a Trend-Changer

Bottom Line: Core CPI came in a touch lower than expected for the second month in a row in August. Public transportation prices, led by a drop in airfares, fell sharply. Vehicle prices, a source of significant upside over much of late 2020 and early 2021, were mixed with used car prices lower but new car prices higher due to continued slow production amid semiconductor shortages. Housing accounts for 40% of total CPI and just over half of Core CPI, with Owner's equivalent rent (OER) dominating the category. And OER was a touch cooler in August at 0.25%. That said, the trend in OER is still accelerating moderately -- 3.5% annualized in the last 3 months vs. 3.3% and 2.6% in the last 6- and 12-months, respectively. Based on historical time lags, most of the impact from higher single-family home prices won't be felt until early 2022 CPI readings.

Overall, while this is good news for the "transitory" story suggesting most of the inflation pressures over the last year would prove one-off, this report does little to change the likely trajectory of Fed policy. Looking through the volatility of pandemic-related categories, there are plenty of indications that core CPI components will continue to run above the Fed's 2% target.



The CPI ROSE by 0.27% in August, compared with market expectations for an increase of 0.40%.

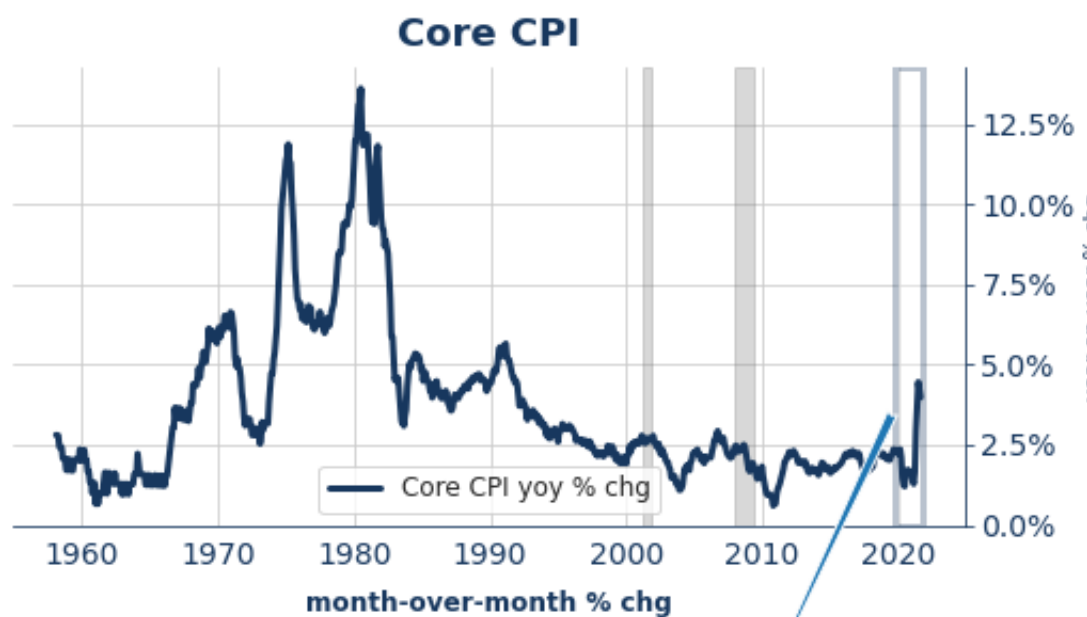
- Food prices increased by 0.40% while energy prices rose by 2.0%.
- Prices for gasoline rose by 2.8% while prices for fuel oil increased by 0.5%, prices for electricity climbed by 1.0%, and prices for natural gas rose by 1.6%.
- Energy prices are now 24.9% ABOVE their year-ago level.

Overall consumer prices are now 5.2% ABOVE their year-ago level; in August 2020, consumer prices were 1.3% ABOVE their year-ago level.

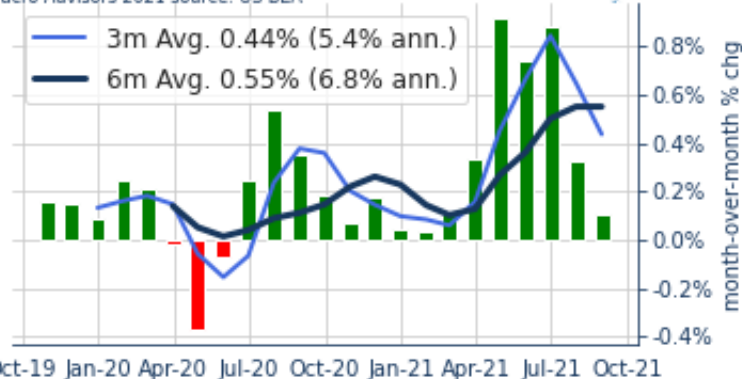
The Core CPI ROSE by 0.10%, compared with market expectations for an increase of 0.30%.

- Prices for commodities excluding food and energy commodities rose by 0.3%.
- Gains in new vehicles (+1.2%), apparel (+0.4%), were offset by declines in used cars & trucks (-1.5%), medical care (-0.2%).
- Prices for services excluding energy services fell 0.0% with a modest decrease in medical care services (+0.3%), owner's equivalent rent (+0.3%), and shelter (+0.2%).

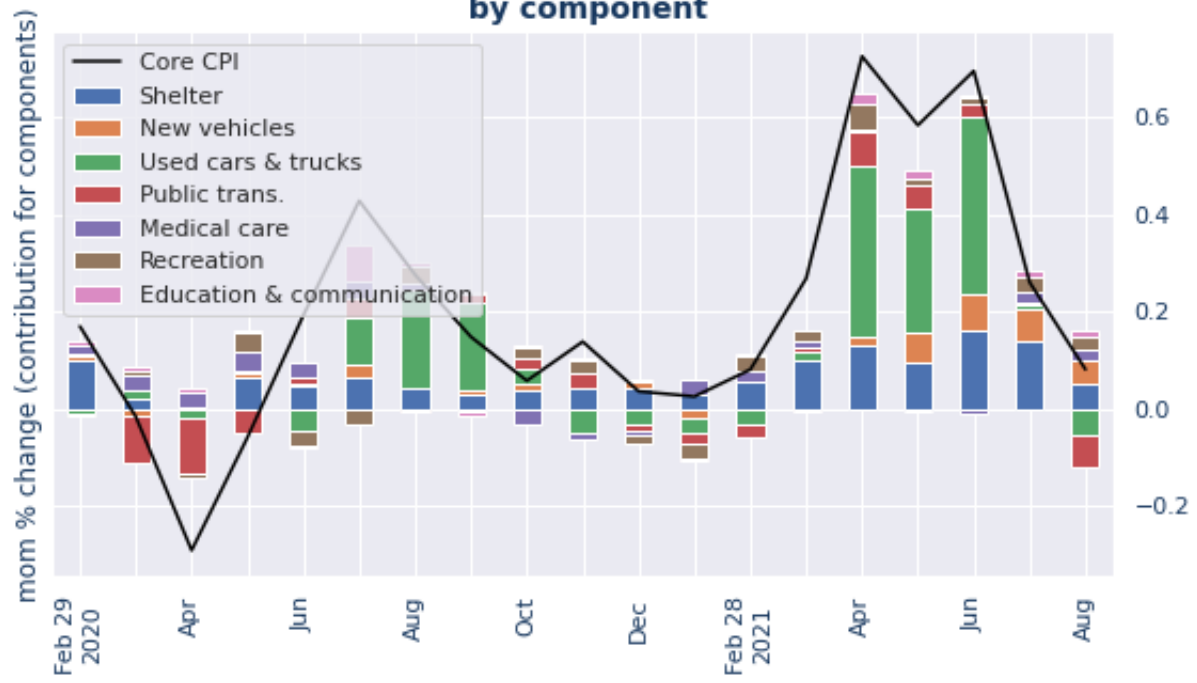
Core consumer prices are now 4.0% ABOVE their year-ago level; in August 2020, consumer prices were 1.7% ABOVE their year-ago level.



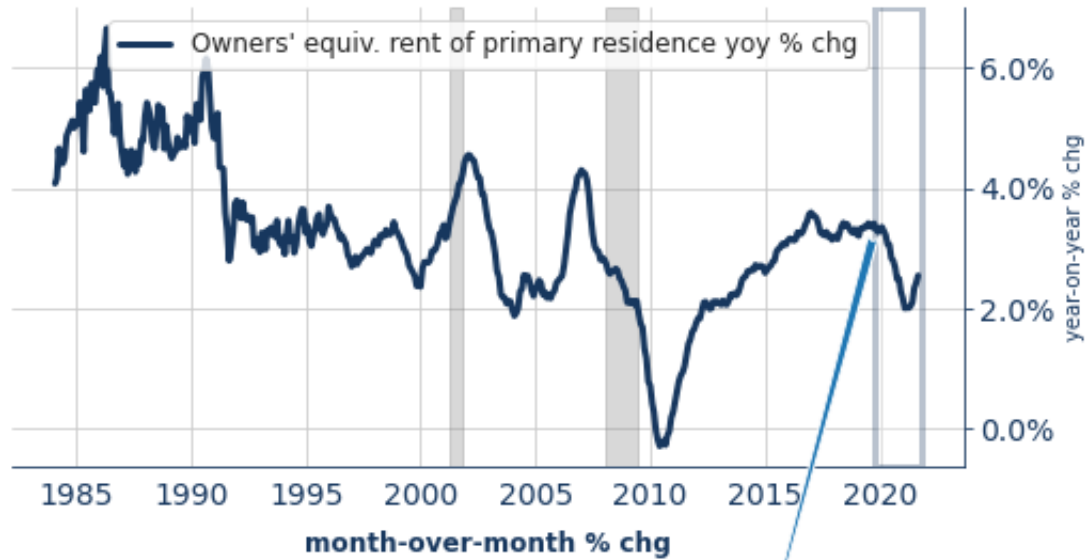
Contingent Macro Advisors 2021 source: US BEA



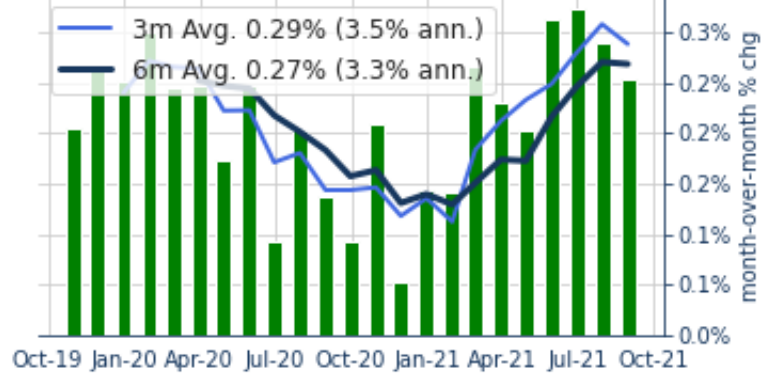
Monthly CPI by component



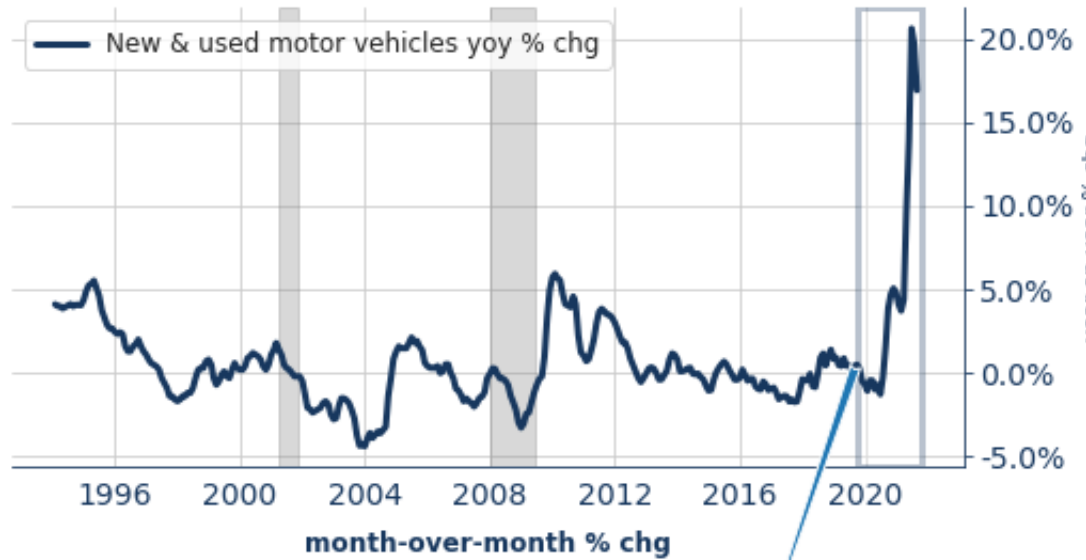
Owners' equiv. rent of primary residence



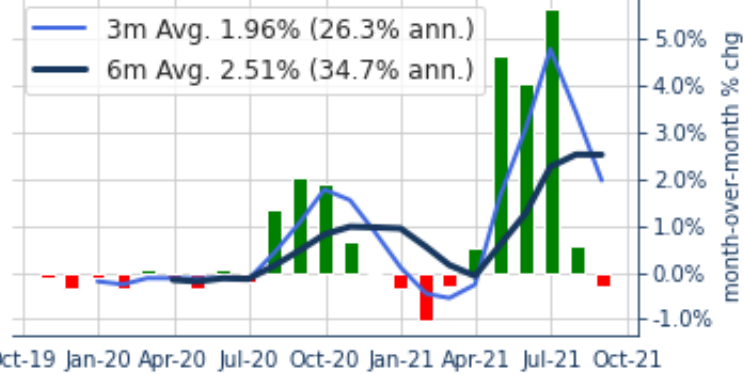
Contingent Macro Advisors 2021 source: US BEA



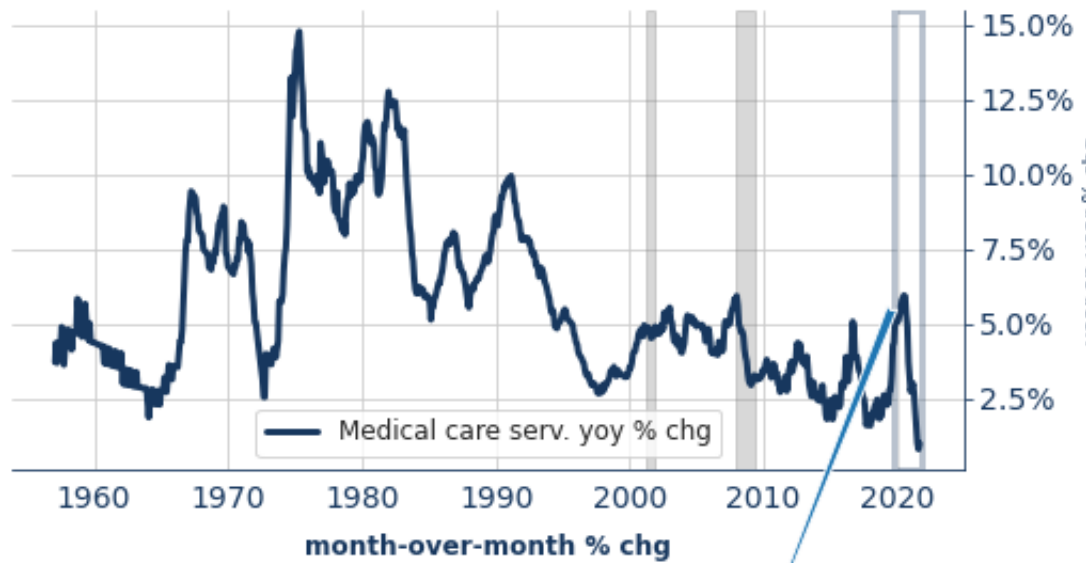
New & used motor vehicles



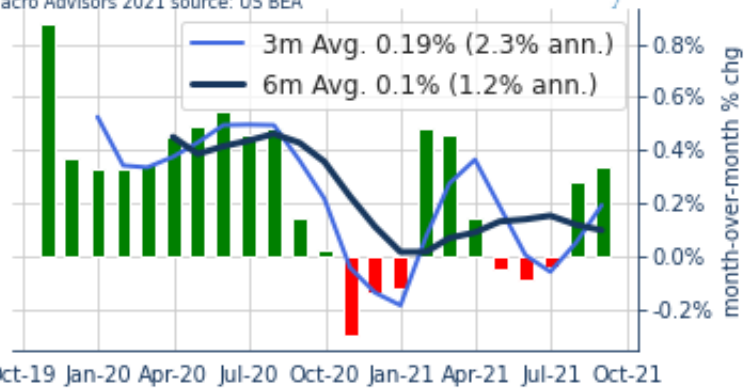
Contingent Macro Advisors 2021 source: US BEA



Medical care serv.



Contingent Macro Advisors 2021 source: US BEA



US Consumer Price Inflation	Aug-21	Jul-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
CPI All Items	0.27%	0.47%	6.81%	7.63%	5.20%	1.30%	2.26%	2.50%
Core CPI (79.0%)	0.10%	0.33%	5.36%	6.80%	3.98%	1.61%	2.22%	2.35%
Motor fuel (3.8%)	2.76%	2.41%	35.61%	33.17%	42.54%	-15.29%	7.65%	6.12%
Energy serv. (3.2%)	1.13%	0.79%	8.68%	10.01%	8.65%	2.47%	-1.33%	2.21%
Food & bev. (13.8%)	0.39%	0.69%	7.61%	5.68%	3.65%	3.86%	1.74%	2.48%
Shelter (32.6%)	0.16%	0.43%	4.41%	4.23%	2.82%	1.84%	3.24%	2.92%
Medical care (8.6%)	0.25%	0.26%	1.64%	1.05%	0.37%	1.77%	4.55%	2.35%
New vehicles	1.22%	1.72%	21.52%	14.89%	7.63%	1.93%	0.06%	1.57%

(3.7%)								
Used cars & trucks (3.5%)	-1.54%	0.22%	41.31%	67.52%	31.90%	10.05%	-0.69%	7.91%
Public trans. (1.2%)	-5.46%	0.36%	-11.05%	15.81%	8.37%	-11.96%	0.95%	-2.20%
Education & communication (6.6%)	0.20%	0.19%	1.93%	1.95%	1.20%	1.97%	1.37%	0.58%
Recreation (5.7%)	0.48%	0.55%	5.00%	5.75%	3.41%	0.92%	1.47%	1.59%
Apparel (2.7%)	0.37%	0.04%	4.54%	4.84%	4.20%	-4.10%	-1.24%	-0.64%
Other goods & serv. (3.1%)	0.41%	0.71%	5.20%	3.94%	3.50%	2.40%	2.33%	2.43%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US CPI - Energy	Aug-21	Jul-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Fuels & utilities	0.90%	0.70%	8.01%	8.49%	7.97%	2.13%	-0.39%	2.56%
Household energy (3.4%)	1.10%	0.78%	9.09%	10.29%	9.50%	1.67%	-1.18%	2.33%
Motor fuel (3.8%)	2.76%	2.41%	35.61%	33.17%	42.54%	-15.29%	7.65%	6.12%
Fuel oil & other fuels (0.2%)	0.52%	0.58%	17.23%	15.79%	28.64%	-13.58%	1.82%	4.83%
Electricity (2.5%)	0.97%	0.35%	4.20%	5.32%	5.24%	2.01%	-0.68%	1.57%
Utility (piped) gas service (0.7%)	1.64%	2.21%	24.62%	27.18%	21.10%	4.05%	-3.56%	4.53%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US CPI - Housing Related	Aug-21	Jul-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Shelter (32.6% total CPI)	0.16%	0.43%	4.41%	4.23%	2.82%	1.84%	3.24%	2.92%
Rent of primary residence (7.6%)	0.31%	0.16%	2.85%	2.62%	2.12%	2.29%	3.71%	3.14%
Lodging								

away from home (1.0%)	-2.92%	6.01%	46.74%	52.56%	17.35%	-9.66%	-0.44%	1.51%
Owners' equiv. rent of residences (23.6%)	0.25%	0.29%	3.52%	3.28%	2.55%	2.17%	3.28%	2.94%
Household energy (3.4%)	1.10%	0.78%	9.09%	10.29%	9.50%	1.67%	-1.18%	2.33%
Household furnishings & operations (3.7%)	1.26%	0.01%	4.61%	7.72%	4.02%	3.16%	0.99%	1.84%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes.

US CPI - Transportation	Aug-21	Jul-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
Transportation	-0.11%	0.65%	17.78%	25.48%	17.57%	-2.55%	1.89%	3.70%
Private trans.	0.30%	0.67%	20.27%	26.22%	18.29%	-1.74%	1.96%	4.24%
Public trans.	-5.46%	0.36%	-11.05%	15.81%	8.37%	-11.96%	0.95%	-2.20%
New vehicles	1.22%	1.72%	21.52%	14.89%	7.63%	1.93%	0.06%	1.57%
Used cars & trucks	-1.54%	0.22%	41.31%	67.52%	31.90%	10.05%	-0.69%	7.91%
Motor vehicle maintenance & repair	0.78%	0.90%	8.32%	5.78%	4.21%	3.43%	3.42%	3.06%
Airline fare	-9.11%	-0.14%	-24.43%	21.83%	6.71%	-18.26%	1.60%	-4.22%

Month-over-month % change for most recent months, followed by annualized % changes for periods noted. 5- and 10-year are simple averages of annual % changes. NOTE - Transportation and Private Trans. includes fuel as well as services like vehicle insurance and licensing fees.