

10.Mar.2022

CPI: Flying Higher, Hints of Peaking

Bottom Line: CPI rose as expected in February with the headline and core year-on-year gains hitting 40+ year highs for the second month in a row. Energy prices were up 3.5%, while food prices were up 1%, pushing headline CPI up 0.8% on the month.

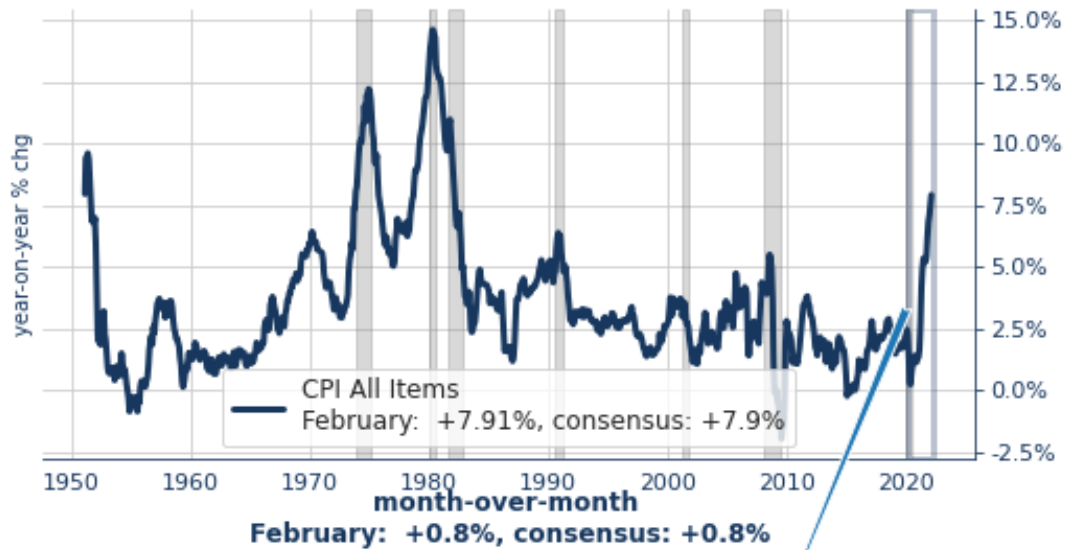
Core was 0.5% higher, slightly cooler than the gains seen in the prior two months, led by a sharp increase in airfares. Used car prices, a major source of upward price pressure for nearly 18 months, finally eased slightly. But new car prices were higher. Medical care services, which had been on a tame, pre-pandemic trend before a surprise jump in January, rose only slightly in February, alleviating some concern that this could be a new source of upward core price pressure.

Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, rose 0.45%, in line with the recent trend and consistent with its historical lag with home prices. OER historically lags home price moves by over a year, and the acceleration should last through the 2nd Quarter. It rose 5.24% annualized in the three months ended in February vs. 4.3% over the last 12 months and just 2.2% in 2020. While OER will remain high for several more months, our models suggest that further acceleration is unlikely given the historical relationship.

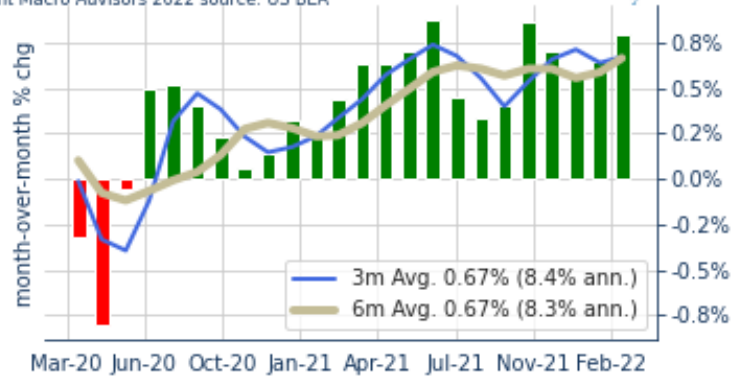
Overall, core inflation pressures will remain significant throughout the 1st Half. While February's reading was every bit as hot as expected, there were hints of deceleration in key pandemic-related categories.

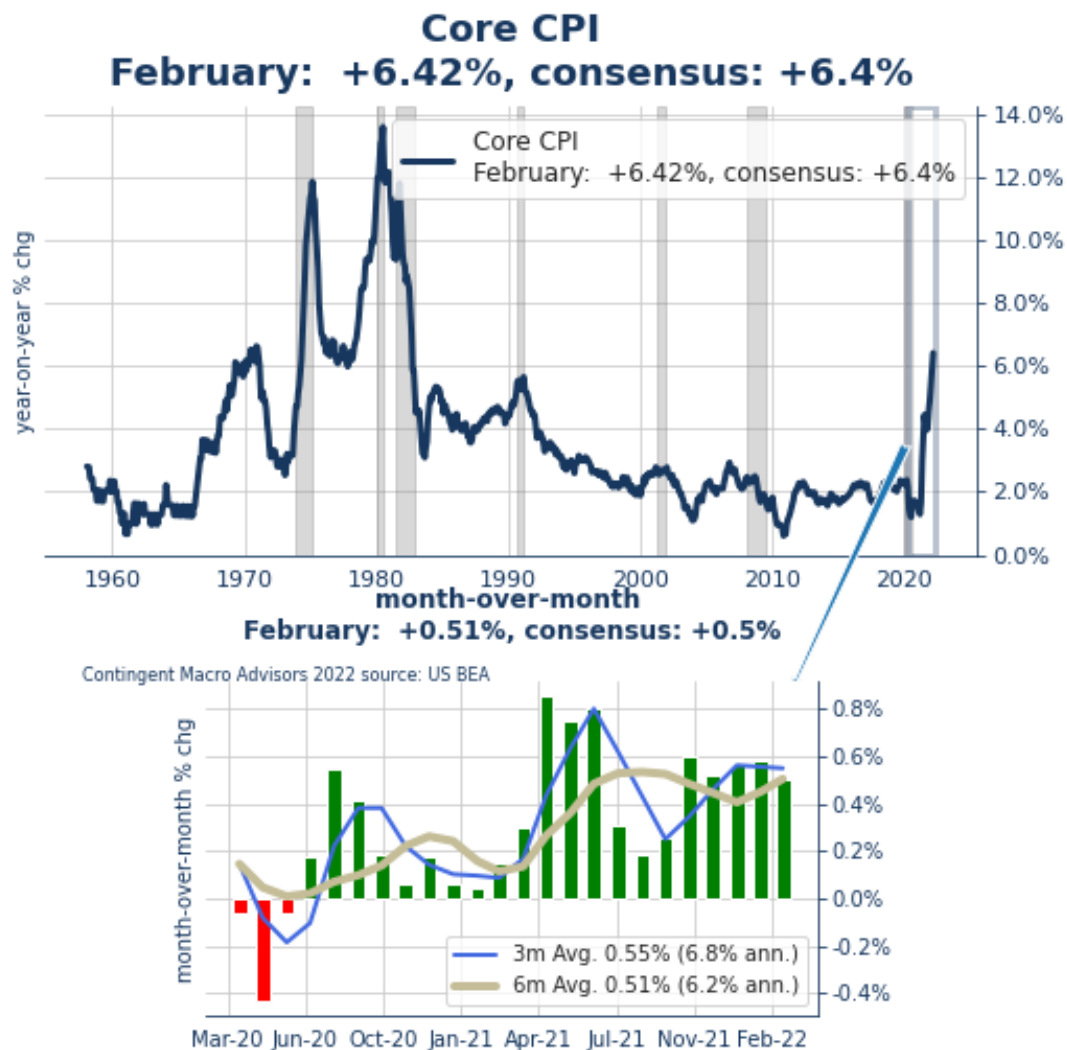
CPI All Items

February: +7.91%, consensus: +7.9%



Contingent Macro Advisors 2022 source: US BEA





The CPI ROSE by 0.80% in February, compared with market expectations for an increase of 0.80%.

- Food prices increased by 1.02% while energy prices rose by 3.5%.
- Prices for gasoline rose by 6.6% while prices for fuel oil increased by 6.5%, prices for electricity slipped by 1.1%, but prices for natural gas rose by 1.5%.
- Energy prices are now 25.7% ABOVE their year-ago level.

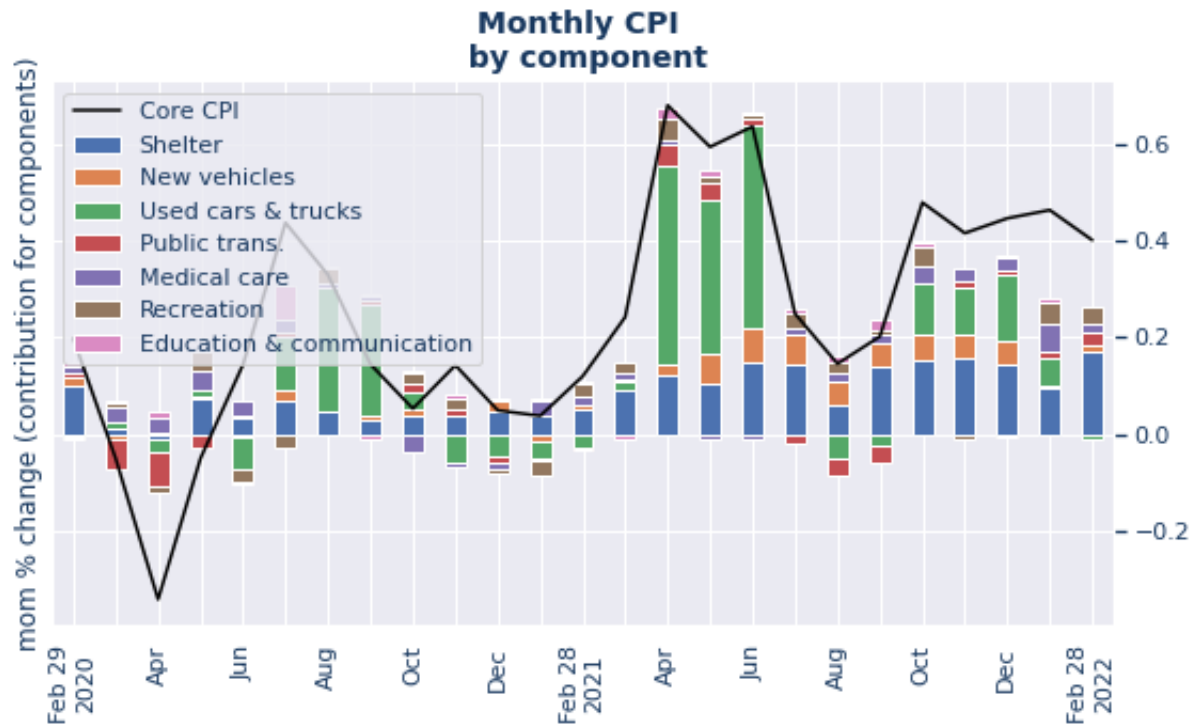
Overall consumer prices are now 7.9% ABOVE their year-ago level; in February 2021, consumer prices were 1.7% ABOVE their year-ago level.

The Core CPI ROSE by 0.51%, compared with market expectations for an increase of 0.50%.

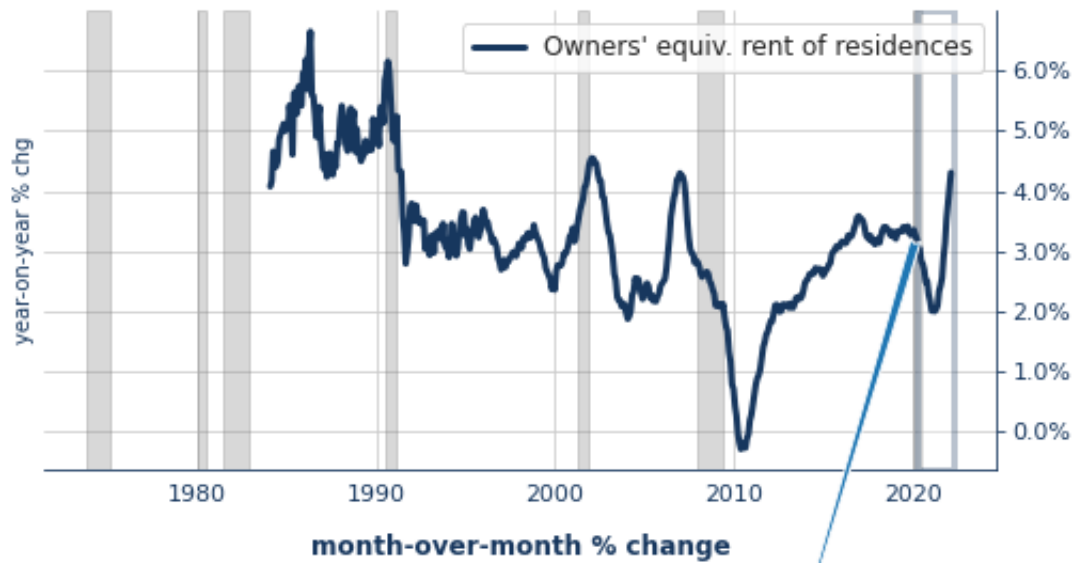
- Prices for commodities excluding food and energy commodities rose by 0.4%.

- Gains in alcoholic beverages (+0.8%), apparel (+0.7%), were slightly offset by declines in used cars & trucks (-0.2%).
- Prices for services excluding energy services rose 0.5% with a moderate increase in transportation (+1.4%), shelter (+0.5%), and owner's equivalent rent (+0.4%).

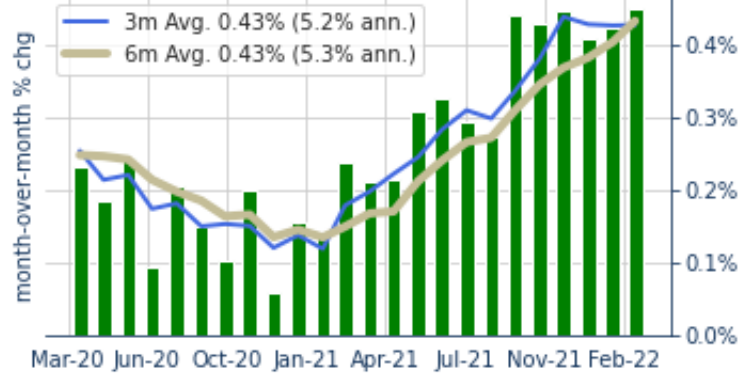
Core consumer prices are now 6.4% ABOVE their year-ago level; in February 2021, consumer prices were 1.3% ABOVE their year-ago level.



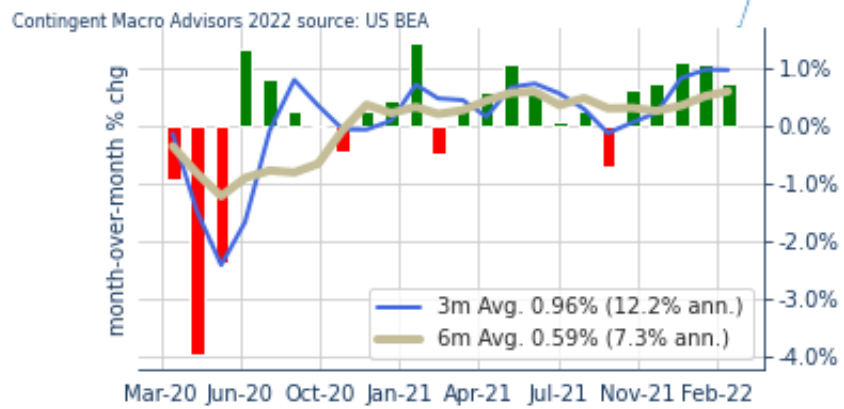
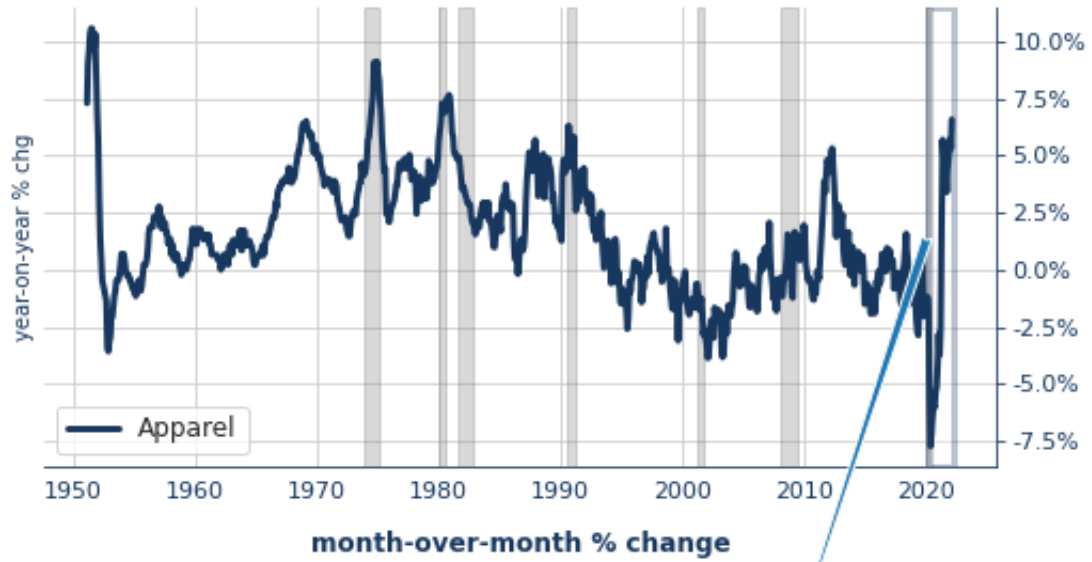
Owners' equiv. rent of residences



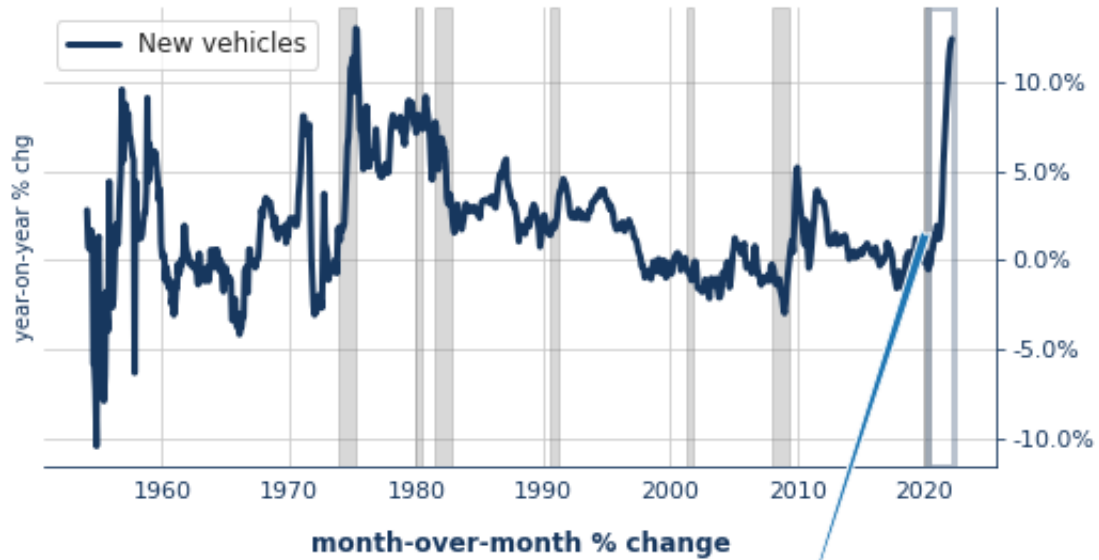
Contingent Macro Advisors 2022 source: US BEA



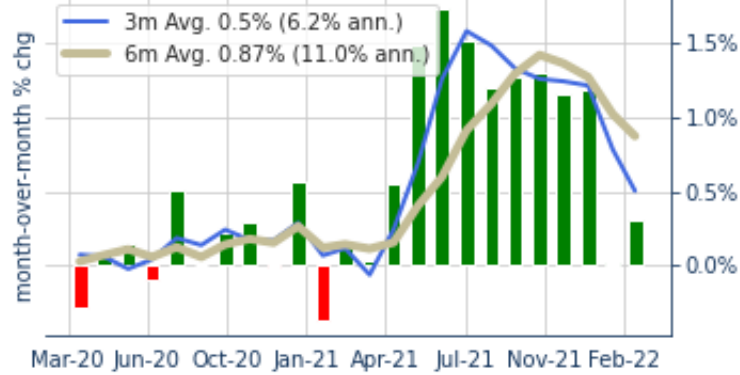
Apparel



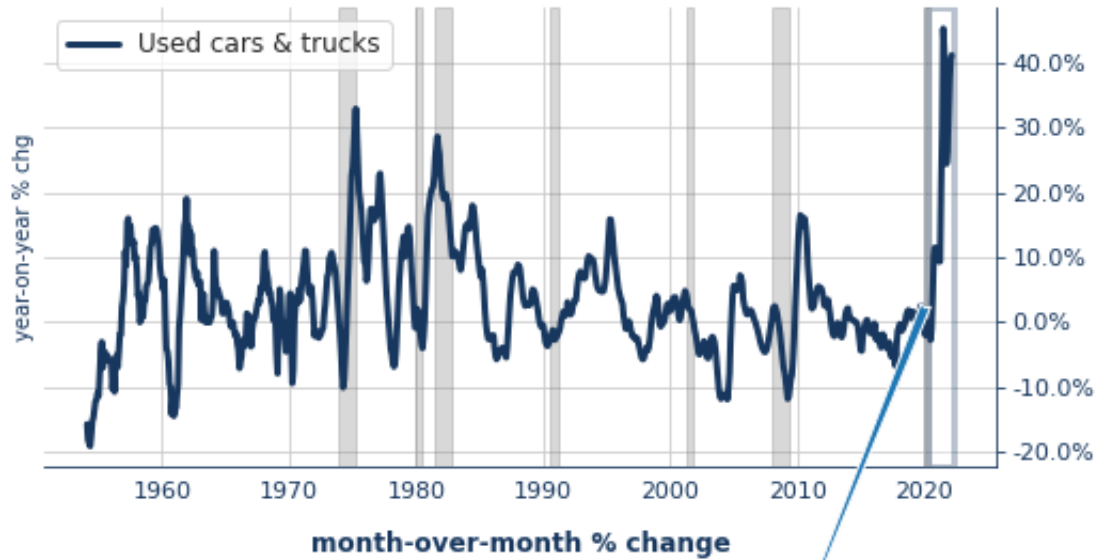
New vehicles



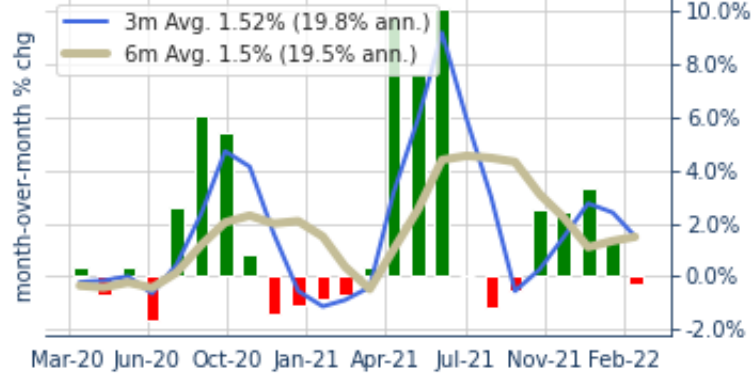
Contingent Macro Advisors 2022 source: US BEA



Used cars & trucks



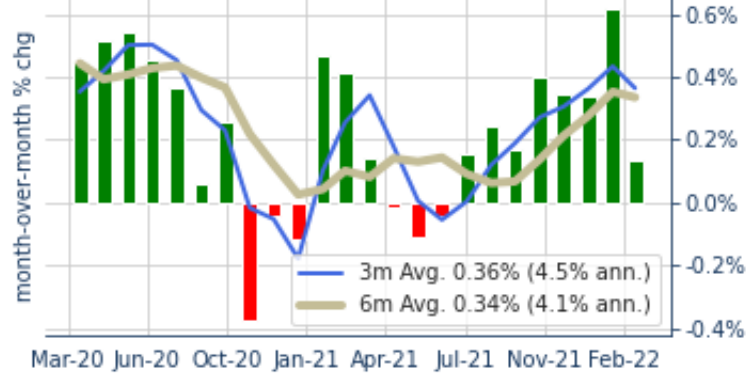
Contingent Macro Advisors 2022 source: US BEA



Medical care serv.



Contingent Macro Advisors 2022 source: US BEA



US Consumer Price Inflation	Feb-22	Jan-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
CPI All Items	0.80%	0.65%	8.38%	8.29%	7.91%	7.10%	1.28%	2.94%
Core CPI (79.3%)	0.51%	0.58%	6.80%	6.23%	6.42%	5.48%	1.60%	2.64%
Motor fuel (3.8%)	6.73%	-0.79%	32.98%	40.47%	38.06%	49.24%	-15.39%	8.13%
Energy serv. (3.3%)	-0.43%	2.94%	11.64%	14.00%	12.22%	10.14%	2.44%	3.08%
Food & bev. (13.4%)	1.00%	0.85%	9.67%	9.77%	7.62%	6.00%	3.84%	3.17%
Shelter (32.9%)	0.52%	0.30%	5.13%	5.35%	4.75%	4.18%	1.84%	2.80%
Medical care (8.5%)	0.17%	0.66%	4.59%	4.19%	2.43%	2.17%	1.78%	2.37%
New vehicles	0.31%	0.02%	6.18%	10.96%	12.38%	11.76%	1.94%	2.81%

(4.1%)								
Used cars & trucks (4.1%)	-0.25%	1.47%	19.64%	19.35%	41.15%	37.28%	10.02%	10.79%
Public trans. (0.8%)	3.55%	1.64%	28.34%	5.27%	8.29%	1.76%	-12.79%	-1.61%
Education & communication (6.4%)	0.01%	0.11%	0.72%	1.40%	1.60%	1.63%	1.97%	1.08%
Recreation (5.1%)	0.73%	0.88%	6.15%	4.44%	4.95%	3.27%	0.94%	1.74%
Apparel (2.5%)	0.72%	1.06%	12.19%	7.32%	6.59%	5.71%	-4.17%	0.34%
Other goods & serv. (2.7%)	1.06%	0.76%	9.71%	7.22%	5.57%	4.46%	2.40%	2.76%

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	Feb-22	Jan-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Fuels & utilities	0.08%	2.50%	11.85%	13.12%	10.98%	9.36%	2.10%	3.26%
Household energy (3.5%)	-0.06%	2.98%	13.22%	15.74%	13.25%	11.33%	1.63%	3.28%
Motor fuel (3.8%)	6.73%	-0.79%	32.98%	40.47%	38.06%	49.24%	-15.39%	8.13%
Fuel oil & other fuels (0.2%)	6.46%	3.83%	43.63%	51.25%	33.41%	37.69%	-13.50%	7.21%
Electricity (2.5%)	-1.09%	4.16%	14.96%	12.00%	8.97%	6.20%	1.99%	2.36%
Utility (piped) gas service (0.9%)	1.54%	-0.47%	2.88%	20.90%	23.76%	23.96%	3.98%	5.68%

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	Feb-22	Jan-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Shelter (32.9% total CPI)	0.52%	0.30%	5.13%	5.35%	4.75%	4.18%	1.84%	2.80%
Rent of primary residence (7.4%)	0.57%	0.54%	6.13%	5.54%	4.17%	3.33%	2.28%	2.94%
Lodging								

away from home (0.9%)	2.18%	-3.91%	-1.08%	7.81%	25.08%	24.16%	-9.69%	2.07%
Owners' equiv. rent of residences (24.3%)	0.45%	0.42%	5.24%	5.31%	4.31%	3.80%	2.18%	2.81%
Household energy (3.5%)	-0.06%	2.98%	13.22%	15.74%	13.25%	11.33%	1.63%	3.28%
Household furnishings & operations (3.9%)	0.62%	1.35%	12.95%	11.96%	9.67%	7.37%	3.14%	3.28%

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.