

13.Sep.2023

CPI: Cooler But Less Clear On Future Disinflation

Bottom Line: Consumer prices rose nearly as expected in August at the headline level, driven by higher gasoline prices. Core prices rose a bit more than expected, with an upside surprise in transportation services (mostly airfares). Owner's Equivalent Rent (OER), the largest component of the core, was the biggest driver of the increase, up 0.29%, the slowest reading of this cycle, meaning lower prices last year are finally starting to come through in OER. Services less rent, a favored indicator of Fed Chair Powell, accelerated with a nearly 0.5% reading in August, now up 3.3% annualized in the last three months. Finally, used car and truck prices were lower again, a deflationary force for several months now that looks unlikely to persist.

Overall, this report showed continued easing in inflation pressures in the medium- and longer-term trends. However, looking through the details, it is becoming less clear where more disinflation will come, potentially leaving the core run rate around 3% annualized without more downside surprises.

CPI All Items

Year-on-year in August: +3.71%, consensus: +3.6%

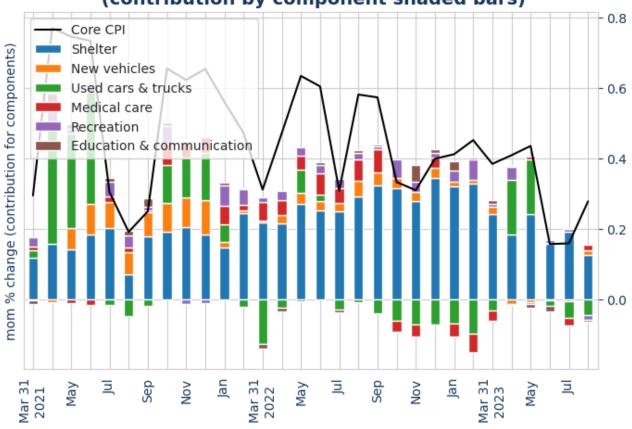


Core CPI

Year-on-year in August: +4.39%, consensus: +4.3%



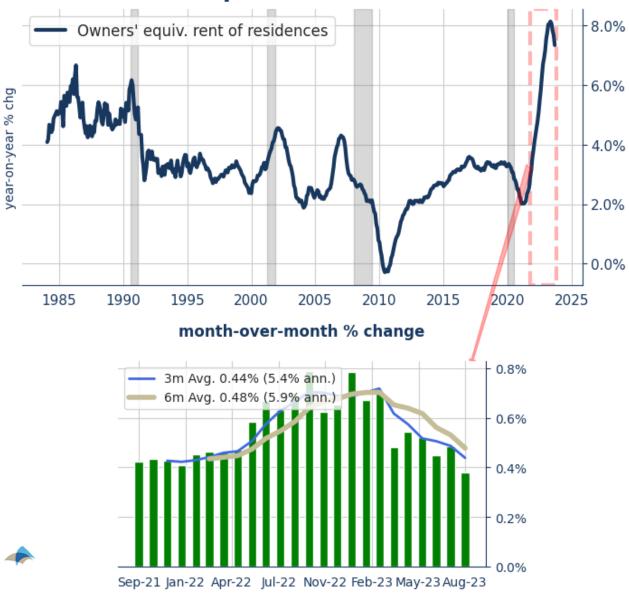
Monthly Core CPI (contribution by component shaded bars)



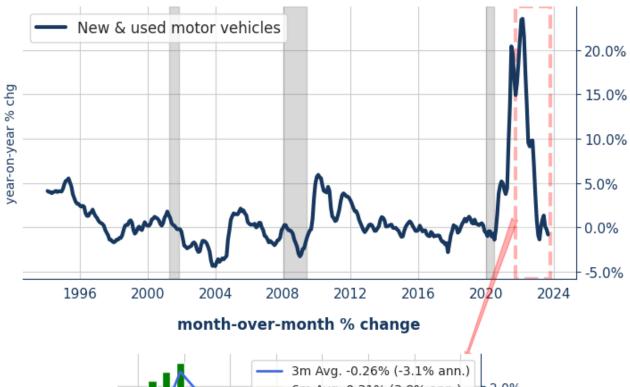
Services less rent a focus of Fed Chair Powell

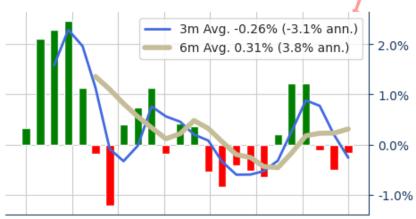


Owners' equiv. rent of residences



New & used motor vehicles





Sep-21 Jan-22 Apr-22 Jul-22 Nov-22 Feb-23 May-23 Aug-23

Fuels & utilities 20.0% 15.0% year-on-year % chg 10.0% 5.0% 0.0% -5.0% Fuels & utilities -10.0% 1990 2020 1960 1970 1980 2000 2010 month-over-month % change 2.0% 1.0% 0.0% 3m Avg. 0.35% (4.3% ann.) -1.0% 6m Avg. -0.49% (-5.7% ann.)

Sep-21 Jan-22 Apr-22 Jul-22 Nov-22 Feb-23 May-23 Aug-23

Food & bev. Food & bev. - 17.5% 15.0% year-on-year % chg 12.5% - 10.0% 7.5% 5.0% 2.5% 0.0% 1970 2020 1980 1990 2000 2010 month-over-month % change 3m Avg. 0.19% (2.3% ann.) - 1.0% 6m Avg. 0.14% (1.7% ann.) 0.8% 0.6% 0.4% 0.2%

Sep-21 Jan-22 Apr-22 Jul-22 Nov-22 Feb-23 May-23 Aug-23

0.0%

Medical care commodities



Dec-20 May-21 Sep-21 Feb-22 Jul-22 Dec-22 May-23 Oct-23

Hospital & related serv.



Dec-20 May-21 Sep-21 Feb-22 Jul-22 Dec-22 May-23 Oct-23

Conti	ngent Macro A	40VISUIS 202	5 Source: US BE	-A				
US Consumer Price Inflation	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
CPI All Items	0.63%	0.17%	3.98%	3.09%	3.71%	6.44%	7.19%	4.23%
Core CPI (79.6%)	0.28%	0.16%	2.41%	3.71%	4.39%	5.70%	5.52%	3.81%
Motor fuel (3.5%)	10.66%	0.16%	56.73%	7.07%	-3.73%	-0.53%	50.05%	9.34%
Energy serv. (3.3%)	0.22%	-0.13%	1.81%	-9.49%	-2.77%	15.60%	10.34%	4.72%
Food & bev. (13.4%)	0.23%	0.23%	2.26%	1.72%	4.22%	10.19%	6.04%	5.12%
Shelter (34.7%)	0.29%	0.44%	4.47%	5.39%	7.25%	7.48%	4.18%	4.53%
Medical care	0.15%	-0.23%	-0.23%	-0.61%	-0.96%	4.00%	2.23%	2.38%

(7.8%)								
New vehicles (4.3%)	0.27%	-0.08%	0.63%	0.40%	2.92%	5.89%	11.78%	4.29%
Used cars & trucks (2.8%)	-1.23%	-1.34%	-11.44%	9.98%	-6.64%	-8.59%	37.73%	7.63%
Transportation serv. (5.9%)	0.96%	0.24%	6.43%	9.20%	10.35%	14.58%	4.19%	4.82%
Education & communication (5.7%)	-0.04%	0.05%	-0.93%	-0.41%	1.04%	0.75%	1.62%	1.21%
Recreation (5.4%)	-0.22%	0.12%	0.04%	1.19%	3.55%	5.14%	3.26%	2.69%
Apparel (2.5%)	0.20%	-0.03%	1.97%	2.66%	3.09%	2.91%	5.71%	1.20%
Other goods & serv. (2.7%)	0.44%	0.10%	2.83%	5.42%	5.75%	6.35%	4.46%	4.28%

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.

noted: 5- and 10-year are simple averages of annual % changes.										
US CPI - Food & Bev Categories	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y		
Food & bev. (13.4% total CPI)	0.23%	0.23%	2.26%	1.72%	4.22%	10.19%	6.04%	5.12%		
Cereals & bakery prods (1.2%)	0.45%	0.02%	2.16%	2.61%	5.99%	16.10%	4.81%	5.84%		
Meats, poultry, fish, & eggs	0.75%	0.48%	3.29%	-4.21%	0.04%	7.64%	12.55%	5.51%		
Dairy & related prods (0.8%)	-0.43%	0.46%	-1.09%	-4.35%	0.31%	15.43%	1.81%	4.68%		
Fruits & vegetables (1.5%)	-0.20%	0.44%	4.00%	0.82%	2.08%	8.54%	5.12%	3.28%		
Nonalcoholic bev. & beverage materials (1.0%)	-0.18%	0.02%	-0.87%	1.40%	4.81%	12.65%	5.20%	5.52%		
Other food at home (2.3%)	0.24%	0.19%	0.78%	2.37%	4.49%	13.97%	5.64%	5.64%		
Food away from home (4.8%)	0.34%	0.17%	3.67%	4.78%	6.54%	8.25%	6.01%	5.49%		
Alc. bevs.										

away from home (0.3%)	0.03%	0.16%	2.89%	5.65%	5.98%	6.85%	3.73%	3.74%	
1101110 (0.070)									

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.

noted. 5- and 10-year are simple averages of annual 70 changes.												
US CPI - Transportation	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5 y				
Transportation serv. (5.9% total CPI)	2.65%	-0.10%	11.25%	6.36%	1.62%	3.71%	21.69%	6.09%				
Private trans.	2.59%	0.19%	13.86%	7.75%	2.16%	3.02%	23.20%	6.65%				
Public trans. (0.8%)	3.86%	-6.30%	-32.24%	-19.37%	-9.43%	19.62%	2.85%	-0.06%				
New vehicles (4.3%)	0.27%	-0.08%	0.63%	0.40%	2.92%	5.89%	11.78%	4.29%				
Used cars & trucks (2.8%)	-1.23%	-1.34%	-11.44%	9.98%	-6.64%	-8.59%	37.73%	7.63%				
Motor vehicle maintenance & repair (1.1%)	1.09%	1.03%	14.72%	10.36%	11.97%	13.02%	4.78%	7.02%				
Airline fares	4.89%	-8.09%	-38.43%	-24.16%	-13.29%	29.14%	1.56%	-0.50%				

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. NOTE - Transportation and Private Trans. includes fuel as well as services like vehicle insurance and licensing fees.

trans. Includes luci as well as services like vehicle insurance and licensing lees.											
US CPI - Energy	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y			
Fuels & utilities	0.61%	0.16%	4.34%	-5.71%	-1.33%	13.50%	9.54%	4.68%			
Household energy (3.5%)	0.65%	0.06%	3.99%	-8.77%	-3.36%	16.16%	11.56%	4.91%			
Motor fuel (3.5%)	10.66%	0.16%	56.73%	7.07%	-3.73%	-0.53%	50.05%	9.34%			
Fuel oil & other fuels (0.2%)	8.39%	3.69%	50.98%	4.80%	-12.37%	26.04%	38.42%	8.50%			
Electricity (2.6%)	0.25%	-0.72%	1.89%	-3.95%	2.10%	14.38%	6.46%	4.56%			
Utility (piped) gas service (0.7%)	0.12%	1.95%	1.56%	-25.37%	-16.49%	19.28%	24.04%	5.17%			

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.

		o and io	your are enri	pie arciag	oo or armac	21 /0 Ollange		
US CPI - Housing Related	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y

Shelter (34.7% total CPI)	0.29%	0.44%	4.47%	5.39%	7.25%	7.48%	4.18%	4.53%
Rent of primary residence (7.6%)	0.48%	0.42%	5.61%	5.97%	7.76%	8.36%	3.34%	4.81%
Lodging away from home (1.2%)	-2.97%	-0.34%	-19.38%	-7.60%	3.02%	2.85%	24.04%	2.77%
Owners' equiv. rent of residences (25.5%)	0.38%	0.49%	5.39%	5.89%	7.32%	7.53%	3.79%	4.57%
Household energy (3.5%)	0.65%	0.06%	3.99%	-8.77%	-3.36%	16.16%	11.56%	4.91%
Household furnishings & operations (4.3%)	0.17%	-0.06%	-0.05%	-0.07%	2.19%	6.72%	7.41%	4.17%

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.

			ar are entipi			,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
US CPI - Recreation	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Recreation (5.4% total CPI)	-0.22%	0.12%	0.04%	1.19%	3.55%	5.14%	3.26%	2.69%
TV, radio subs. (1.0%)	0.53%	0.54%	4.69%	5.86%	6.30%	3.93%	2.82%	4.22%
Pet food (1.2%)	-0.09%	-0.16%	-1.92%	7.03%	8.65%	15.18%	2.38%	5.40%
Toys (0.3%)	0.49%	-2.94%	-10.93%	-4.79%	-2.86%	1.27%	1.83%	-1.98%
Music instruments & accessories (0.1%)	-0.68%	-0.47%	6.09%	8.35%	8.43%	5.51%	5.87%	4.38%
Club, gyms etc. (0.1%)	0.11%	0.83%	3.16%	1.50%	4.58%	5.23%	1.76%	2.42%
Entertainment tickets (0.4%)	-0.12%	0.08%	1.82%	5.56%	5.16%	6.47%	4.87%	3.93%
Fees for lessons or instructions (0.2%)	-2.54%	1.12%	-5.42%	7.02%	9.31%	7.84%	2.95%	4.30%

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.

	. ,				J			
US CPI - Medical	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5у
Medical care (7.8% total CPI)	0.15%	-0.23%	-0.23%	-0.61%	-0.96%	4.00%	2.23%	2.38%
Medical care commodities (1.5%)	0.56%	0.51%	5.13%	6.08%	4.45%	3.21%	0.45%	1.60%
Prof. serv. (3.5%)	0.57%	0.27%	4.49%	2.47%	1.86%	2.96%	3.30%	2.21%
Hospital & related serv. (2.3%)	0.77%	-0.16%	3.90%	3.87%	3.49%	4.57%	3.27%	3.55%

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.