

11.May.2022

CPI: Services Jump Even As Year-on-Year Pressure Eases

Bottom Line: Core CPI rose more than expected in April even as headline price pressures eased with slightly lower energy prices. Year-on-year comparisons for core and headline readings now calibrate off very high readings a year ago, suggesting we should continue to see easing in the year-on-year figures.

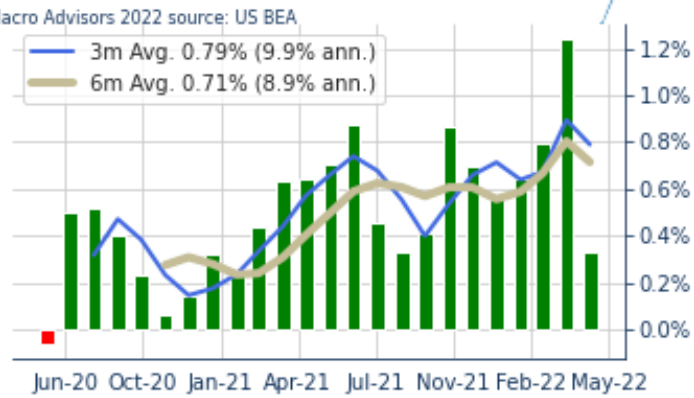
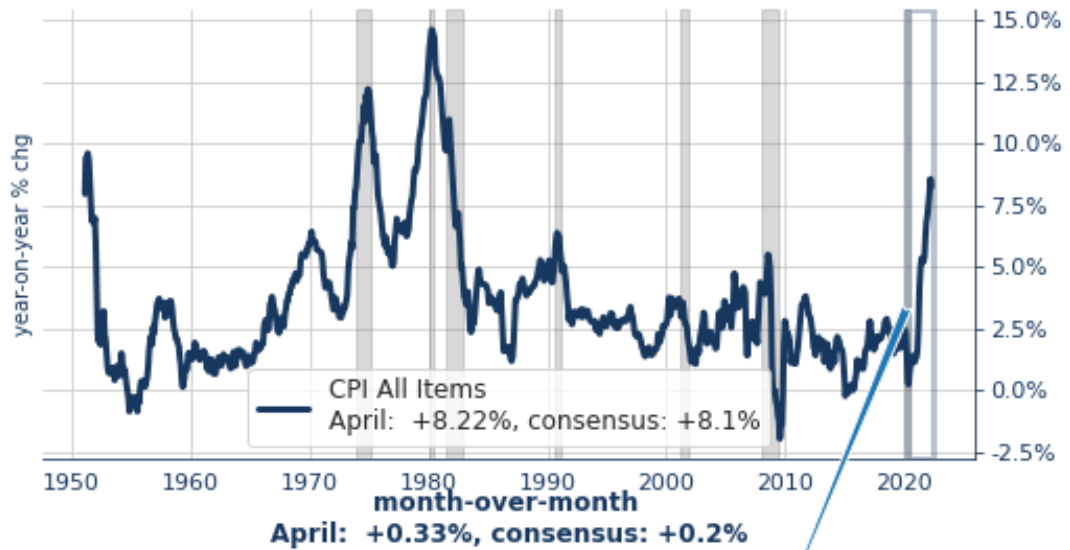
Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, continued to drive core higher. It rose 0.45%, in line with the recent trend and consistent with its historical lag with home prices. OER historically lags home price moves by over a year, and the acceleration should last through the 2nd Quarter. It rose 5.48% annualized in the three months ended in February vs. 4.8% over the last 12 months and just 3.8% in 2021 and 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 showed only a slight rebound after declines in March. Consumers continue to shift back towards services after massive goods consumption during the pandemic. Clothing and used car prices were lower again, while new car prices rose amid continued slow production due to supply chain constraints. Services prices jumped, led by a massive increase in airfares ahead of the summer travel season. Moreover, medical care services were sharply higher for the second month. Medical care services were historically a significant driver of core prices before the pandemic, so we're watching this acceleration closely for signs that it will persist and hold up core prices longer than expected. We now have two months

Overall, core inflation pressures will remain significant well into the 2nd Half of the year, buoyed by services prices as consumers shift back towards goods consumption.

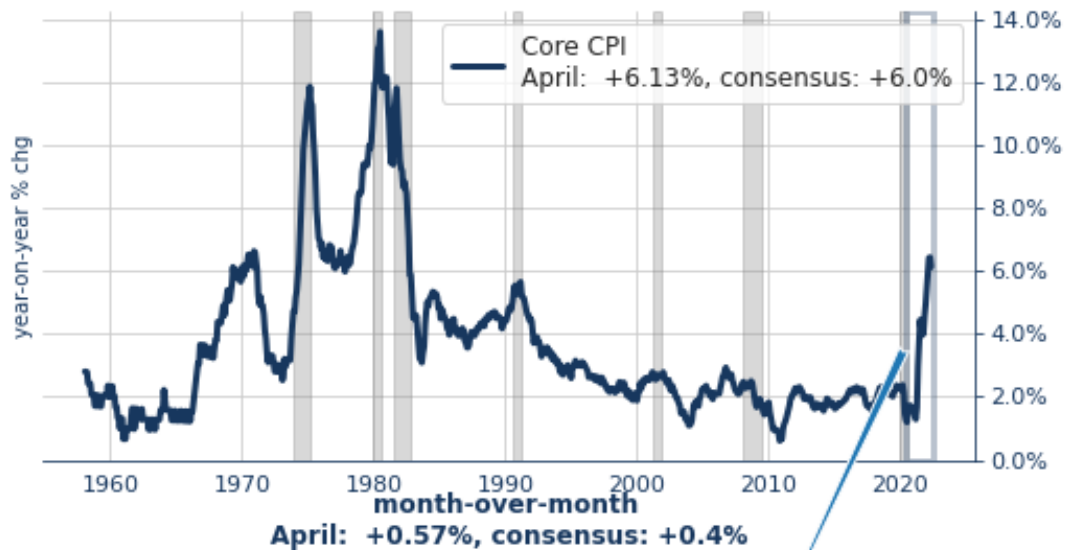
CPI All Items

April: +8.22%, consensus: +8.1%

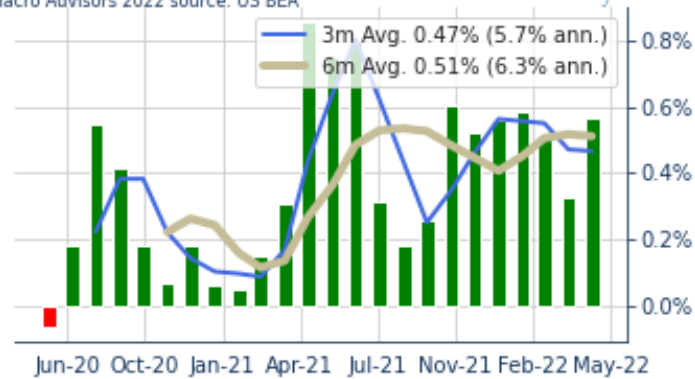


Core CPI

April: +6.13%, consensus: +6.0%



Contingent Macro Advisors 2022 source: US BEA



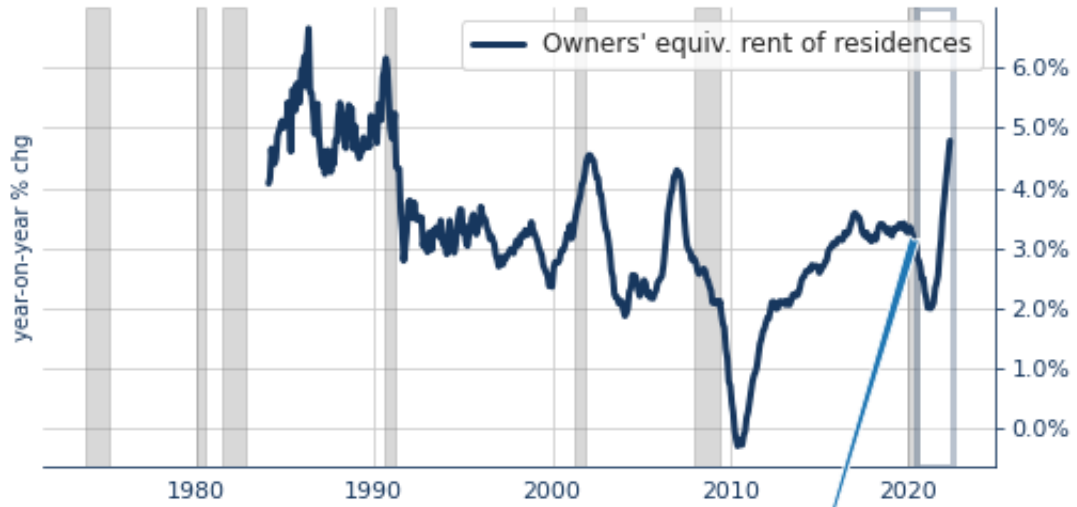
The CPI ROSE by 0.33% in April, compared with market expectations for an increase of 0.20%.

- Food prices increased by 0.87% while energy prices fell by 2.7%. Prices for gasoline fell by 6.1% while prices for fuel oil increased by 3.7%, prices for electricity climbed by 0.7%, and prices for natural gas rose by 3.1%.
- Energy prices are now 30.2% ABOVE their year-ago level.

Overall consumer prices are now 8.2% ABOVE their year-ago level; in April 2021, consumer prices were 4.2% ABOVE their year-ago level.

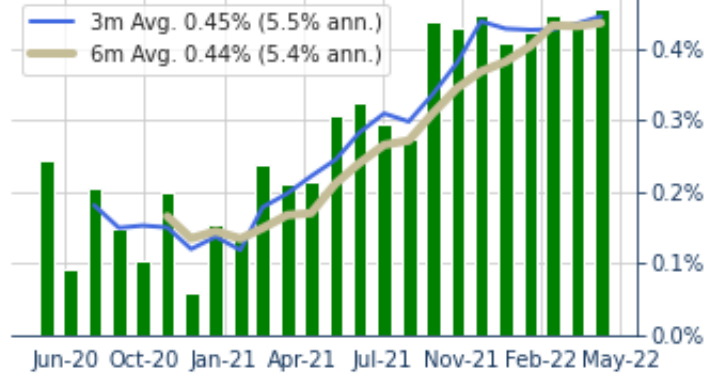
The Core CPI ROSE by 0.57%, compared with market expectations for an increase of 0.40%.

Owners' equiv. rent of residences

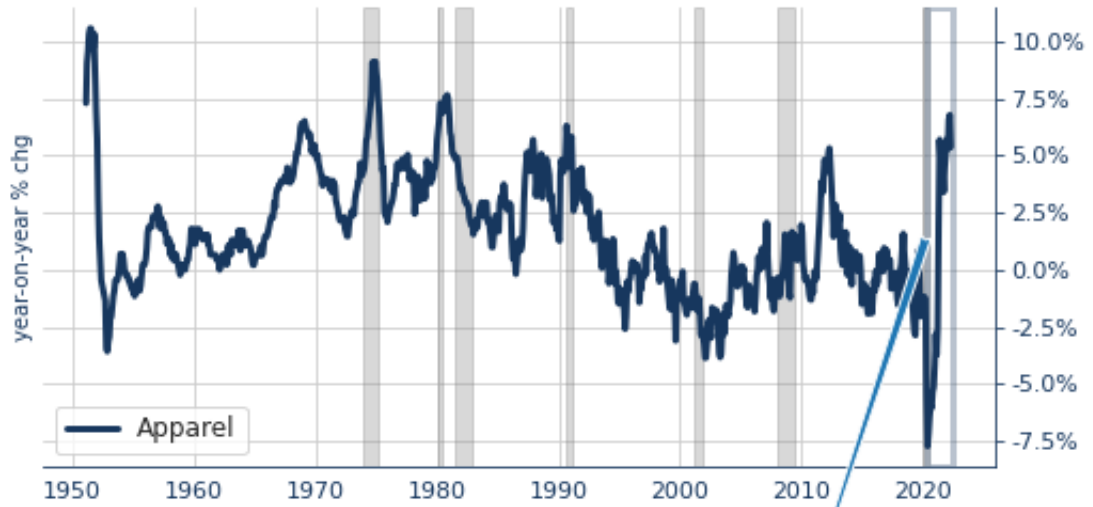


month-over-month % change

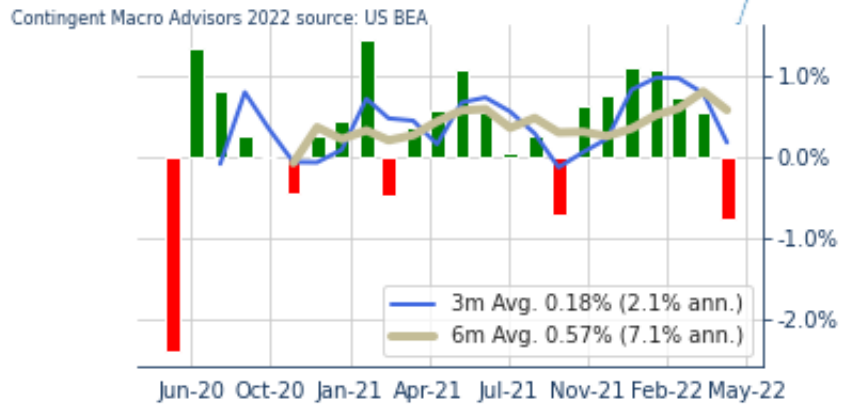
Contingent Macro Advisors 2022 source: US BEA



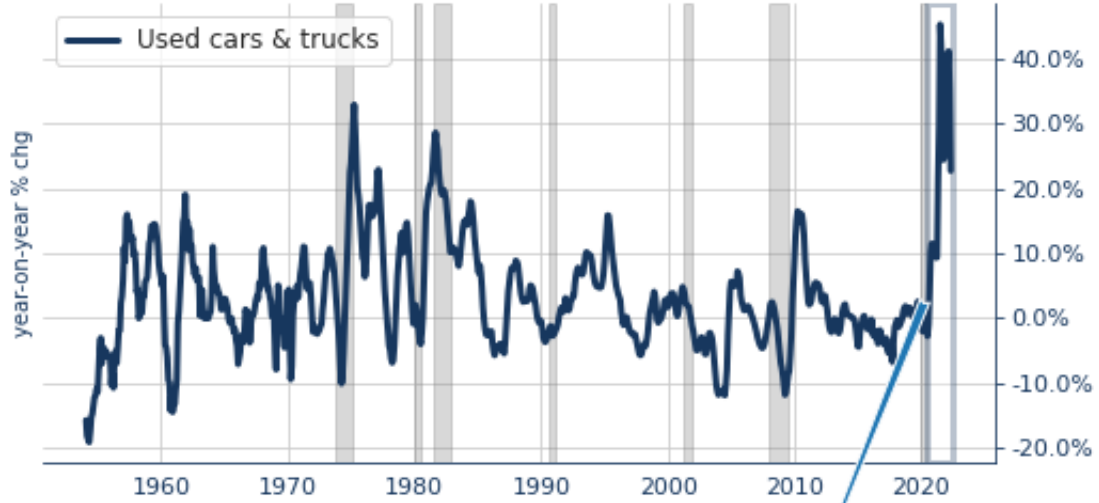
Apparel



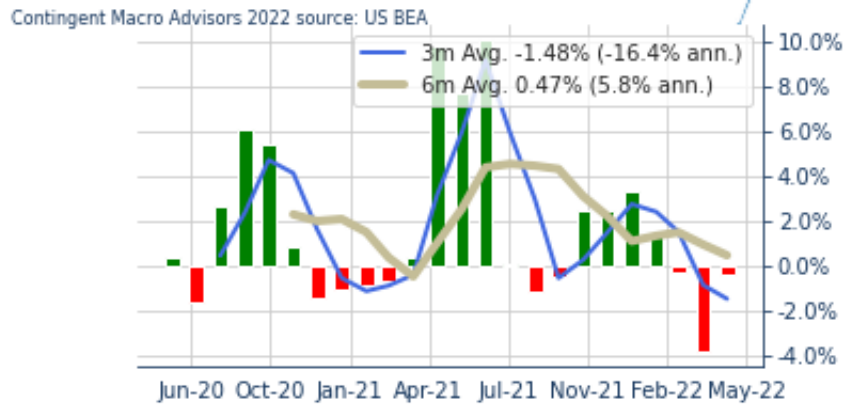
month-over-month % change



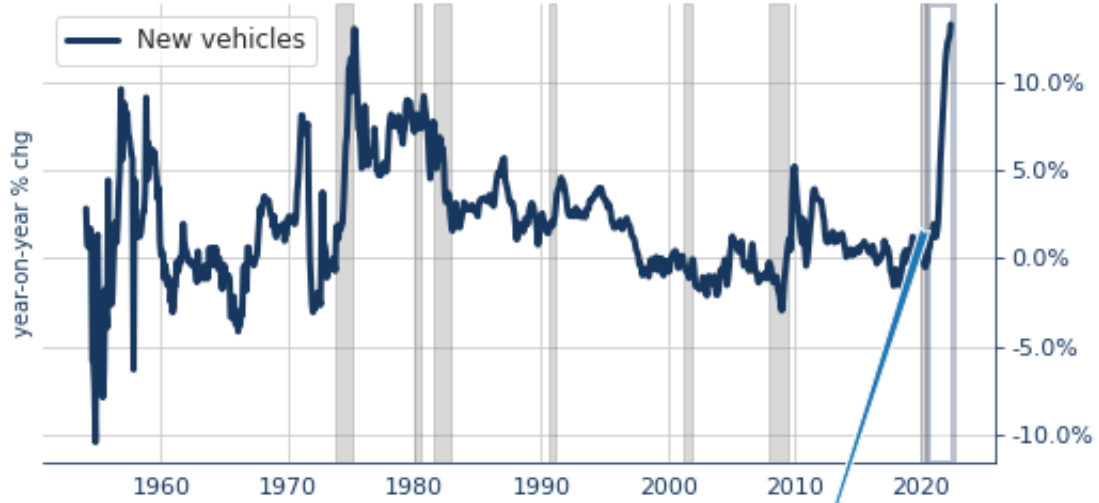
Used cars & trucks



month-over-month % change



New vehicles



month-over-month % change



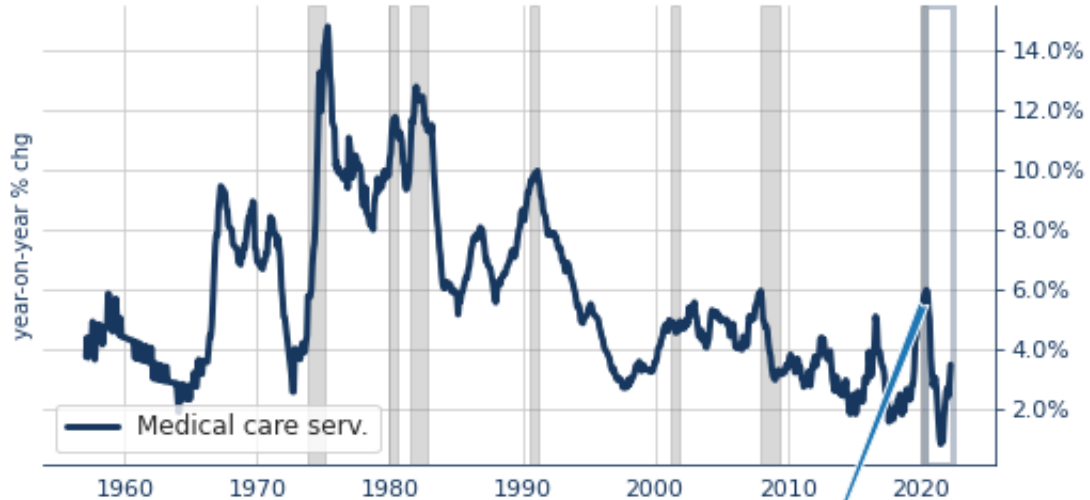
Airline fare



month-over-month % change

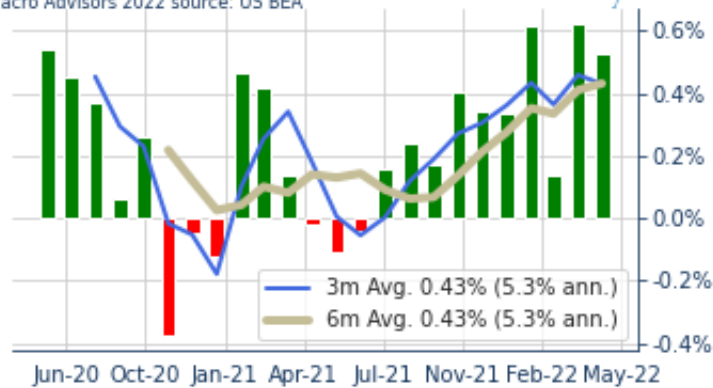


Medical care serv.



month-over-month % change

Contingent Macro Advisors 2022 source: US BEA



US Consumer Price Inflation	Apr-22	Mar-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
CPI All Items	0.33%	1.24%	9.90%	8.92%	8.22%	7.10%	1.28%	3.30%
Core CPI (79.0%)	0.57%	0.32%	5.74%	6.31%	6.13%	5.48%	1.60%	2.84%
Motor fuel (4.0%)	-5.81%	18.26%	99.77%	55.75%	44.02%	49.24%	-15.39%	11.34%
Energy serv. (3.4%)	1.31%	1.80%	11.19%	12.85%	13.69%	10.14%	2.44%	3.80%
Food & bev. (13.4%)	0.84%	0.96%	11.79%	10.09%	9.00%	6.00%	3.84%	3.59%
Shelter (32.7%)	0.51%	0.51%	6.35%	5.64%	5.14%	4.18%	1.84%	3.03%
Medical care (8.4%)	0.44%	0.55%	4.76%	4.95%	3.23%	2.17%	1.78%	2.60%

New vehicles (4.1%)	1.14%	0.18%	6.75%	8.26%	13.21%	11.76%	1.94%	3.11%
Used cars & trucks (4.2%)	-0.38%	-3.80%	-16.50%	5.41%	22.73%	37.28%	10.02%	9.51%
Public trans. (0.8%)	12.07%	7.09%	138.56%	67.69%	21.75%	1.76%	-12.79%	2.07%
Education & communication (6.3%)	-0.17%	-0.17%	-1.28%	-0.27%	1.03%	1.63%	1.97%	1.01%
Recreation (5.1%)	0.42%	0.24%	5.72%	4.00%	4.30%	3.27%	0.94%	1.88%
Apparel (2.6%)	-0.75%	0.56%	2.10%	7.08%	5.38%	5.71%	-4.17%	0.30%
Other goods & serv. (2.7%)	0.43%	0.50%	8.24%	7.19%	5.71%	4.46%	2.40%	2.98%

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	Apr-22	Mar-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Fuels & utilities	1.20%	2.00%	13.89%	13.18%	12.96%	9.36%	2.10%	4.00%
Household energy (3.6%)	1.47%	2.59%	17.15%	15.92%	15.87%	11.33%	1.63%	4.24%
Motor fuel (4.0%)	-5.81%	18.26%	99.77%	55.75%	44.02%	49.24%	-15.39%	11.34%
Fuel oil & other fuels (0.2%)	3.73%	15.73%	166.76%	77.24%	58.80%	37.69%	-13.50%	12.67%
Electricity (2.5%)	0.70%	2.21%	7.42%	14.01%	11.05%	6.20%	1.99%	3.01%
Utility (piped) gas service (0.9%)	3.14%	0.58%	23.10%	9.71%	22.74%	23.96%	3.98%	6.64%

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	Apr-22	Mar-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Shelter (32.7% total CPI)	0.51%	0.51%	6.35%	5.64%	5.14%	4.18%	1.84%	3.03%
Rent of primary residence (7.3%)	0.56%	0.43%	6.40%	5.93%	4.82%	3.33%	2.28%	3.16%

Lodging away from home (0.9%)	1.74%	3.28%	32.86%	14.05%	19.67%	24.16%	-9.69%	3.19%
Owners' equiv. rent of residences (24.0%)	0.45%	0.43%	5.48%	5.36%	4.79%	3.80%	2.18%	3.02%
Household energy (3.6%)	1.47%	2.59%	17.15%	15.92%	15.87%	11.33%	1.63%	4.24%
Household furnishings & operations (4.0%)	0.45%	0.96%	8.40%	11.16%	9.89%	7.37%	3.14%	3.60%

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 - Medical	Apr-22	Mar-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Medical care (8.4% total CPI)	0.44%	0.55%	4.76%	4.95%	3.23%	2.17%	1.78%	2.60%
Medical care commodities (1.5%)	0.06%	0.20%	2.45%	3.35%	2.13%	0.45%	-2.48%	0.27%
Prof. serv. (3.5%)	0.04%	0.30%	1.01%	1.86%	1.84%	3.29%	1.88%	1.71%
Hospital & related serv. (2.6%)	0.46%	0.48%	3.77%	3.01%	3.59%	3.26%	3.12%	3.04%

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.

US CPI - Transportation	Apr-22	Mar-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Transportation	-0.38%	3.90%	23.82%	20.08%	19.83%	21.28%	-2.64%	5.69%
Private trans.	-0.96%	3.75%	19.92%	18.14%	20.14%	22.81%	-1.75%	6.10%
Public trans.	12.07%	7.09%	138.56%	67.69%	21.75%	1.76%	-12.79%	2.07%
New vehicles	1.14%	0.18%	6.75%	8.26%	13.21%	11.76%	1.94%	3.11%
Used cars & trucks	-0.38%	-3.80%	-16.50%	5.41%	22.73%	37.28%	10.02%	9.51%
Motor vehicle maintenance & repair	0.53%	-0.34%	7.95%	4.13%	5.25%	4.78%	3.43%	3.44%
Airline fare	18.61%	10.66%	262.86%	117.51%	33.28%	0.73%	-19.35%	2.36%

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.