

10.Jun.2022

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

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

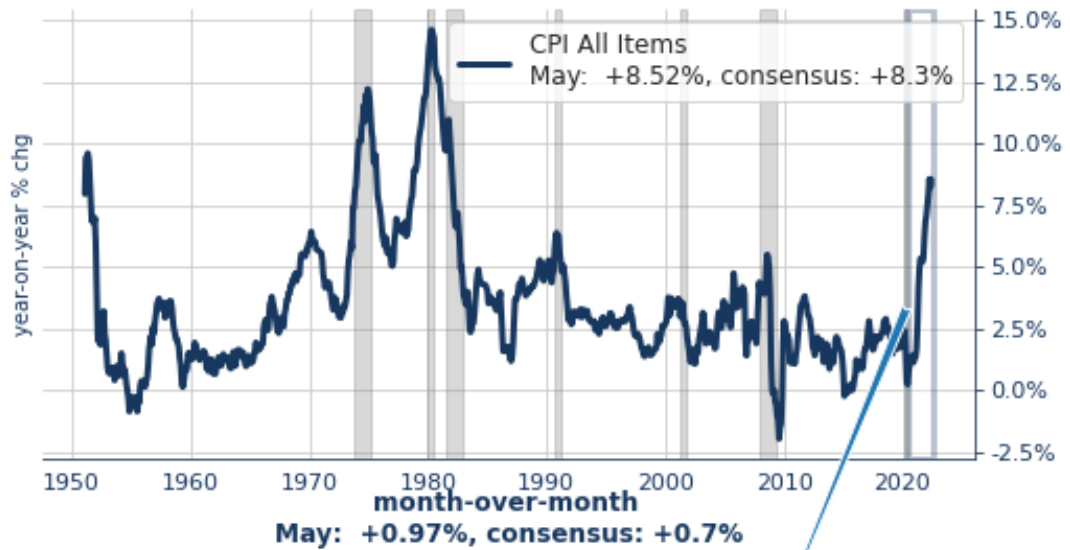
Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, accelerated to 0.6%, the fastest pace this cycle, continuing to drive core higher. OER historically lags home price moves by over a year, and we expected the acceleration to last through the 2nd Quarter. It rose 6.1% annualized in the three months ended in May vs. 5.1% 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 rebounded for the second month. Consumers continue to shift back towards services after massive goods consumption during the pandemic, but clothing and used car prices jumped after declining in April. New car prices rose amid continued slow production due to supply chain constraints. Services prices jumped, led by another massive increase in airfares ahead of the summer travel season. Finally, medical care services were higher for the third month but decelerated slightly. Medical care services were historically a significant driver of core prices before the pandemic, so we remain somewhat concerned that the re-acceleration in 2022 could persist and hold up core prices longer than expected.

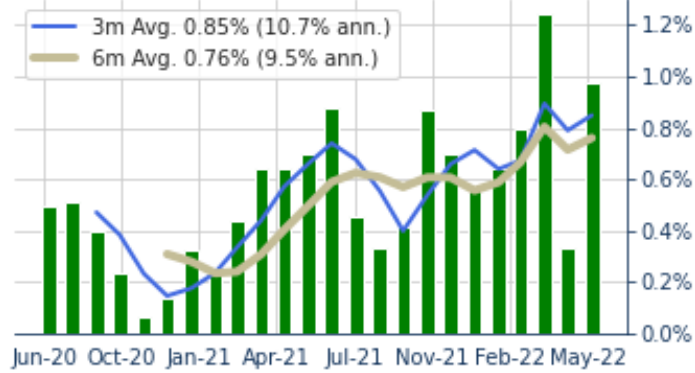
**Overall, we expect core inflation pressures will remain sticky through the summer months, buoyed by services prices as consumers shift away from goods consumption toward services. That said, high goods inventories should begin to offer some downward pressure on prices later this summer just as the lagged impact of housing prices on OER starts to become a source of deceleration on core CPI.**

# CPI All Items

**May: +8.52%, consensus: +8.3%**

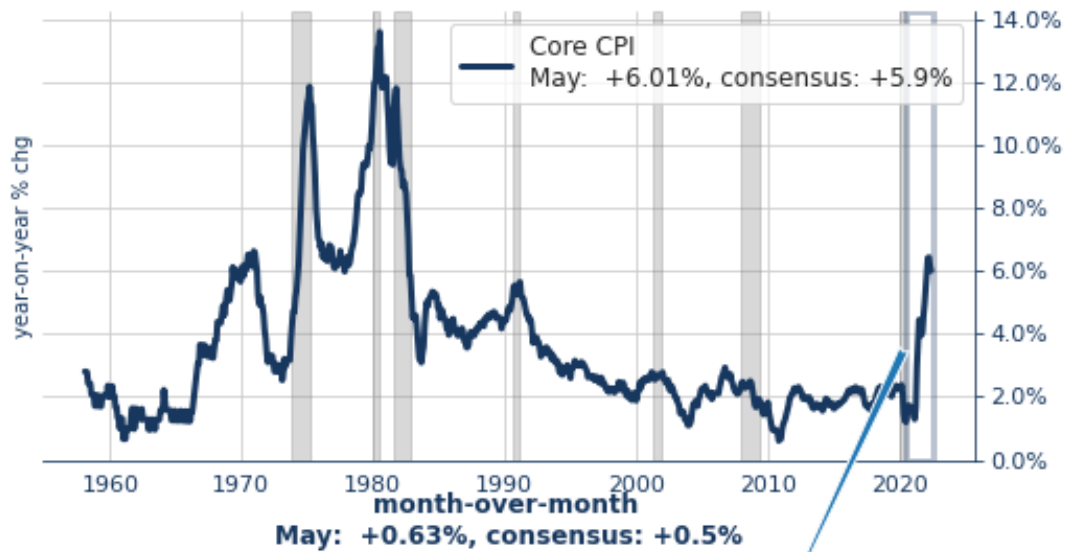


Contingent Macro Advisors 2022 source: US BEA



## Core CPI

**May: +6.01%, consensus: +5.9%**



Contingent Macro Advisors 2022 source: US BEA



**The CPI ROSE** by 0.97% in May, compared with market expectations for an increase of 0.70%.

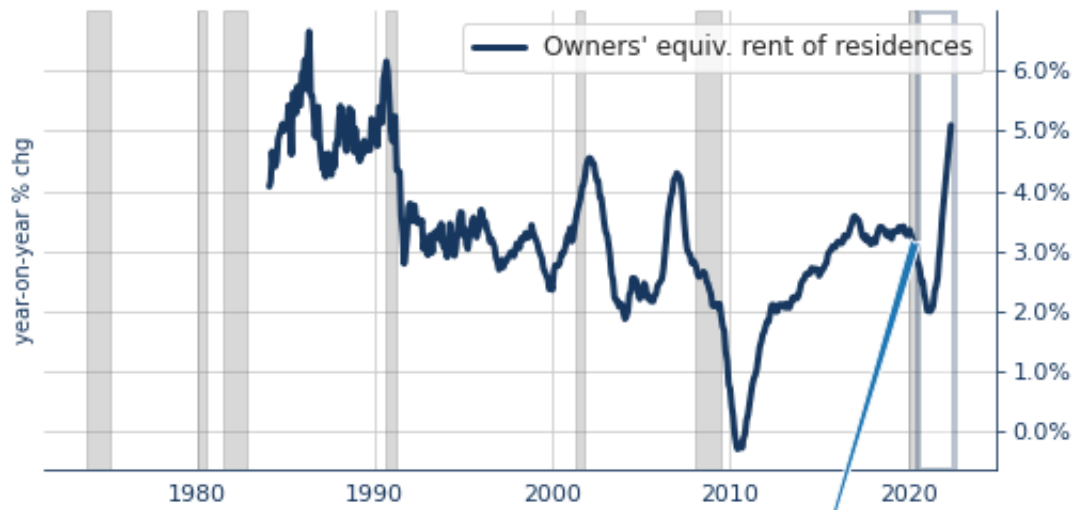
- Food prices increased by 1.17% while energy prices rose by 3.9%.
- Prices for gasoline rose by 4.1% while prices for fuel oil increased by 13.1%, prices for electricity climbed by 1.3%, and prices for natural gas rose by 8.0%.
- Energy prices are now 34.4% ABOVE their year-ago level.

Overall consumer prices are now 8.5% ABOVE their year-ago level; in May 2021, consumer prices were 4.9% ABOVE their year-ago level.

**The Core CPI ROSE** by 0.63%, compared with market expectations for an increase of 0.50%.

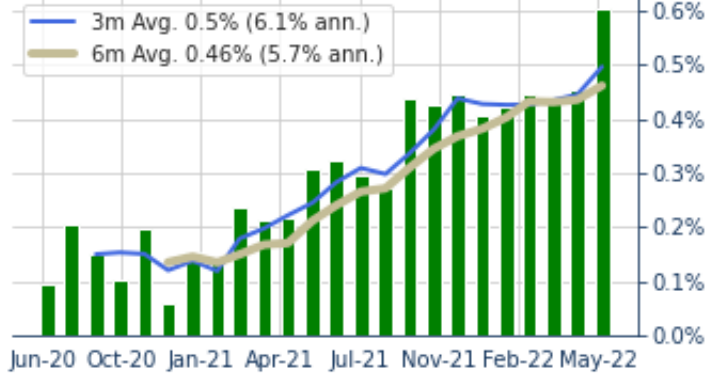


## Owners' equiv. rent of residences

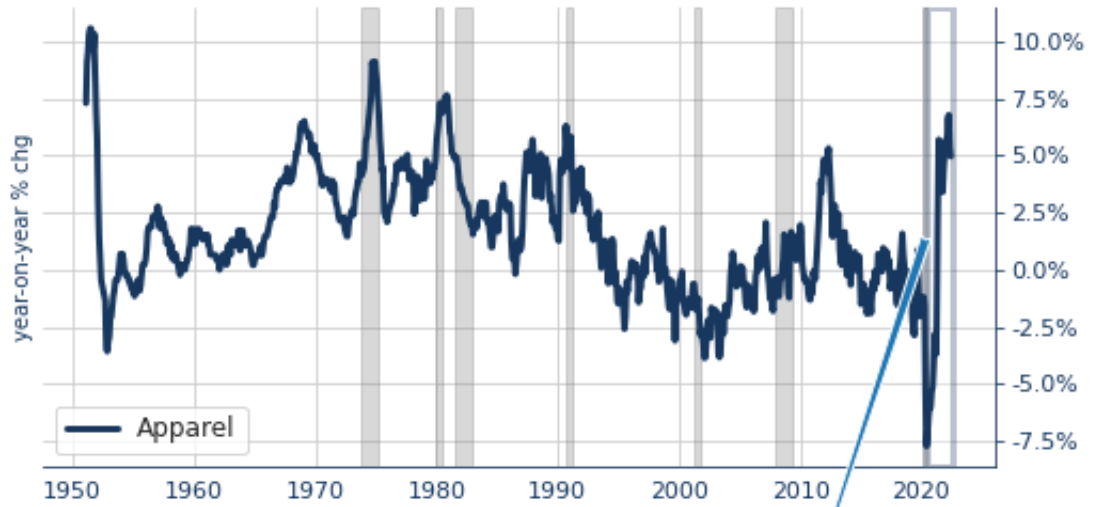


## month-over-month % change

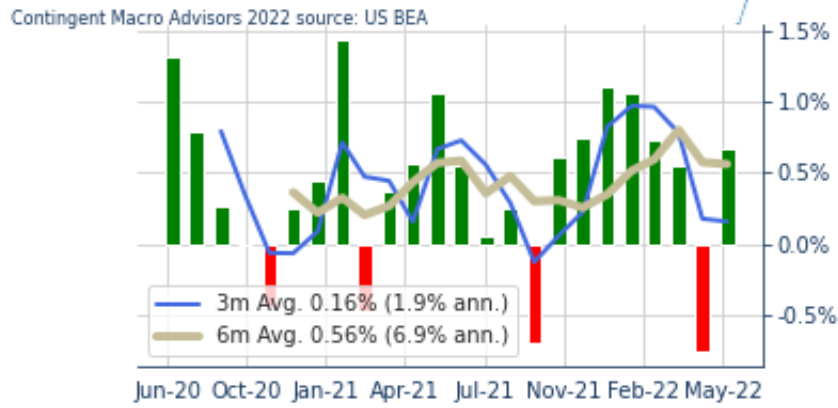
Contingent Macro Advisors 2022 source: US BEA



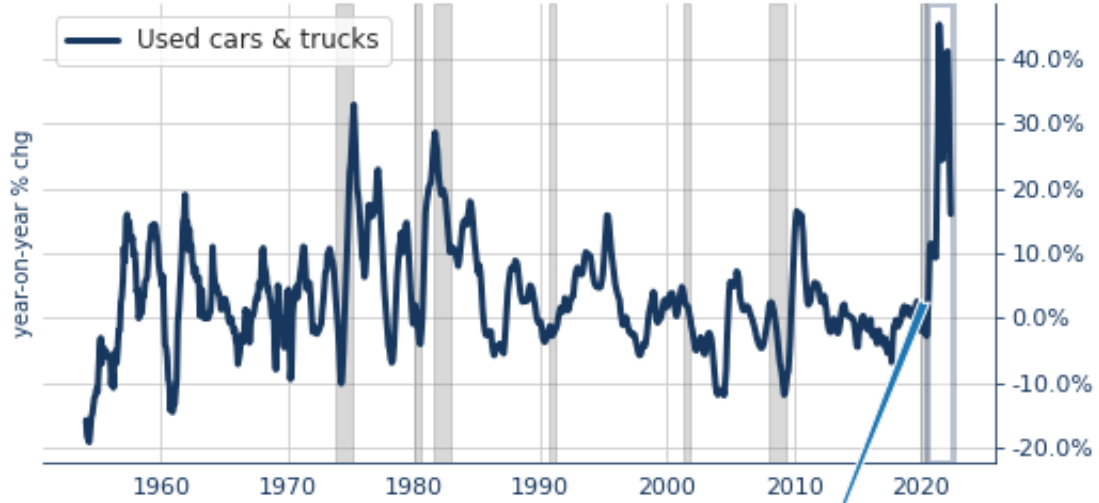
# Apparel



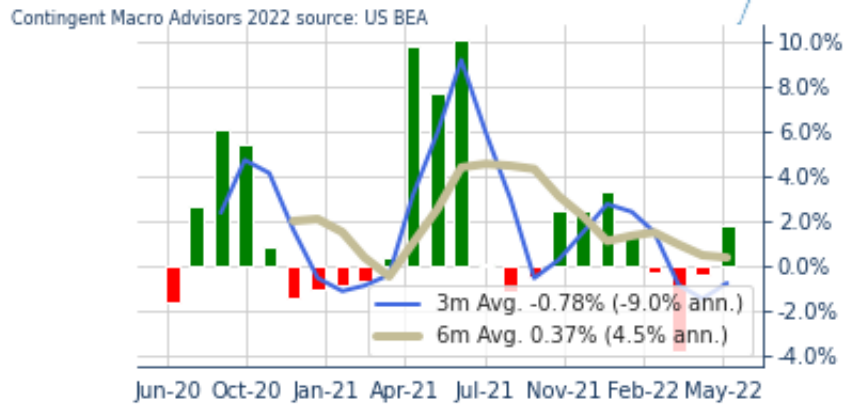
## month-over-month % change



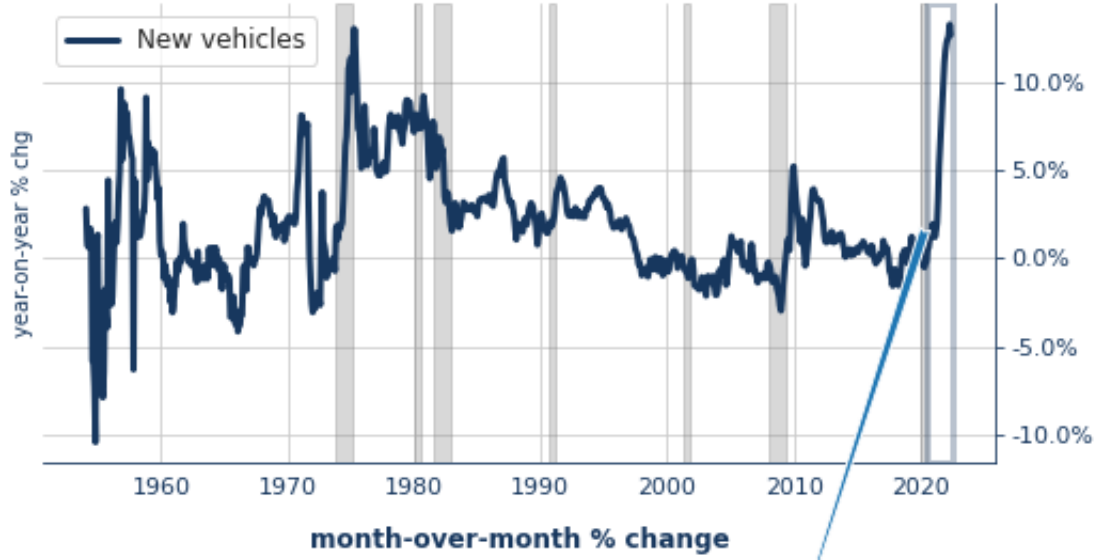
# Used cars & trucks



## month-over-month % change



# New vehicles





# Airline fare

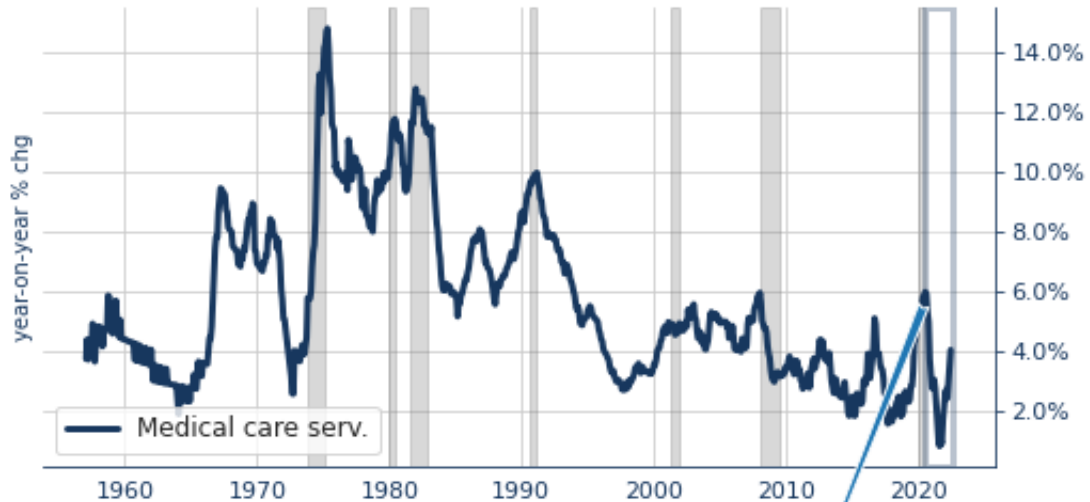


## month-over-month % change

Contingent Macro Advisors 2022 source: US BEA

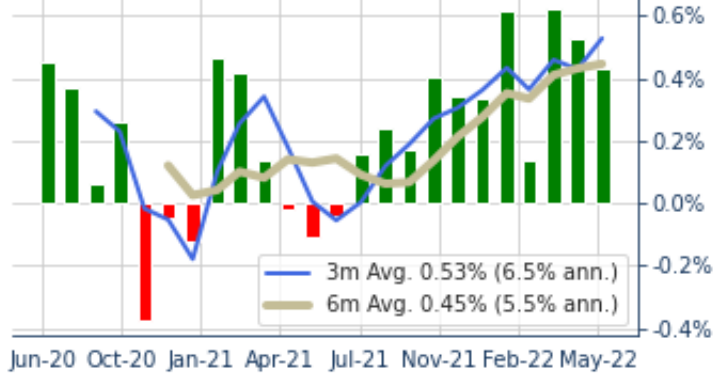


## Medical care serv.



## month-over-month % change

Contingent Macro Advisors 2022 source: US BEA



US Consumer Price Inflation	May-22	Apr-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>CPI All Items</b>	<b>0.97%</b>	<b>0.33%</b>	<b>10.67%</b>	<b>9.52%</b>	<b>8.52%</b>	<b>7.10%</b>	<b>1.28%</b>	<b>3.52%</b>
<b>Core CPI (78.3%)</b>	<b>0.63%</b>	<b>0.57%</b>	<b>6.27%</b>	<b>6.54%</b>	<b>6.01%</b>	<b>5.48%</b>	<b>1.60%</b>	<b>2.98%</b>
<b>Motor fuel (4.7%)</b>	<b>4.07%</b>	<b>-5.81%</b>	<b>80.63%</b>	<b>54.98%</b>	<b>49.15%</b>	<b>49.24%</b>	<b>-15.39%</b>	<b>12.61%</b>
<b>Energy serv. (3.4%)</b>	<b>3.03%</b>	<b>1.31%</b>	<b>27.47%</b>	<b>19.30%</b>	<b>16.25%</b>	<b>10.14%</b>	<b>2.44%</b>	<b>4.52%</b>
<b>Food &amp; bev. (13.4%)</b>	<b>1.13%</b>	<b>0.84%</b>	<b>12.37%</b>	<b>11.01%</b>	<b>9.73%</b>	<b>6.00%</b>	<b>3.84%</b>	<b>3.85%</b>
Shelter (32.5%)	0.61%	0.51%	6.73%	5.93%	5.45%	4.18%	1.84%	3.17%
Medical care (8.4%)	0.40%	0.44%	5.71%	5.15%	3.74%	2.17%	1.78%	2.69%
New vehicles	0.96%	1.14%	9.54%	7.85%	12.62%	11.76%	1.94%	3.33%



away from home (1.0%)	0.90%	1.74%	26.34%	11.80%	19.28%	24.16%	-9.69%	3.40%
Owners' equiv. rent of residences (23.8%)	0.60%	0.45%	6.13%	5.68%	5.09%	3.80%	2.18%	3.16%
Household energy (3.6%)	3.70%	1.47%	35.78%	23.99%	19.16%	11.33%	1.63%	5.13%
Household furnishings & operations (4.0%)	0.40%	0.45%	7.48%	10.18%	8.89%	7.37%	3.14%	3.70%

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	May-22	Apr-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Medical care (8.4% total CPI)</b>	<b>0.40%</b>	<b>0.44%</b>	<b>5.71%</b>	<b>5.15%</b>	<b>3.74%</b>	<b>2.17%</b>	<b>1.78%</b>	<b>2.69%</b>
Medical care commodities (1.5%)	0.25%	0.06%	2.07%	3.61%	2.41%	0.45%	-2.48%	0.33%
Prof. serv. (3.5%)	0.09%	0.04%	1.76%	1.42%	1.93%	3.29%	1.88%	1.73%
Hospital & related serv. (2.5%)	0.42%	0.46%	5.56%	4.03%	3.84%	3.26%	3.12%	3.14%

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	May-22	Apr-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Transportation</b>	<b>2.00%</b>	<b>-0.38%</b>	<b>24.23%</b>	<b>20.00%</b>	<b>19.27%</b>	<b>21.28%</b>	<b>-2.64%</b>	<b>6.20%</b>
<b>Private trans.</b>	<b>1.65%</b>	<b>-0.96%</b>	<b>19.00%</b>	<b>17.14%</b>	<b>19.37%</b>	<b>22.81%</b>	<b>-1.75%</b>	<b>6.53%</b>
<b>Public trans.</b>	<b>8.60%</b>	<b>12.07%</b>	<b>188.67%</b>	<b>92.48%</b>	<b>26.29%</b>	<b>1.76%</b>	<b>-12.79%</b>	<b>3.97%</b>
New vehicles	0.96%	1.14%	9.54%	7.85%	12.62%	11.76%	1.94%	3.33%
Used cars & trucks	1.84%	-0.38%	-9.30%	4.17%	16.06%	37.28%	10.02%	10.05%
Motor vehicle maintenance & repair	0.46%	0.53%	2.60%	5.10%	6.08%	4.78%	3.43%	3.54%
Airline fare	12.56%	18.61%	376.33%	165.51%	37.83%	0.73%	-19.35%	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. NOTE - Transportation and Private Trans. includes fuel as well as services like vehicle insurance and licensing fees.