

12.Jan.2022

### **CPI: Still Running Hot, Headline Hits 7%**

**Bottom Line:** CPI rose slightly more than expected in December as the headline year-on-year figure hit 7% and core rose to 5.5%.

Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, accelerated as expected, up 0.40% on the month. OER historically lags home price moves by over a year, and the acceleration should last through the 2nd Quarter. It rose 5.2% annualized in the three months ended in November vs. 3.8% over the last 12 months and just 2.2% in 2020. And there is scope for one more month of further acceleration given the historical relationship.

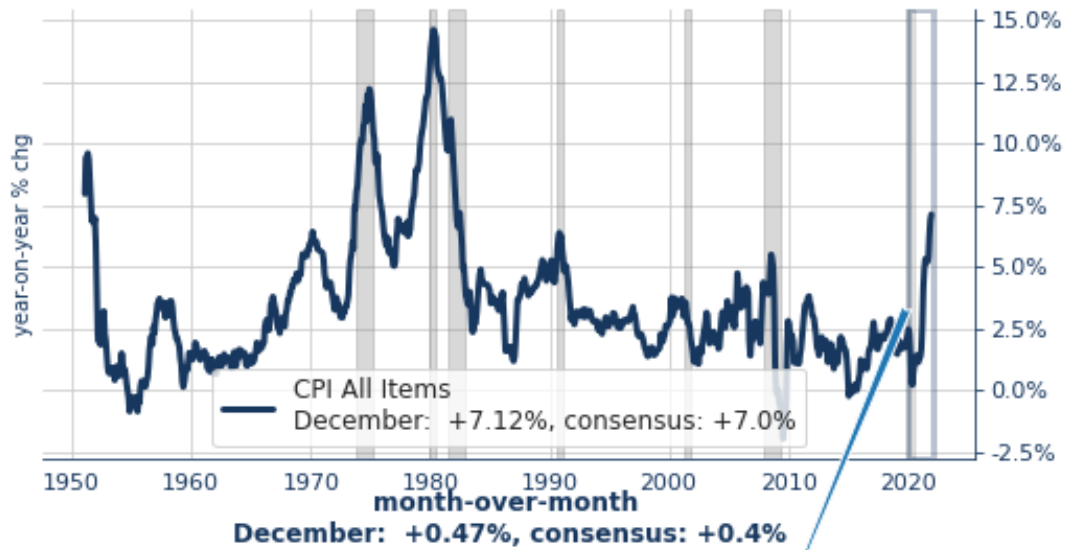
Key categories that have risen sharply since the pandemic were higher again. Used car and truck prices were up sharply, 3.5% on the month. Apparel prices were also higher with fewer deals given supply constraints.

Prices related to medical care, historically the second-most important category after OER, continued to rise only modestly, as we've seen throughout much of the pandemic.

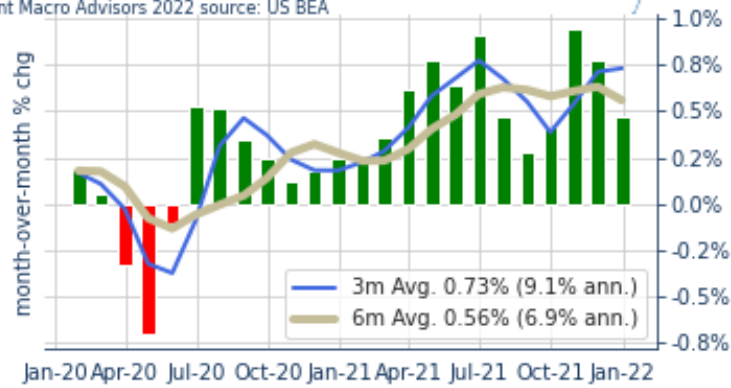
**Overall, core inflation pressures remain significant. While there is scope for the pandemic-related categories to offset some of the acceleration in OER in the coming months, there are few signs of that so far, and core inflation pressures will remain significant throughout the 1st Half.**

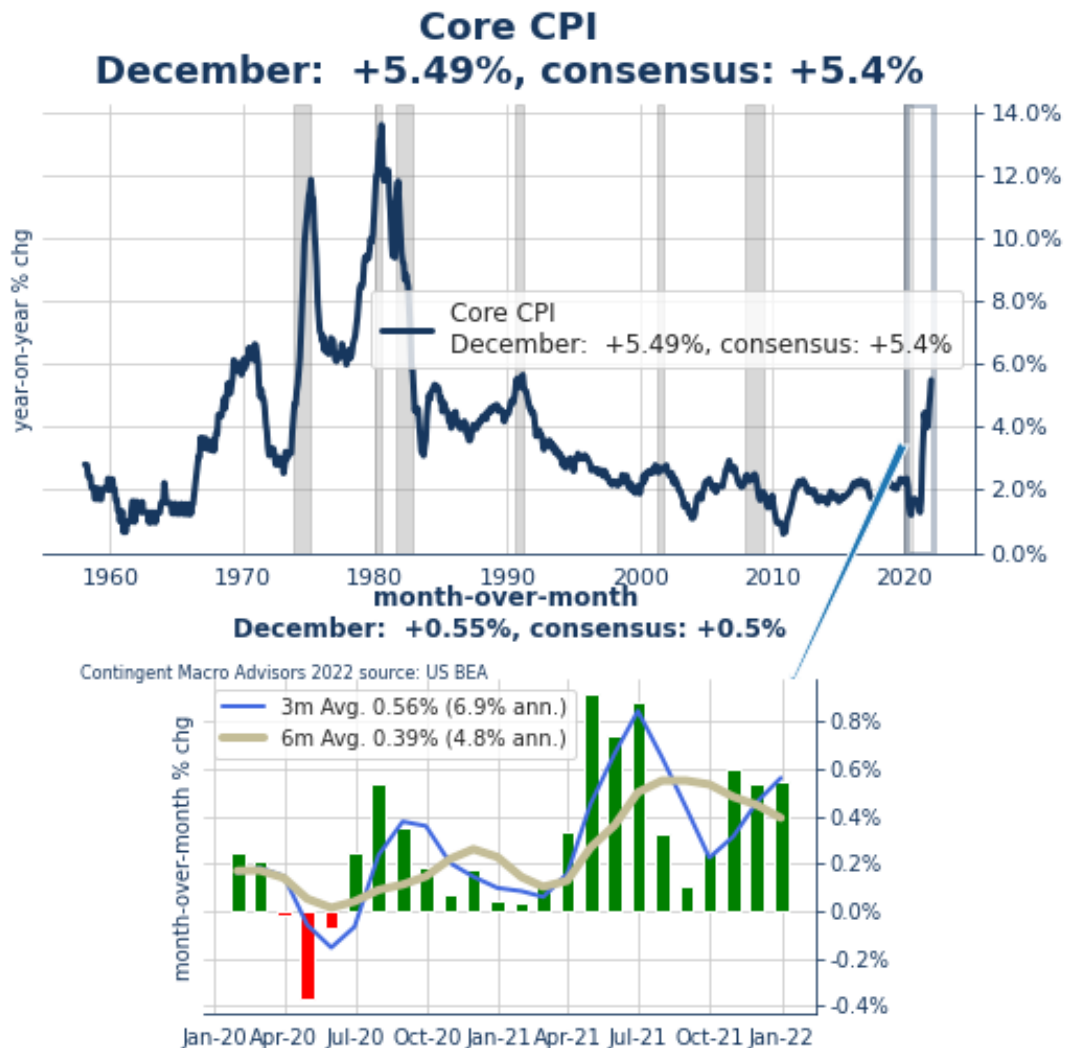
## CPI All Items

**December: +7.12%, consensus: +7.0%**



Contingent Macro Advisors 2022 source: US BEA



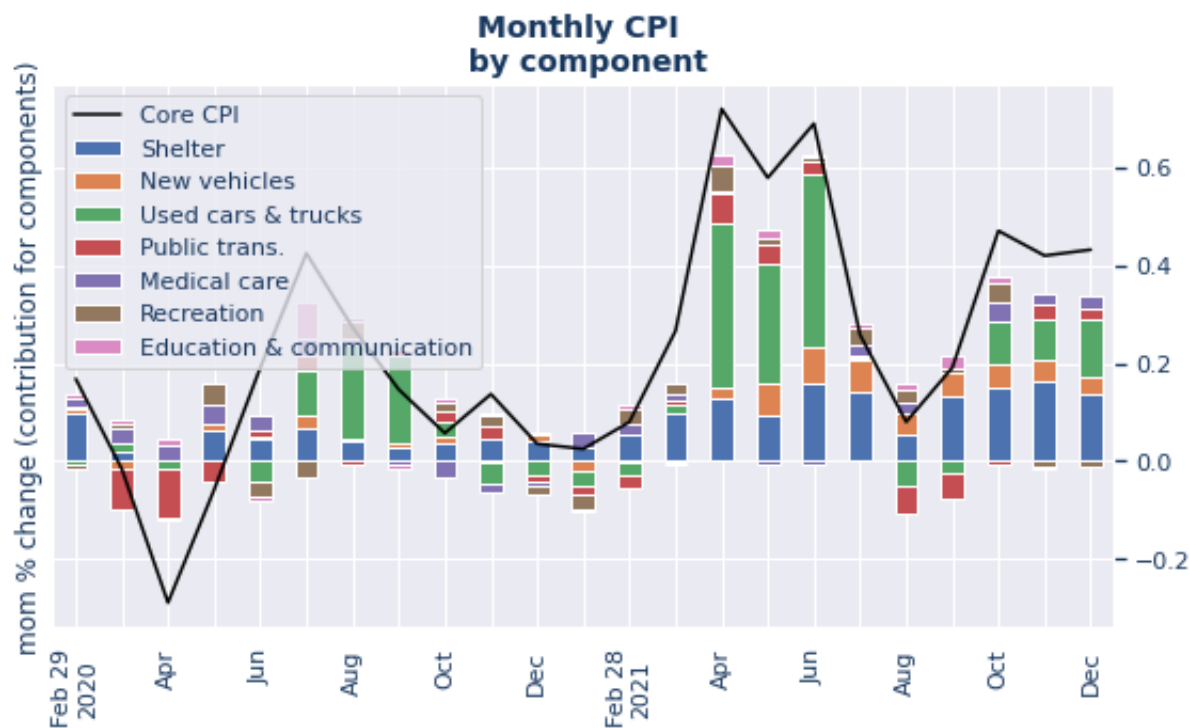


**The CPI ROSE** by 0.47% in December, compared with market expectations for an increase of 0.40%.

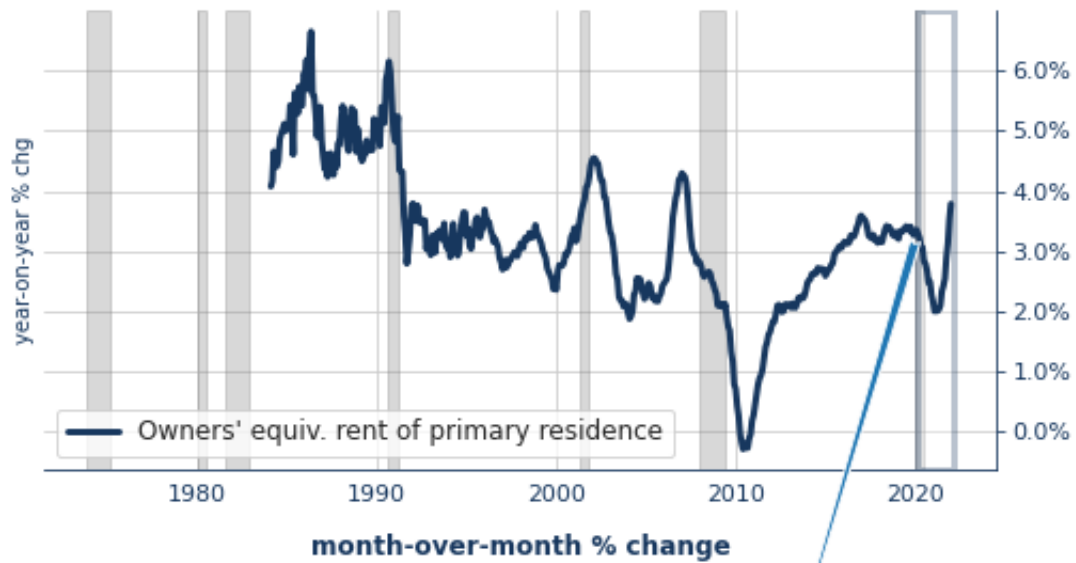
- Food prices increased by 0.50% while energy prices fell by 0.4%.
- Prices for gasoline fell by 0.5% while prices for fuel oil declined by 3.4%, prices for electricity climbed by 0.3%, but prices for natural gas fell by 1.2%.
- Energy prices are now 29.6% ABOVE their year-ago level.
- **Overall consumer prices are now 7.1% ABOVE their year-ago level; in December 2020, consumer prices were 1.3% ABOVE their year-ago level.**

**The Core CPI ROSE** by 0.55%, compared with market expectations for an increase of 0.50%.

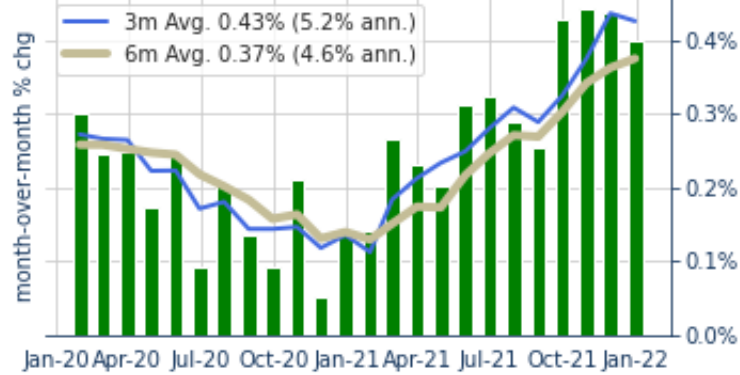
- Prices for commodities excluding food and energy commodities rose by 1.2%. Gains in used cars & trucks (+3.5%) and apparel (+1.7%) led the increase.
- Prices for services excluding energy services rose 0.3% with a moderate increase in shelter (+0.4%), owner's equivalent rent (+0.4%), and medical care services (+0.3%).
- **Core consumer prices are now 5.5% ABOVE their year-ago level; in December 2020, consumer prices were 1.6% ABOVE their year-ago level.**



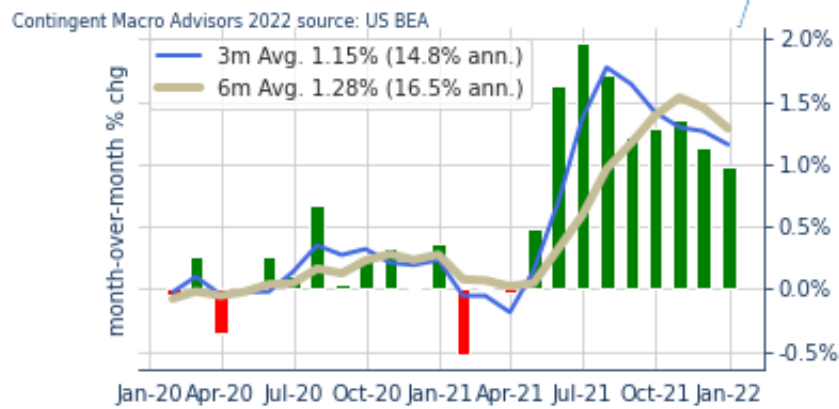
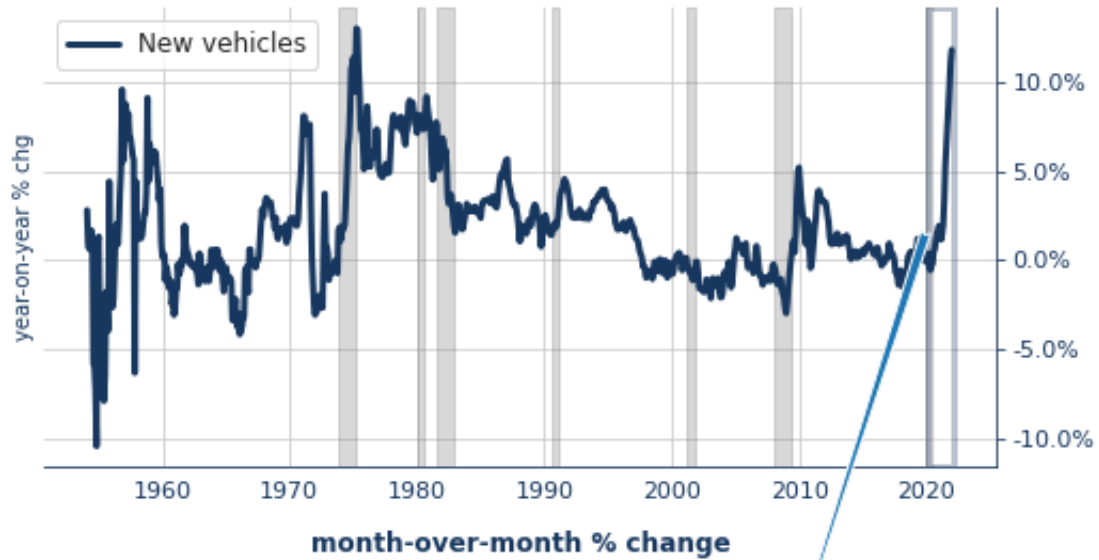
## Owners' equiv. rent of primary residence



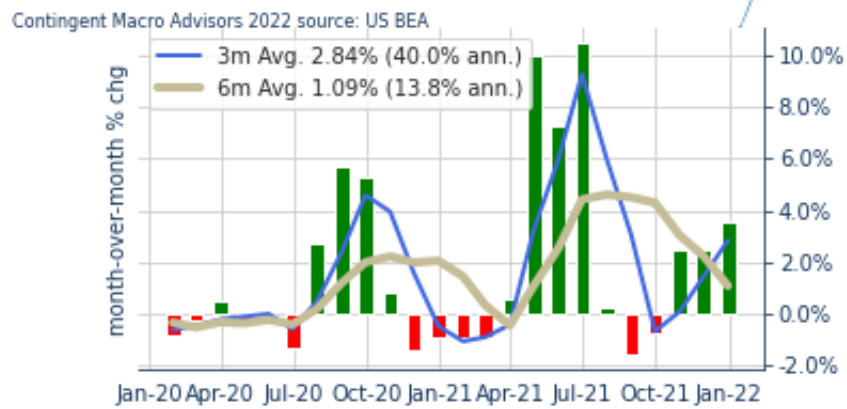
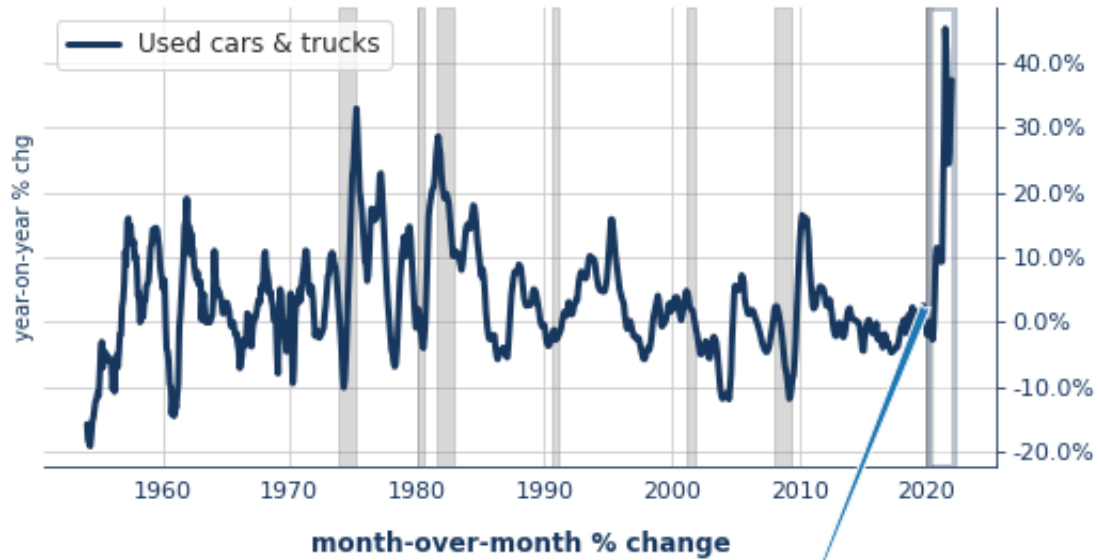
Contingent Macro Advisors 2022 source: US BEA



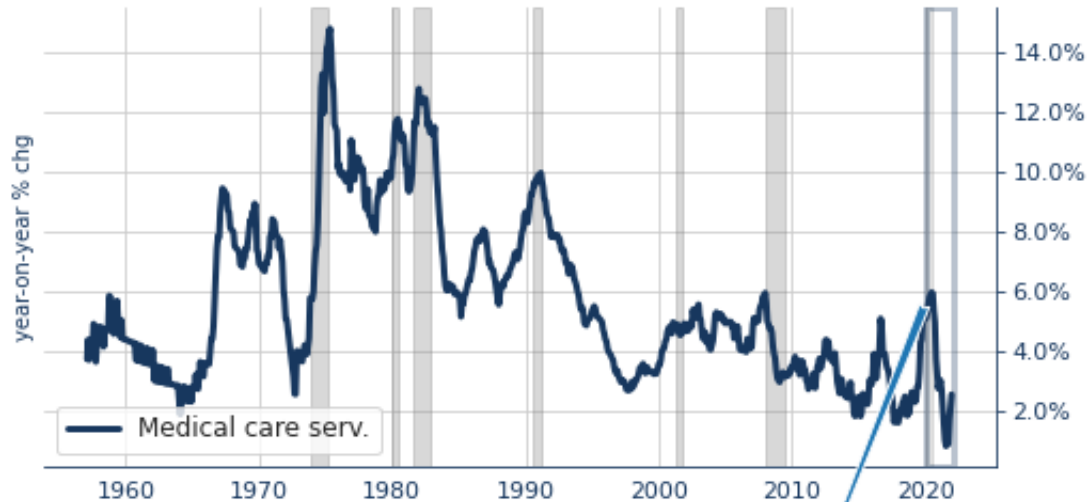
## New vehicles



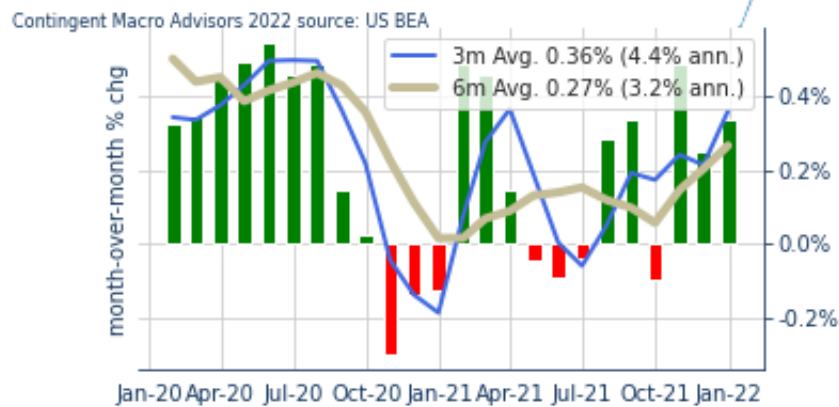
## Used cars & trucks



## Medical care serv.



## month-over-month % change



US Consumer Price Inflation	Dec-21	Nov-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
<b>CPI All Items</b>	<b>0.47%</b>	<b>0.78%</b>	<b>9.13%</b>	<b>6.91%</b>	<b>7.12%</b>	<b>1.30%</b>	<b>2.26%</b>	<b>3.10%</b>
<b>Core CPI (78.5%)</b>	<b>0.55%</b>	<b>0.53%</b>	<b>6.95%</b>	<b>4.82%</b>	<b>5.49%</b>	<b>1.61%</b>	<b>2.22%</b>	<b>2.79%</b>
<b>Motor fuel (4.0%)</b>	<b>-0.47%</b>	<b>6.10%</b>	<b>57.45%</b>	<b>42.41%</b>	<b>49.50%</b>	<b>-15.29%</b>	<b>7.65%</b>	<b>9.62%</b>
<b>Energy serv. (3.3%)</b>	<b>-0.12%</b>	<b>0.35%</b>	<b>13.43%</b>	<b>13.41%</b>	<b>10.28%</b>	<b>2.47%</b>	<b>-1.33%</b>	<b>3.20%</b>
<b>Food &amp; bev. (14.0%)</b>	<b>0.50%</b>	<b>0.67%</b>	<b>8.30%</b>	<b>8.21%</b>	<b>6.01%</b>	<b>3.86%</b>	<b>1.74%</b>	<b>3.13%</b>
Shelter (32.4%)	0.42%	0.50%	5.65%	4.85%	4.18%	1.84%	3.24%	3.34%
Medical care (8.5%)	0.28%	0.23%	4.14%	3.04%	2.17%	1.77%	4.55%	2.57%
New vehicles	0.98%	1.13%	14.77%	16.54%	11.78%	1.93%	0.06%	2.61%



(3.9%)								
Used cars & trucks (3.4%)	3.52%	2.51%	39.98%	13.60%	37.29%	10.05%	-0.69%	10.15%
Public trans. (1.1%)	1.95%	2.95%	17.97%	-11.77%	2.38%	-11.96%	0.95%	-2.38%
Education & communication (6.5%)	0.05%	-0.05%	0.65%	1.89%	1.62%	1.97%	1.37%	0.69%
Recreation (5.7%)	-0.19%	-0.20%	1.19%	3.01%	3.26%	0.92%	1.47%	1.69%
Apparel (2.7%)	1.72%	1.27%	12.60%	4.62%	5.82%	-4.10%	-1.24%	-0.28%
Other goods & serv. (3.1%)	0.51%	0.23%	6.50%	5.74%	4.46%	2.40%	2.33%	2.81%

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	Dec-21	Nov-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
<b>Fuels &amp; utilities</b>	<b>-0.15%</b>	<b>0.32%</b>	<b>11.38%</b>	<b>11.42%</b>	<b>9.46%</b>	<b>2.13%</b>	<b>-0.39%</b>	<b>3.44%</b>
Household energy (3.4%)	-0.30%	0.41%	14.34%	13.98%	11.46%	1.67%	-1.18%	3.40%
Motor fuel (4.0%)	-0.47%	6.10%	57.45%	42.41%	49.50%	-15.29%	7.65%	9.62%
Fuel oil & other fuels (0.2%)	-3.39%	1.48%	32.28%	24.96%	37.98%	-13.58%	1.82%	7.45%
Electricity (2.4%)	0.25%	0.26%	9.60%	9.19%	6.34%	2.01%	-0.68%	2.24%
Utility (piped) gas service (0.8%)	-1.22%	0.60%	26.03%	27.72%	24.12%	4.05%	-3.56%	6.68%

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	Dec-21	Nov-21	3m ann % chg	6m ann % chg	YoY % chg	2020	2019	5y
<b>Shelter (32.4% total CPI)</b>	<b>0.42%</b>	<b>0.50%</b>	<b>5.65%</b>	<b>4.85%</b>	<b>4.18%</b>	<b>1.84%</b>	<b>3.24%</b>	<b>3.34%</b>
Rent of primary residence (7.6%)	0.39%	0.42%	5.02%	4.38%	3.33%	2.29%	3.71%	3.53%
Lodging								

away from home (1.0%)	1.18%	2.89%	23.93%	16.59%	24.23%	-9.66%	-0.44%	2.57%
Owners' equiv. rent of residences (23.5%)	0.40%	0.44%	5.23%	4.59%	3.79%	2.17%	3.28%	3.33%
Household energy (3.4%)	-0.30%	0.41%	14.34%	13.98%	11.46%	1.67%	-1.18%	3.40%
Household furnishings & operations (3.8%)	1.11%	0.81%	11.63%	10.60%	7.40%	3.16%	0.99%	2.68%

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.

<b>US CPI - Transportation</b>	<b>Dec-21</b>	<b>Nov-21</b>	<b>3m ann % chg</b>	<b>6m ann % chg</b>	<b>YoY % chg</b>	<b>2020</b>	<b>2019</b>	<b>5y</b>
<b>Transportation</b>	<b>0.80%</b>	<b>2.47%</b>	<b>24.95%</b>	<b>13.65%</b>	<b>21.40%</b>	<b>-2.55%</b>	<b>1.89%</b>	<b>5.13%</b>
<b>Private trans.</b>	<b>0.72%</b>	<b>2.43%</b>	<b>25.44%</b>	<b>15.72%</b>	<b>22.93%</b>	<b>-1.74%</b>	<b>1.96%</b>	<b>5.82%</b>
<b>Public trans.</b>	<b>1.95%</b>	<b>2.95%</b>	<b>17.97%</b>	<b>-11.77%</b>	<b>2.38%</b>	<b>-11.96%</b>	<b>0.95%</b>	<b>-2.38%</b>
New vehicles	0.98%	1.13%	14.77%	16.54%	11.78%	1.93%	0.06%	2.61%
Used cars & trucks	3.52%	2.51%	39.98%	13.60%	37.29%	10.05%	-0.69%	10.15%
Motor vehicle maintenance & repair	-0.12%	-0.01%	5.40%	6.10%	4.78%	3.43%	3.42%	3.36%
Airline fare	2.72%	4.75%	30.51%	-17.59%	1.44%	-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.