

13.Jun.2023

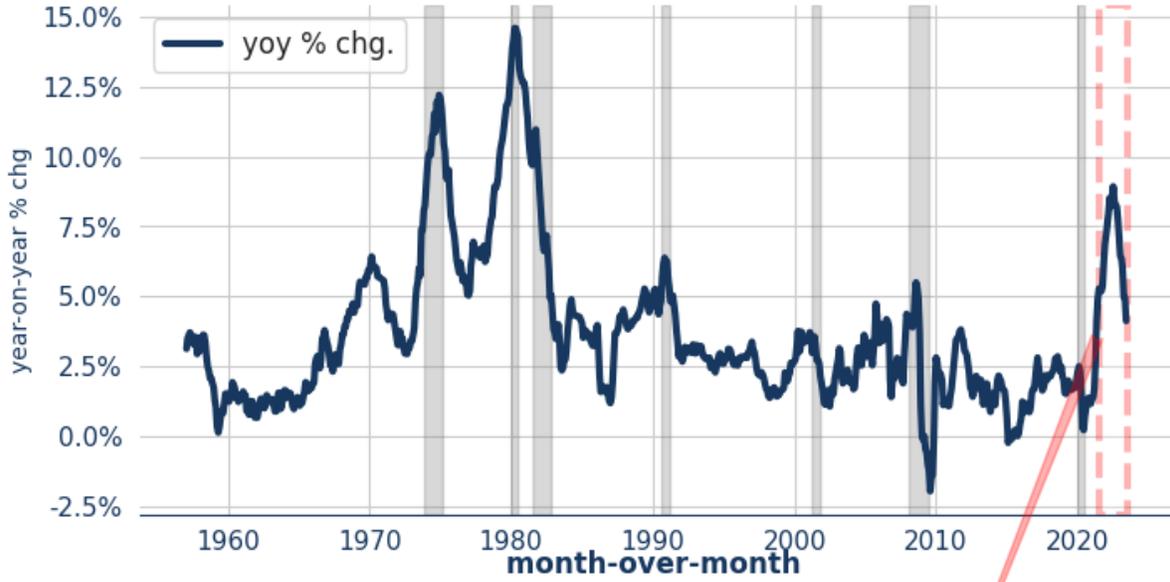
CPI: Services Less Rent Drop Sharply

Bottom Line: Consumer prices rose as expected in May with lower gasoline prices. Core CPI rose 0.44% on the month, slightly faster than in April. Core commodity prices were mostly higher, while services excluding rents were sharply lower. Used car prices were sharply higher, reflecting a lag with the major used car price index, which was higher earlier this year but has dropped most recently. Owner's Equivalent Rent (OER), the largest component of core, was up 0.52%, in line with April. OER was still historically high but remained consistent with the lag between it and actual home prices and rents. Finally, prices for medical care services surged for the second month, while transportation services were lower, led by lower airfares.

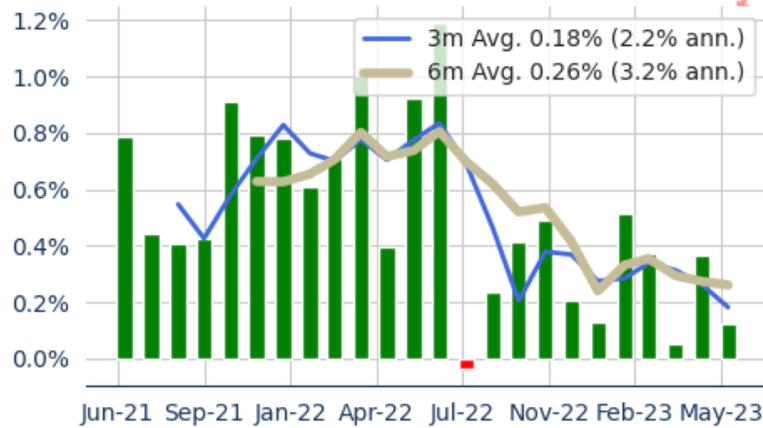
Overall, while pockets of core price pressures remain, the "services less shelter" category, often cited by Fed Chair Powell, fell sharply and remained firmly in a downtrend, now down -0.6% annualized in the last three months and up just 2.3% annualized in the last six. And shelter prices are still on track to slowly deflate later this year, consistent with the long lag between actual rents and the imputed rent in CPI.

CPI All Items

Year-on-year in May: +4.13%, consensus: +4.1%

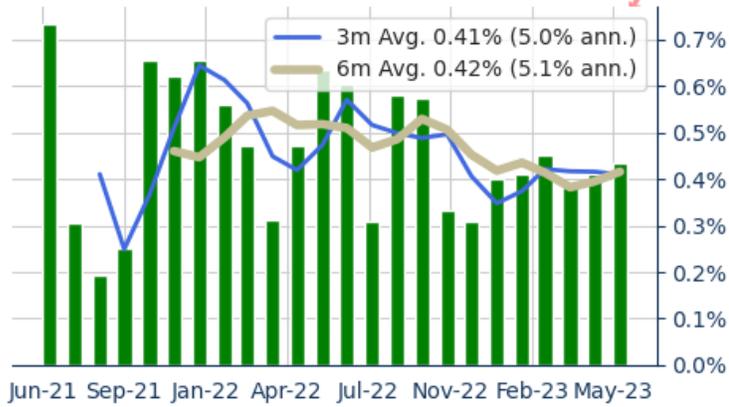


May: +0.12%, consensus: +0.1%



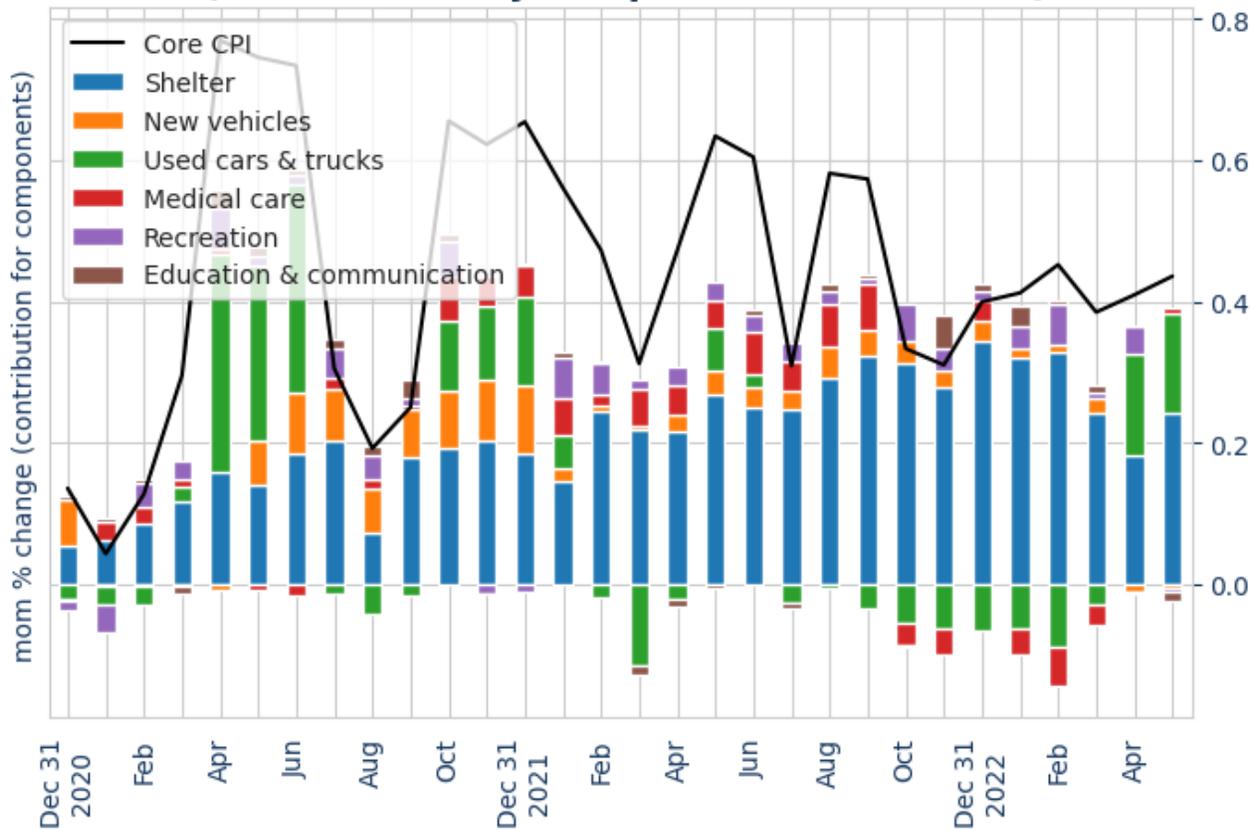
Core CPI

Year-on-year in May: +5.33%, consensus: +5.2%

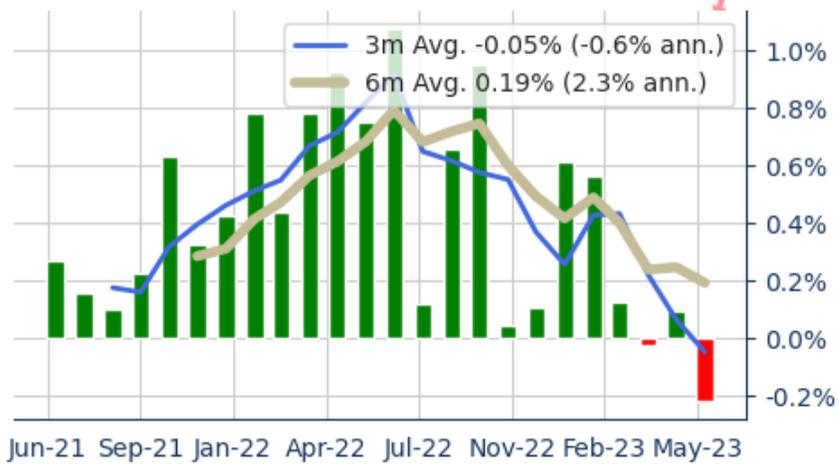
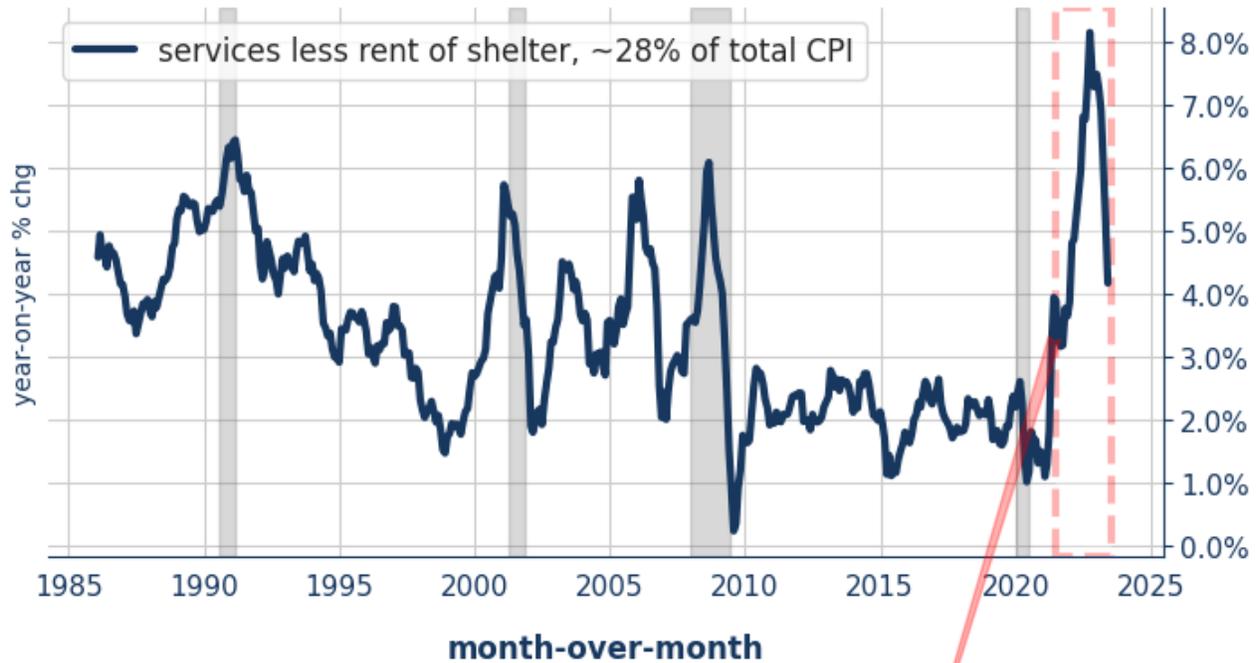


Contingent Macro Advisors 2023 source: US BEA

Monthly Core CPI (contribution by component shaded bars)

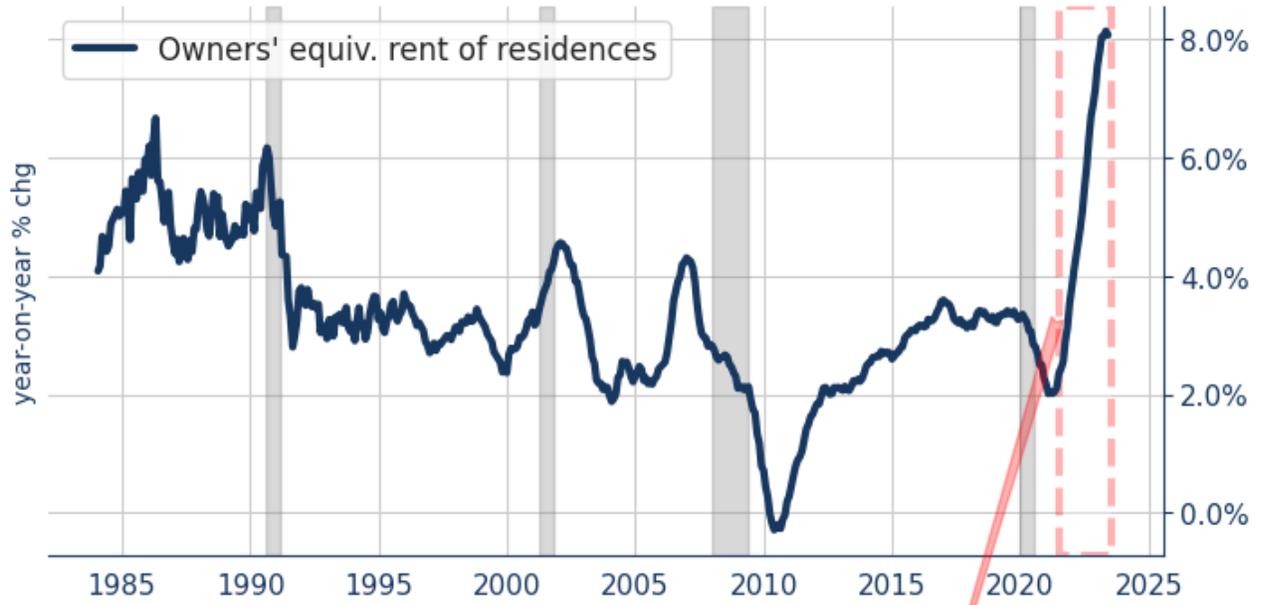


Services less rent a focus of Fed Chair Powell

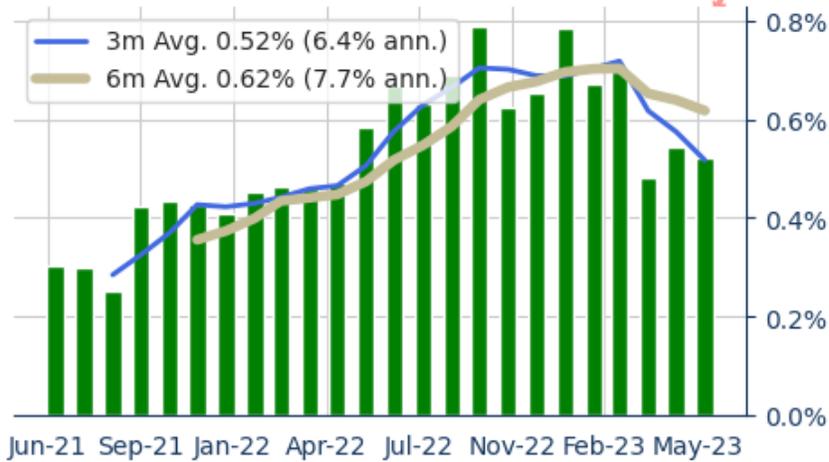


Contingent Macro Advisors 2023 source: US BEA

Owners' equiv. rent of residences

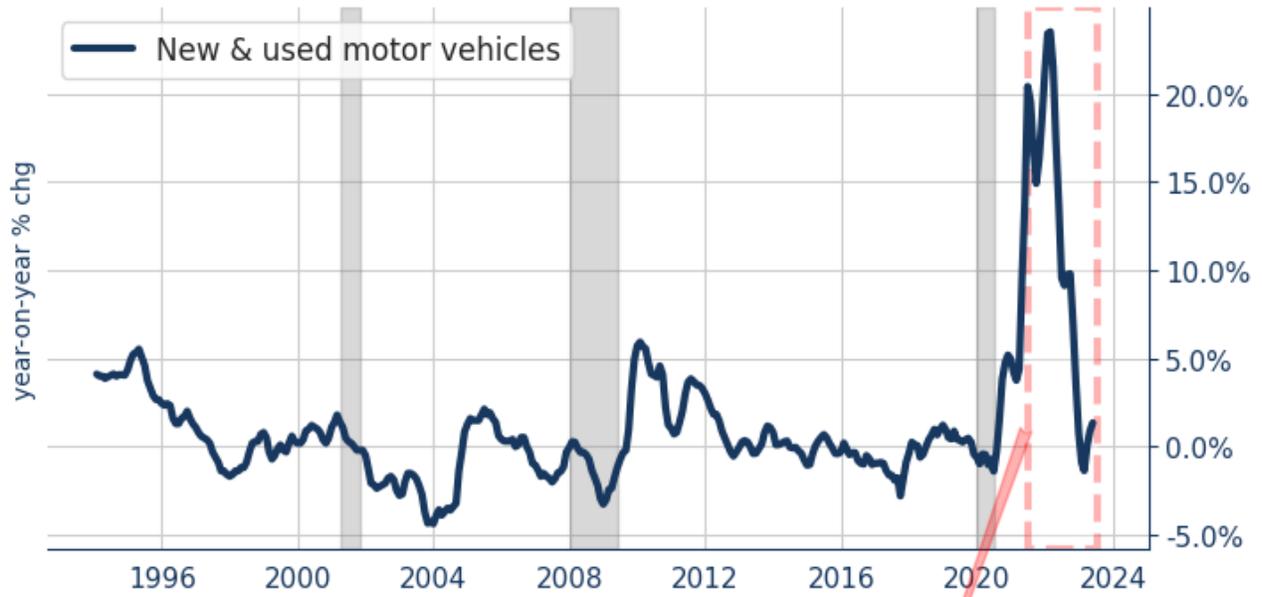


month-over-month % change



Contingent Macro Advisors 2023 source: US BEA

New & used motor vehicles



month-over-month % change

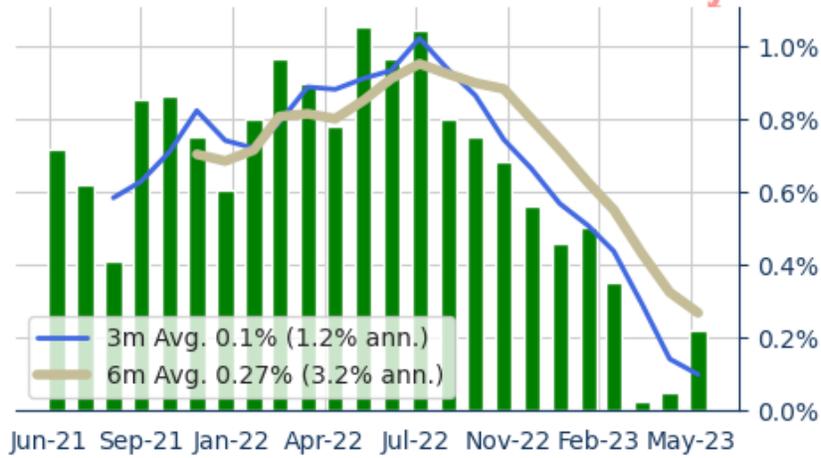
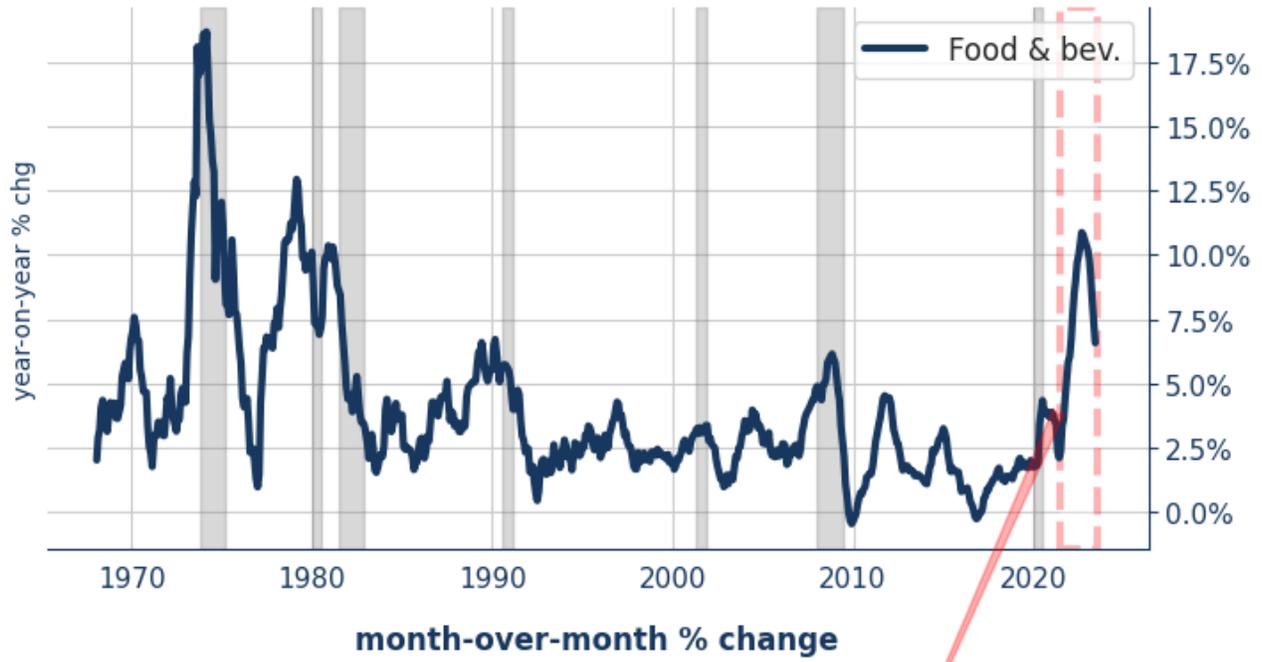


Fuels & utilities



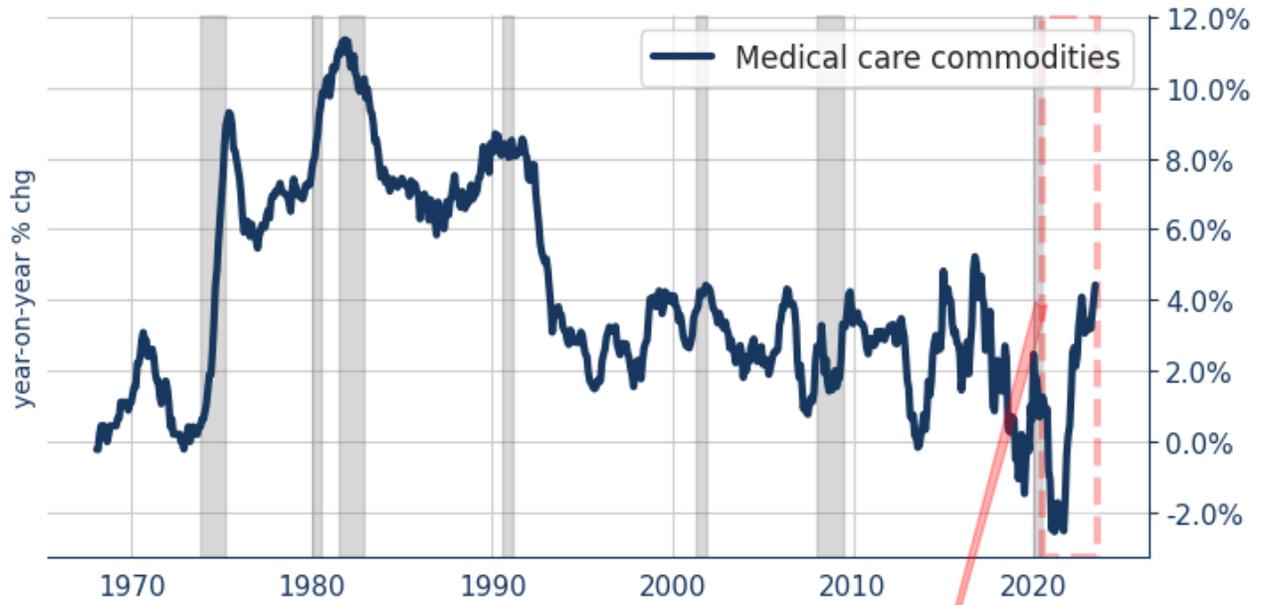
Contingent Macro Advisors 2023 source: US BEA

Food & bev.

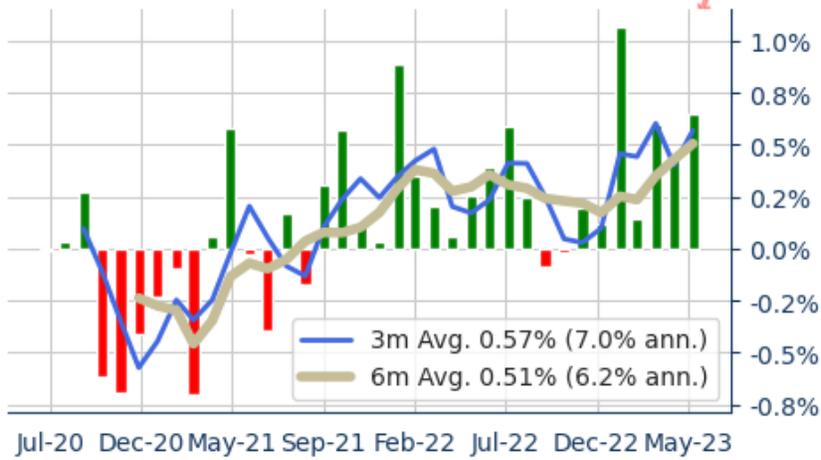


Contingent Macro Advisors 2023 source: US BEA

Medical care commodities

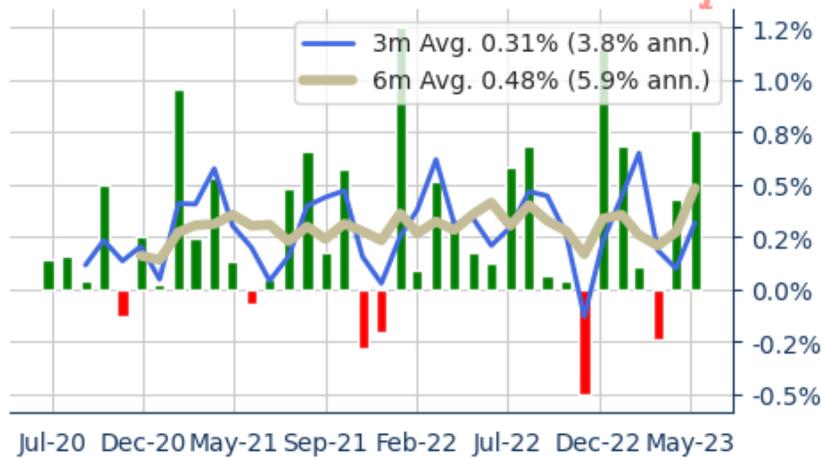


month-over-month % change



Contingent Macro Advisors 2023 source: US BEA

Hospital & related serv.



Contingent Macro Advisors 2023 source: US BEA

US Consumer Price Inflation	May-23	Apr-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
CPI All Items	0.12%	0.37%	2.20%	3.17%	4.13%	6.44%	7.19%	4.00%
Core CPI (79.6%)	0.44%	0.41%	5.03%	5.10%	5.33%	5.70%	5.52%	3.67%
Motor fuel (3.4%)	-5.57%	2.80%	-26.85%	-21.02%	-19.96%	-0.53%	50.05%	6.22%
Energy serv. (3.3%)	-1.39%	-1.68%	-19.54%	-6.14%	1.62%	15.60%	10.34%	4.61%
Food & bev. (13.5%)	0.22%	0.05%	1.18%	3.24%	6.58%	10.19%	6.04%	4.98%
Shelter (34.6%)	0.56%	0.42%	6.32%	7.91%	8.03%	7.48%	4.18%	4.26%
Medical care	0.08%	-0.03%	-0.99%	-1.77%	0.72%	4.00%	2.23%	2.39%

(7.9%)								
New vehicles (4.3%)	-0.12%	-0.22%	0.17%	2.06%	4.66%	5.89%	11.78%	4.26%
Used cars & trucks (2.6%)	4.42%	4.45%	36.58%	2.05%	-4.22%	-8.59%	37.73%	8.48%
Transportation serv. (5.9%)	0.84%	-0.18%	8.42%	9.71%	10.31%	14.38%	4.33%	4.18%
Education & communication (5.8%)	-0.16%	0.03%	0.12%	1.16%	1.45%	0.75%	1.62%	1.26%
Recreation (5.4%)	-0.07%	0.55%	2.35%	4.39%	4.56%	5.14%	3.26%	2.68%
Apparel (2.6%)	0.29%	0.27%	3.36%	5.47%	3.47%	2.91%	5.71%	1.10%
Other goods & serv. (2.7%)	0.53%	0.93%	8.08%	7.00%	6.67%	6.35%	4.46%	4.11%

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 - Food & Bev Categories	May-23	Apr-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Food & bev. (13.5% total CPI)	0.22%	0.05%	1.18%	3.24%	6.58%	10.19%	6.04%	4.98%
Cereals & bakery prods (1.2%)	-0.01%	0.15%	3.05%	5.29%	10.71%	16.10%	4.81%	5.70%
Meats, poultry, fish, & eggs	-1.20%	-0.34%	-11.18%	-3.11%	0.34%	7.64%	12.55%	5.31%
Dairy & related prods (0.8%)	-1.12%	-0.73%	-7.51%	-3.21%	4.62%	15.43%	1.81%	4.75%
Fruits & vegetables (1.5%)	1.31%	-0.54%	-2.27%	-1.89%	2.75%	8.54%	5.12%	3.05%
Nonalcoholic bev. & beverage materials (1.1%)	0.75%	-0.07%	3.72%	5.64%	8.68%	12.65%	5.20%	5.58%
Other food at home (2.4%)	0.35%	0.18%	3.98%	5.29%	9.18%	13.97%	5.64%	5.59%
Food away from home (4.8%)	0.47%	0.37%	5.90%	6.31%	8.27%	8.25%	6.01%	5.26%

lessons or instructions (0.2%)	0.14%	4.97%	21.09%	17.33%	12.21%	7.84%	2.95%	4.64%
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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. Pet food includes all related to pets.

US CPI - Medical	May-23	Apr-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Medical care (7.9% total CPI)	0.08%	-0.03%	-0.99%	-1.77%	0.72%	4.00%	2.23%	2.39%
Medical care commodities (1.5%)	0.65%	0.46%	7.04%	6.23%	4.42%	3.21%	0.45%	1.33%
Prof. serv. (3.6%)	-0.03%	0.11%	0.49%	-0.39%	1.99%	2.96%	3.30%	1.97%
Hospital & related serv. (2.2%)	0.76%	0.43%	3.83%	5.92%	3.94%	4.57%	3.27%	3.32%
Health insurance (0.7%)	-3.68%	-3.81%	-37.83%	-37.10%	-20.45%	7.88%	-1.16%	2.10%

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.