

13.Jul.2022

CPI: Headline Leaps As Core Eases Only Slightly

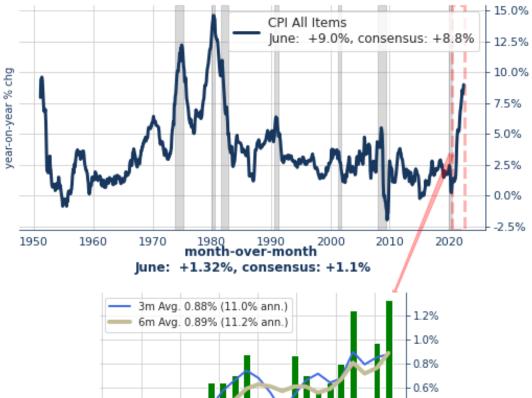
Bottom Line: CPI rose sharply more than expected in June as higher energy prices pushed up prices even more than expected, with year-on-year readings coming in over 9%. Core CPI rose more than expected, up 0.7% on the month, with year-on-year readings falling only a tenth to 5.9%.

Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, held its fastest pace in this cycle, annualizing at over 7% in the last three months. OER historically lags home price moves by over a year, and we expected the acceleration to ease only very slowly over the balance of the year and in early 2023.

Core goods components rebounded for the third month, with a notable upward surprise in used car prices, a category that drove the initial acceleration in core inflation early in this cycle. While consumers continued to shift back towards services after massive goods consumption during the pandemic, clothing and other good prices were higher than expected in June. New car prices rose amid continued slow production due to supply chain constraints. Service prices rose steadily. Importantly, medical care services were higher for the fourth month. Historically a significant driver of core prices before the pandemic, medical care price inflation could persist and hold up core prices longer than expected, even after OER starts decelerating.

Overall, we expect core inflation pressures to remain a significant concern through the summer months. That said, high goods inventories should begin to offer some downward pressure on prices later this summer, just as the lagged impact of housing prices on OER starts to become a source of deceleration on core CPI.

CPI All Items
June: +9.0%, consensus: +8.8%



0.4% 0.2% 0.0%



Contingent Macro Advisors 2022 source: US BEA

Jun-20 Oct-20 Jan-21 Apr-21 Jul-21 Nov-21 Feb-22 May-22

Core CPI June: +5.91%, consensus: +5.7% + 14.0% Core CPI June: +5.91%, consensus: +5.7% 12.0% /ear-on-year % chg 10.0% 8.0% 6.0% 4.0% 2.0% 0.0% 1980 80 1990 2000 month-over-month 1960 1970 2010 2020 June: +0.71%, consensus: +0.6% 3m Avg. 0.64% (7.9% ann.) 0.8% 6m Avg. 0.55% (6.8% ann.) 0.6% 0.4% 0.2% 0.0% Jun-20 Oct-20 Jan-21 Apr-21 Jul-21 Nov-21 Feb-22 May-22

The CPI ROSE by 1.32% in June, compared with market expectations for an increase of 1.10%.

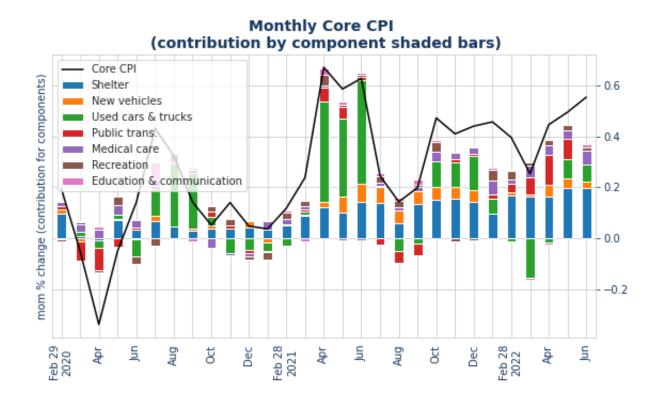
Food prices increased by 0.99%, while energy prices rose by 7.5%. Prices for gasoline rose by 11.2%, while prices for fuel oil declined by 0.7%, prices for electricity climbed by 1.7%, and prices for natural gas rose by 8.2%. Energy prices are now 41.5% ABOVE their year-ago level.

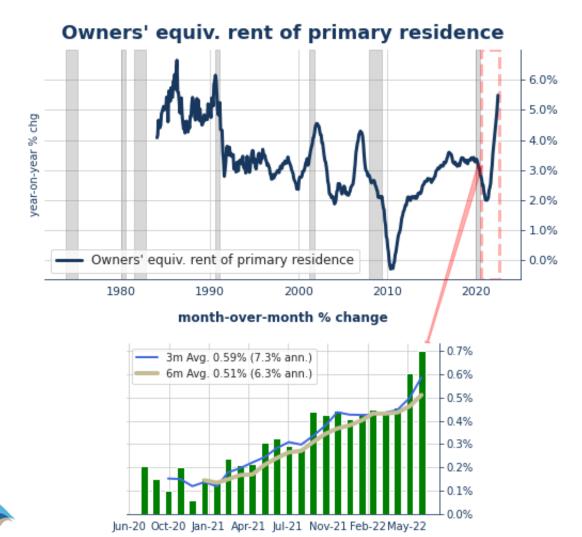
Overall consumer prices are now 9.0% ABOVE their year-ago level; in June 2021, consumer prices were 5.3% ABOVE their year-ago level.

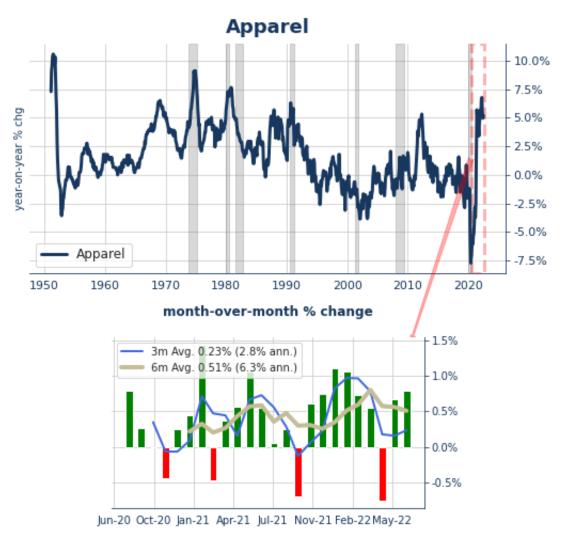
The Core CPI ROSE by 0.71%, compared with market expectations for an increase of 0.50%. Prices for commodities excluding food and energy commodities rose by 0.8%. Gains in used cars & trucks (+1.6%), apparel (+0.8%) drove core. Prices for

services excluding energy services rose 0.7% with a further increase in transportation (+2.1%), medical care services (+0.7%), and owner's equivalent rent (+0.7%).

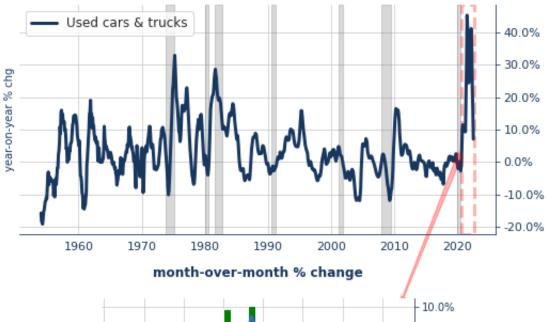
Core consumer prices are now 5.9% ABOVE their year-ago level; in June 2021, consumer prices were 4.4% ABOVE their year-ago level.

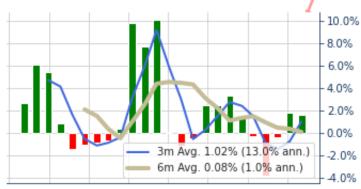






Used cars & trucks





Jun-20 Oct-20 Jan-21 Apr-21 Jul-21 Nov-21 Feb-22 May-22







US Consumer Price Inflation	Jun-22	May-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
CPI All Items	1.32%	0.97%	11.02%	11.15%	9.00%	7.10%	1.28%	3.84%
Core CPI (78.3%)	0.71%	0.63%	7.90%	6.84%	5.91%	5.48%	1.60%	3.15%
Motor fuel (4.6%)	11.02%	4.07%	40.30%	85.72%	60.23%	49.24%	-15.39%	16.21%
Energy serv. (3.4%)	3.47%	3.03%	36.06%	26.97%	19.57%	10.14%	2.44%	5.37%
Food & bev. (13.4%)	0.95%	1.13%	12.35%	12.08%	10.01%	6.00%	3.84%	4.08%
Shelter (32.4%)	0.61%	0.61%	7.15%	6.29%	5.61%	4.18%	1.84%	3.31%
Medical care (8.4%)	0.67%	0.40%	6.23%	5.96%	4.54%	2.17%	1.78%	2.84%
New vehicles	0.65%	0.96%	11.60%	6.73%	11.43%	11.76%	1.94%	3.49%

(4.0%)								
Used cars & trucks (4.0%)	1.61%	1.84%	12.90%	0.74%	7.10%	37.28%	10.02%	10.53%
Public trans. (1.0%)	-0.42%	8.60%	115.85%	86.65%	23.73%	1.76%	-12.79%	3.87%
Education & communication (6.2%)	0.17%	-0.05%	-0.22%	-0.20%	0.82%	1.63%	1.97%	1.04%
Recreation (5.0%)	0.29%	0.37%	4.42%	6.04%	4.62%	3.27%	0.94%	2.03%
Apparel (2.5%)	0.79%	0.67%	2.82%	6.24%	5.22%	5.71%	-4.17%	0.59%
Other goods & serv. (2.7%)	0.47%	0.46%	5.55%	7.60%	6.67%	4.46%	2.40%	3.19%

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	Jun-22	May-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5 y	
Fuels & utilities	2.55%	2.91%	30.08%	24.86%	17.74%	9.36%	2.10%	5.33%	
Household energy (3.6%)	3.17%	3.70%	38.86%	31.38%	22.10%	11.33%	1.63%	5.93%	
Motor fuel (4.6%)	11.02%	4.07%	40.30%	85.72%	60.23%	49.24%	-15.39%	16.21%	
Fuel oil & other fuels (0.2%)	-0.68%	13.13%	84.51%	122.29%	70.42%	37.69%	-13.50%	16.70%	
Electricity (2.5%)	1.73%	1.33%	16.08%	19.48%	13.68%	6.20%	1.99%	3.72%	
Utility (piped) gas service (0.9%)	8.20%	7.97%	110.76%	49.97%	38.40%	23.96%	3.98%	11.12%	

(0.9%)

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.

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US CPI - Housing Related	Jun-22	May-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Shelter (32.4% total CPI)	0.61%	0.61%	7.15%	6.29%	5.61%	4.18%	1.84%	3.31%
Rent of primary residence (7.3%)	0.78%	0.63%	8.16%	7.25%	5.78%	3.33%	2.28%	3.49%
Lodging								

away from home (1.0%)	-2.82%	0.90%	-0.93%	2.33%	10.10%	24.16%	-9.69%	2.74%
Owners' equiv. rent of residences (23.8%)	0.70%	0.60%	7.24%	6.29%	5.48%	3.80%	2.18%	3.32%
Household energy (3.6%)	3.17%	3.70%	38.86%	31.38%	22.10%	11.33%	1.63%	5.93%
Household furnishings & operations (4.0%)	0.40%	0.40%	5.10%	8.65%	9.50%	7.37%	3.14%	3.79%

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.

Jun-22	May-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
0.67%	0.40%	6.23%	5.96%	4.54%	2.17%	1.78%	2.84%
0.39%	0.25%	2.84%	4.35%	3.22%	0.45%	-2.48%	0.41%
0.71%	0.09%	3.45%	2.54%	2.57%	3.29%	1.88%	1.88%
0.35%	0.42%	5.02%	4.46%	3.92%	3.26%	3.12%	3.22%
	0.67% 0.39% 0.71%	0.67% 0.40% 0.39% 0.25% 0.71% 0.09%	Jun-22 May-22 % chg 0.67% 0.40% 6.23% 0.39% 0.25% 2.84% 0.71% 0.09% 3.45%	Jun-22 May-22 % chg % chg 0.67% 0.40% 6.23% 5.96% 0.39% 0.25% 2.84% 4.35% 0.71% 0.09% 3.45% 2.54%	Jun-22 May-22 % chg % chg chg 0.67% 0.40% 6.23% 5.96% 4.54% 0.39% 0.25% 2.84% 4.35% 3.22% 0.71% 0.09% 3.45% 2.54% 2.57%	Jun-22 May-22 % chg % chg 2021 0.67% 0.40% 6.23% 5.96% 4.54% 2.17% 0.39% 0.25% 2.84% 4.35% 3.22% 0.45% 0.71% 0.09% 3.45% 2.54% 2.57% 3.29%	Jun-22 May-22 % chg % chg 2021 2020 0.67% 0.40% 6.23% 5.96% 4.54% 2.17% 1.78% 0.39% 0.25% 2.84% 4.35% 3.22% 0.45% -2.48% 0.71% 0.09% 3.45% 2.54% 2.57% 3.29% 1.88%

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. Prof. serv. includes physician, dental, eye and other professional medical services.

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US CPI - Transportation	Jun-22	May-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Transportation	3.85%	2.00%	23.98%	25.95%	19.62%	21.28%	-2.64%	7.21%
Private trans.	4.09%	1.65%	20.55%	23.49%	19.82%	22.81%	-1.75%	7.62%
Public trans.	-0.42%	8.60%	115.85%	86.65%	23.73%	1.76%	-12.79%	3.87%
New vehicles	0.65%	0.96%	11.60%	6.73%	11.43%	11.76%	1.94%	3.49%
Used cars & trucks	1.61%	1.84%	12.90%	0.74%	7.10%	37.28%	10.02%	10.53%
Motor vehicle maintenance & repair	2.04%	0.46%	12.77%	9.69%	7.88%	4.78%	3.43%	4.02%
Airline fare	-1.82%	12.56%	195.18%	143.41%	34.06%	0.73%	-19.35%	4.71%

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.