

12.Apr.2022

CPI: Headline Jumps, Core Offers Hints of Easing

Bottom Line: CPI rose more than expected in March, driven by the jump in energy prices and continued upward pressure on food prices. But Core CPI rose less than expected, up 0.3%, the slowest reading in six months.

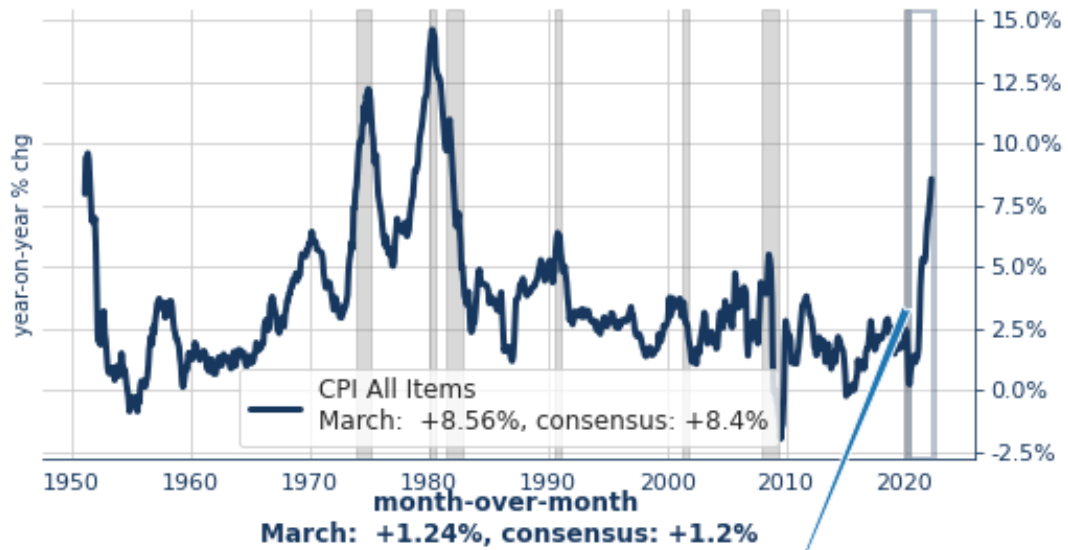
Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, continued to drive core higher. It rose 0.43%, in line with the recent trend and consistent with its historical lag with home prices. OER historically lags home price moves by over a year, and the acceleration 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.

Core goods components were lower, while services prices rose as consumers started to shift back towards services consumption. Used car prices, a source of massive upward pressure on core throughout the pandemic, were down nearly 4%. Airfares were sharply higher, up nearly 11%. Moreover, medical care services were sharply higher. Medical care services were historically a significant driver of core prices prior to the pandemic, so we're watching this acceleration closely for signs that it will persist and hold up core prices longer than expected.

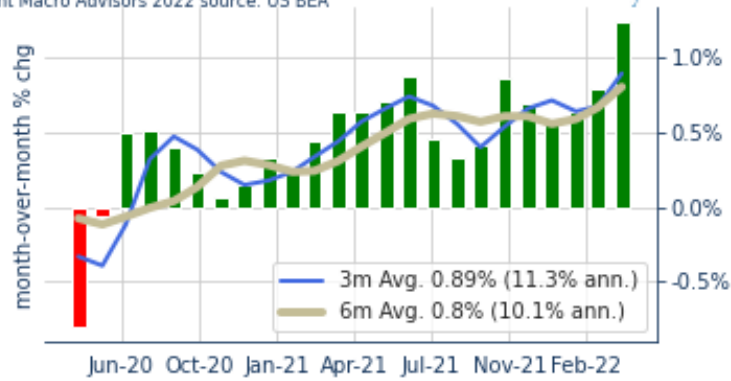
Overall, core inflation pressures will remain significant throughout the 1st Half. While the headline reading was every bit as hot as expected because of gasoline prices, there were hints of deceleration in key pandemic-related categories, but keep an eye on medical care services.

CPI All Items

March: +8.56%, consensus: +8.4%



Contingent Macro Advisors 2022 source: US BEA





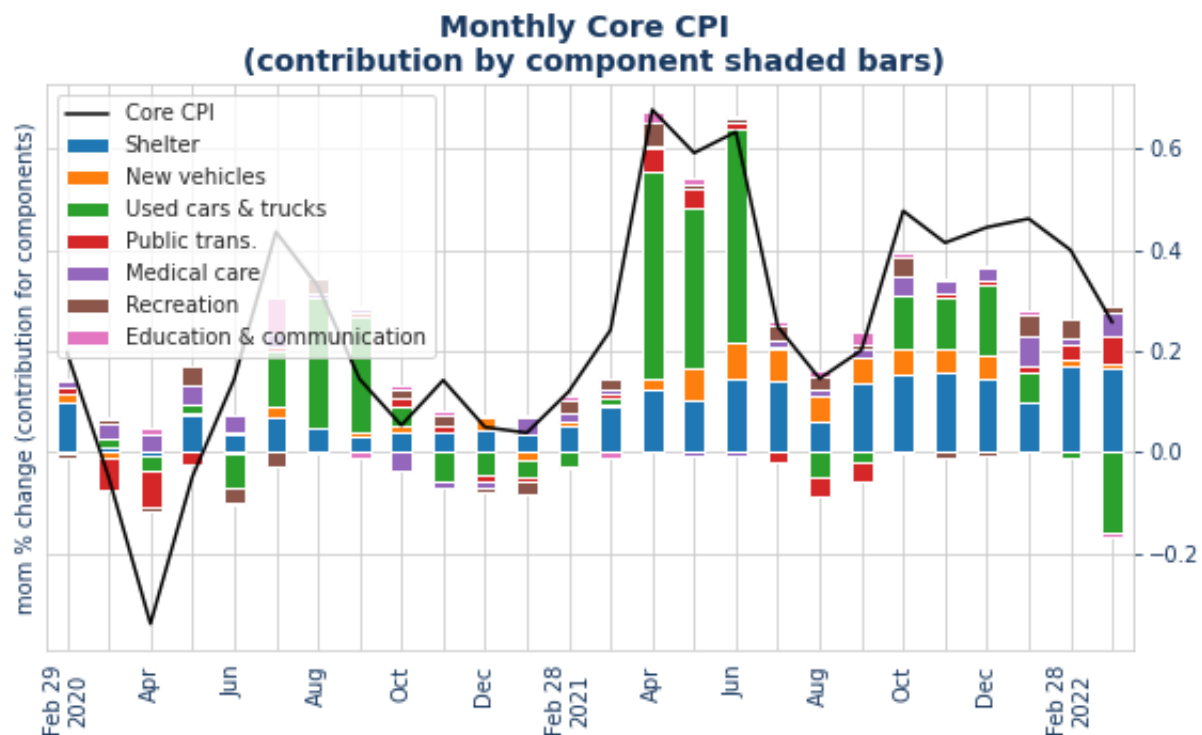
The CPI ROSE by 1.24% in March, compared with market expectations for an increase of 1.20%.

- Food prices increased by 0.99% while energy prices rose by 11.0%.
- Prices for gasoline rose by 18.3% while prices for fuel oil increased by 15.7%, prices for electricity climbed by 2.2%, and prices for natural gas rose by 0.6%.
- Energy prices are now 32.2% ABOVE their year-ago level.

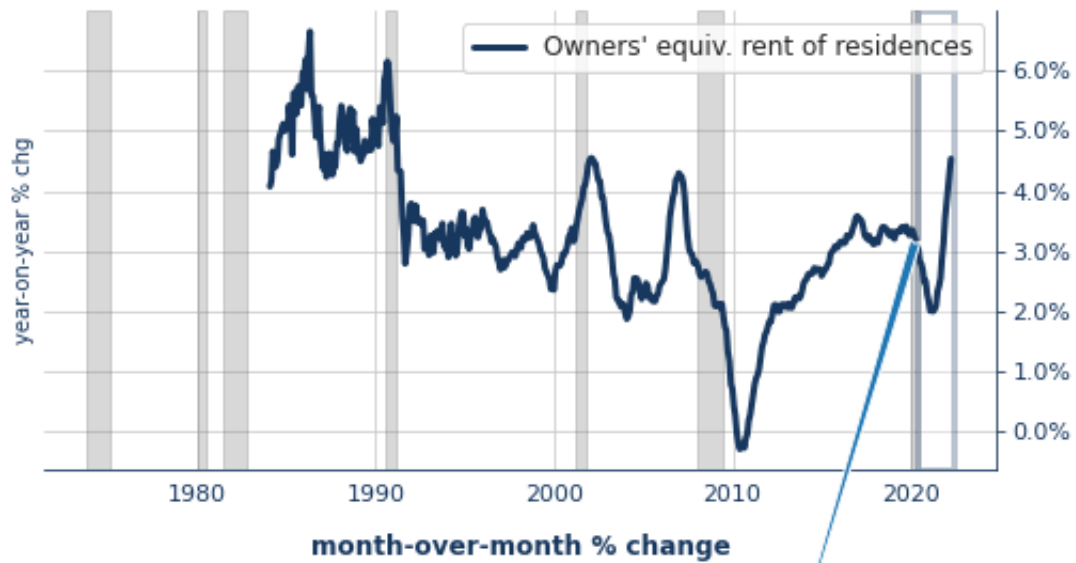
Overall consumer prices are now 8.6% ABOVE their year-ago level; in March 2021, consumer prices were 2.7% ABOVE their year-ago level.

The Core CPI ROSE by 0.32%, compared with market expectations for an increase of 0.50%.

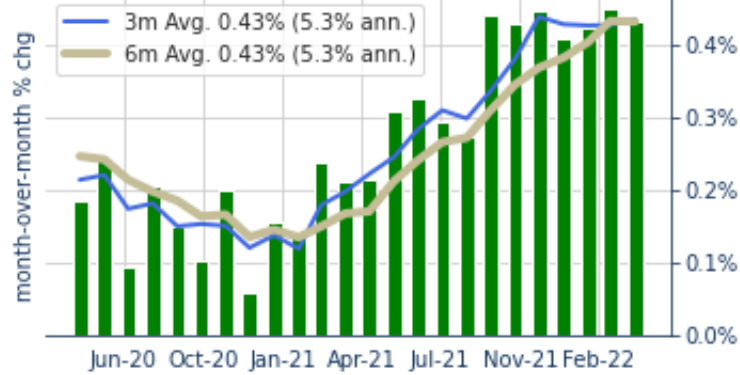
- Core consumer prices are now 6.4% ABOVE their year-ago level; in March 2021, consumer prices were 1.7% ABOVE their year-ago level.



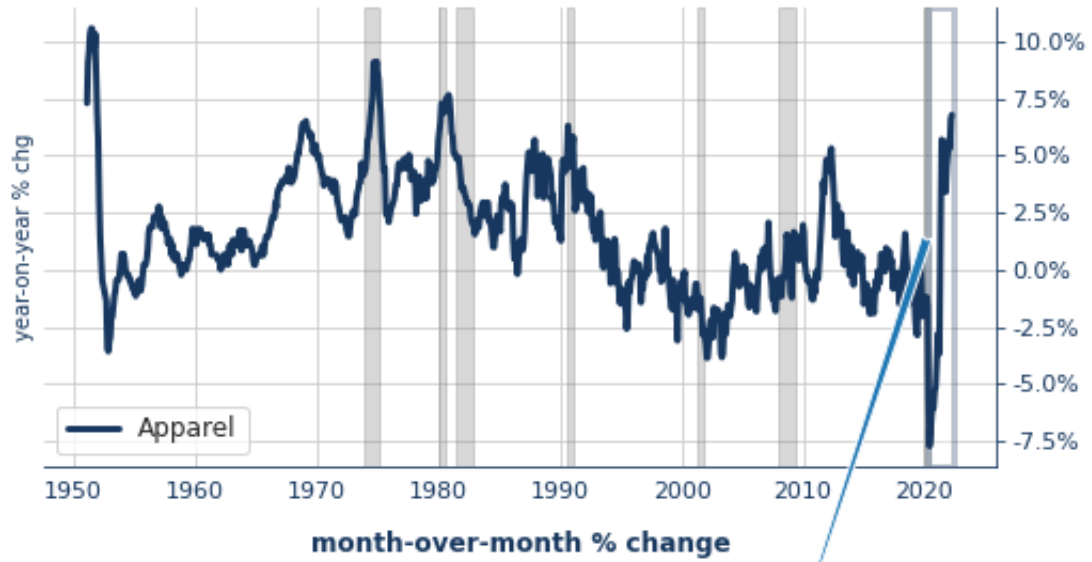
Owners' equiv. rent of residences



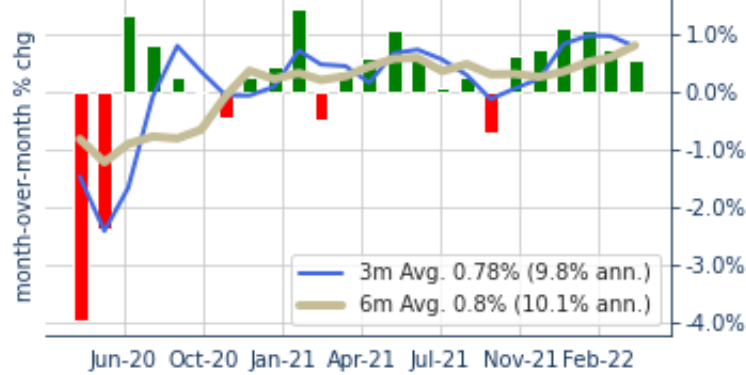
Contingent Macro Advisors 2022 source: US BEA



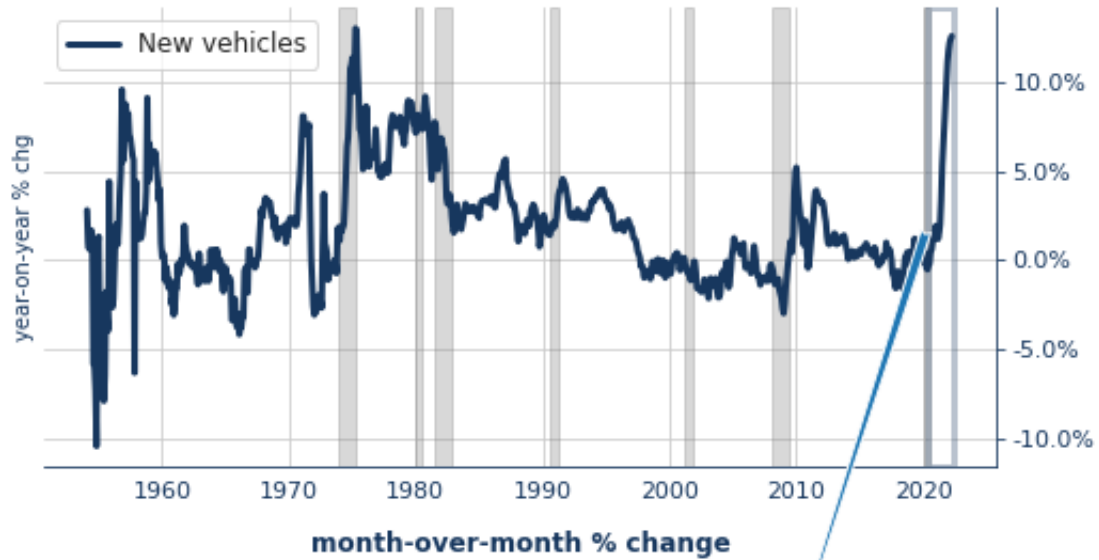
Apparel



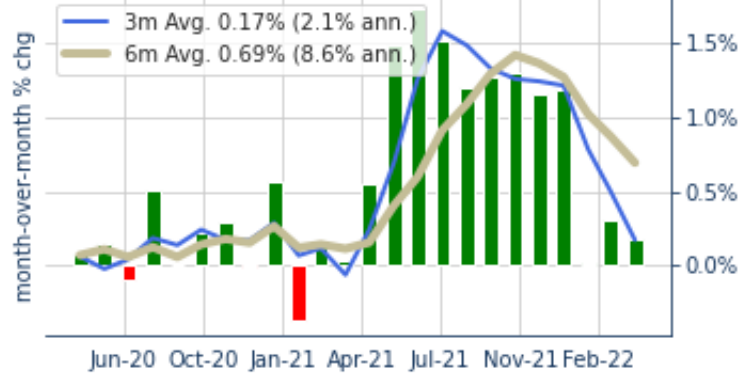
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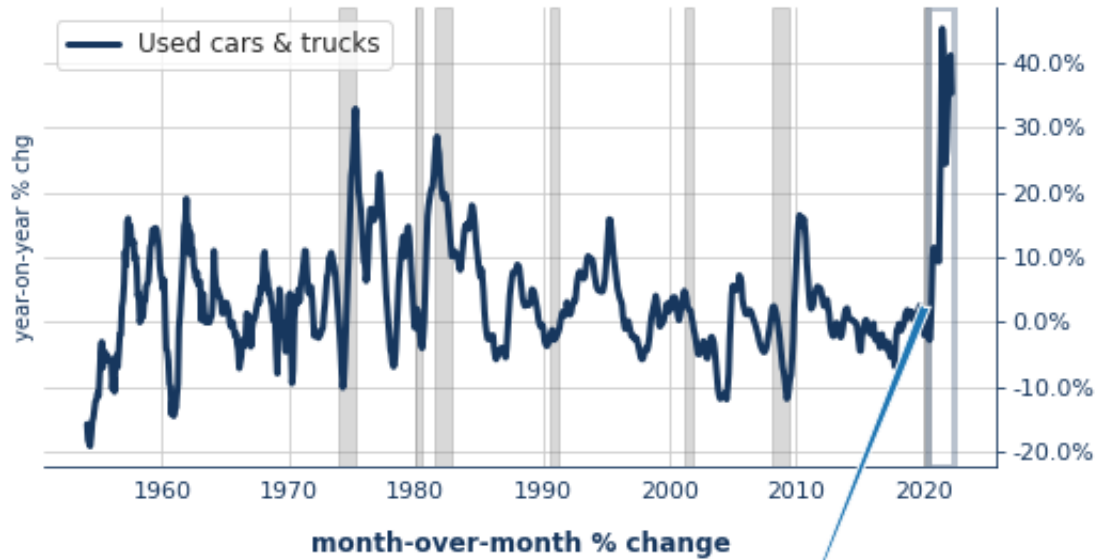
New vehicles



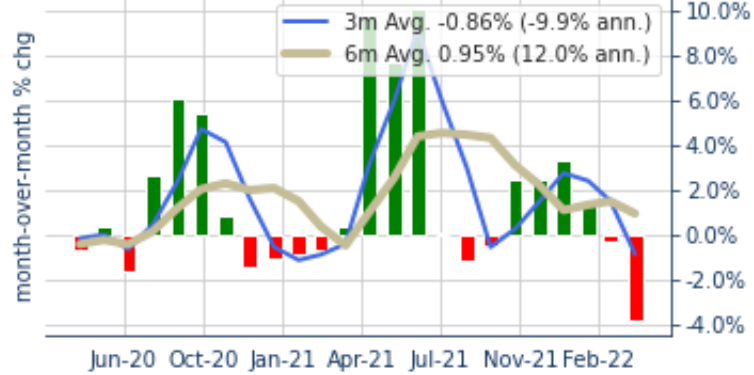
Contingent Macro Advisors 2022 source: US BEA



Used cars & trucks



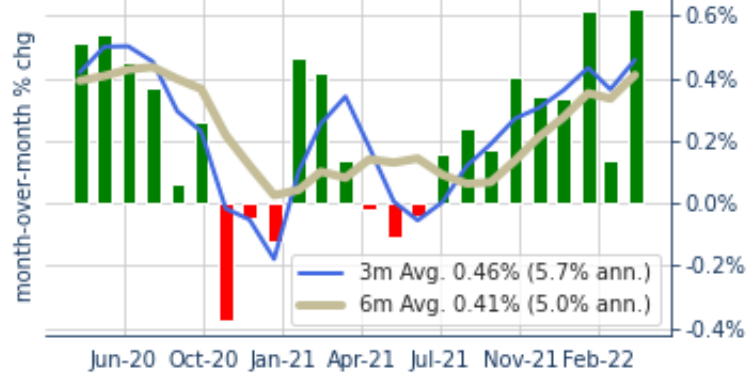
Contingent Macro Advisors 2022 source: US BEA



Medical care serv.



Contingent Macro Advisors 2022 source: US BEA



US Consumer Price Inflation	Mar-22	Feb-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
CPI All Items	1.24%	0.80%	11.27%	10.08%	8.56%	7.10%	1.28%	3.22%
Core CPI (79.2%)	0.32%	0.51%	5.80%	6.38%	6.44%	5.48%	1.60%	2.71%
Motor fuel (3.8%)	18.26%	6.73%	145.85%	92.21%	48.16%	49.24%	-15.39%	13.27%
Energy serv. (3.4%)	1.80%	-0.43%	18.49%	15.39%	13.41%	10.14%	2.44%	3.49%
Food & bev. (13.4%)	0.96%	1.00%	11.82%	10.01%	8.47%	6.00%	3.84%	3.39%
Shelter (32.8%)	0.51%	0.52%	5.43%	5.54%	4.99%	4.18%	1.84%	2.92%
Medical care (8.5%)	0.55%	0.17%	5.69%	4.93%	2.86%	2.17%	1.78%	2.50%
New vehicles	0.18%	0.31%	2.07%	8.60%	12.55%	11.76%	1.94%	2.85%

(4.1%)								
Used cars & trucks (4.2%)	-3.80%	-0.25%	-10.12%	11.62%	35.32%	37.28%	10.02%	9.62%
Public trans. (0.8%)	7.09%	3.55%	61.40%	32.90%	14.88%	1.76%	-12.79%	-0.30%
Education & communication (6.4%)	-0.17%	0.01%	-0.19%	0.34%	1.58%	1.63%	1.97%	1.05%
Recreation (5.1%)	0.24%	0.73%	7.68%	4.64%	4.75%	3.27%	0.94%	1.79%
Apparel (2.5%)	0.56%	0.72%	9.77%	10.05%	6.79%	5.71%	-4.17%	0.45%
Other goods & serv. (2.7%)	0.50%	1.06%	9.70%	8.09%	5.49%	4.46%	2.40%	2.88%

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	Mar-22	Feb-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Fuels & utilities	2.00%	0.08%	19.85%	15.18%	12.48%	9.36%	2.10%	3.72%
Household energy (3.6%)	2.59%	-0.06%	24.30%	18.73%	15.29%	11.33%	1.63%	3.89%
Motor fuel (3.8%)	18.26%	6.73%	145.85%	92.21%	48.16%	49.24%	-15.39%	13.27%
Fuel oil & other fuels (0.2%)	15.73%	6.46%	167.80%	89.34%	51.68%	37.69%	-13.50%	11.49%
Electricity (2.5%)	2.21%	-1.09%	22.97%	15.50%	11.10%	6.20%	1.99%	2.85%
Utility (piped) gas service (0.9%)	0.58%	1.54%	6.72%	15.57%	21.58%	23.96%	3.98%	5.82%

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	Mar-22	Feb-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Shelter (32.8% total CPI)	0.51%	0.52%	5.43%	5.54%	4.99%	4.18%	1.84%	2.92%
Rent of primary residence (7.4%)	0.43%	0.57%	6.34%	5.59%	4.45%	3.33%	2.28%	3.04%
Lodging								

away from home (0.9%)	3.28%	2.18%	5.69%	14.75%	25.08%	24.16%	-9.69%	2.79%
Owners' equiv. rent of residences (24.2%)	0.43%	0.45%	5.34%	5.30%	4.54%	3.80%	2.18%	2.91%
Household energy (3.6%)	2.59%	-0.06%	24.30%	18.73%	15.29%	11.33%	1.63%	3.89%
Household furnishings & operations (4.0%)	0.96%	0.62%	12.33%	11.97%	10.14%	7.37%	3.14%	3.50%

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.