

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%.

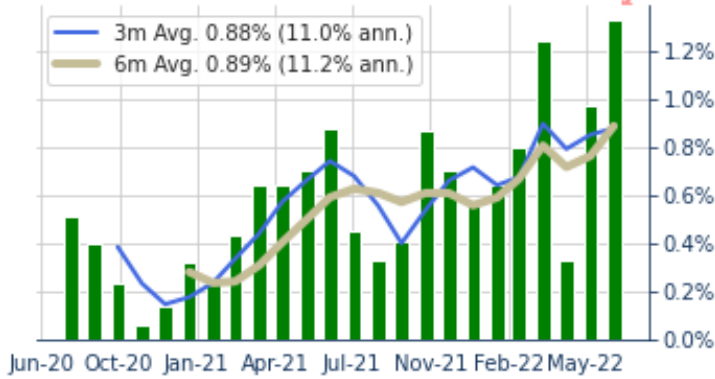
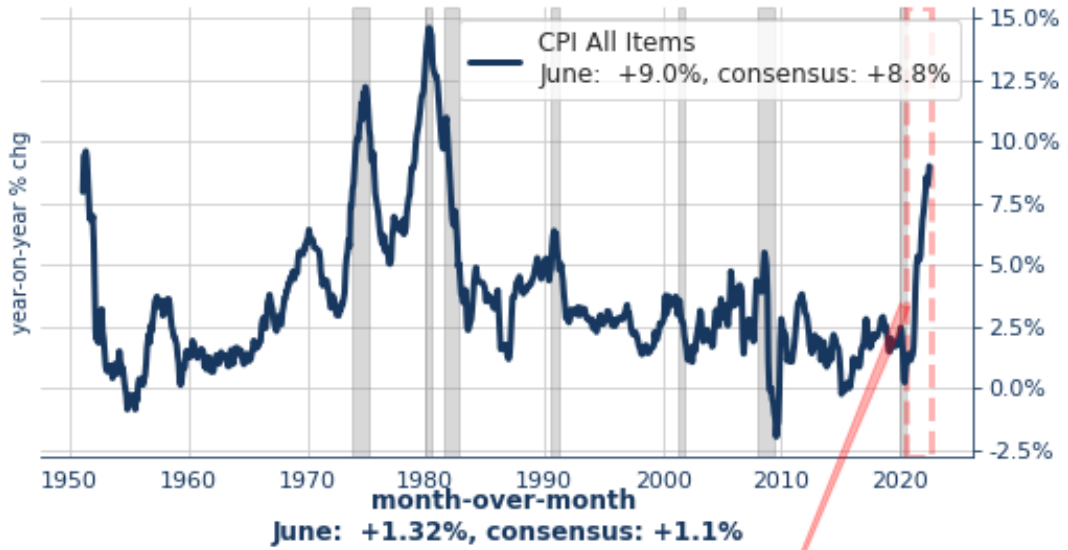
Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, held its fastest pace in this cycle, annualizing at over 7% in the last three months. OER historically lags home price moves by over a year, and we expected the acceleration to ease only very slowly over the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

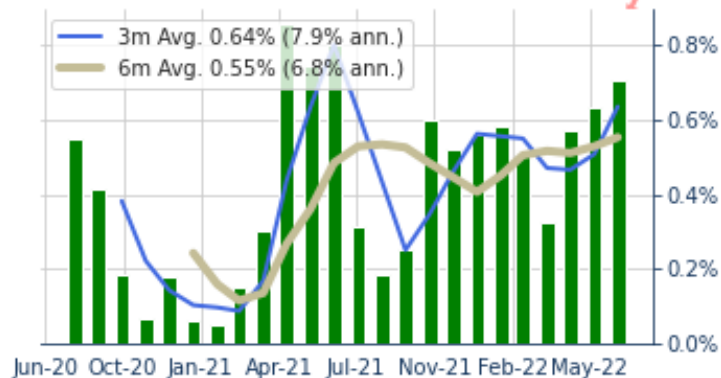
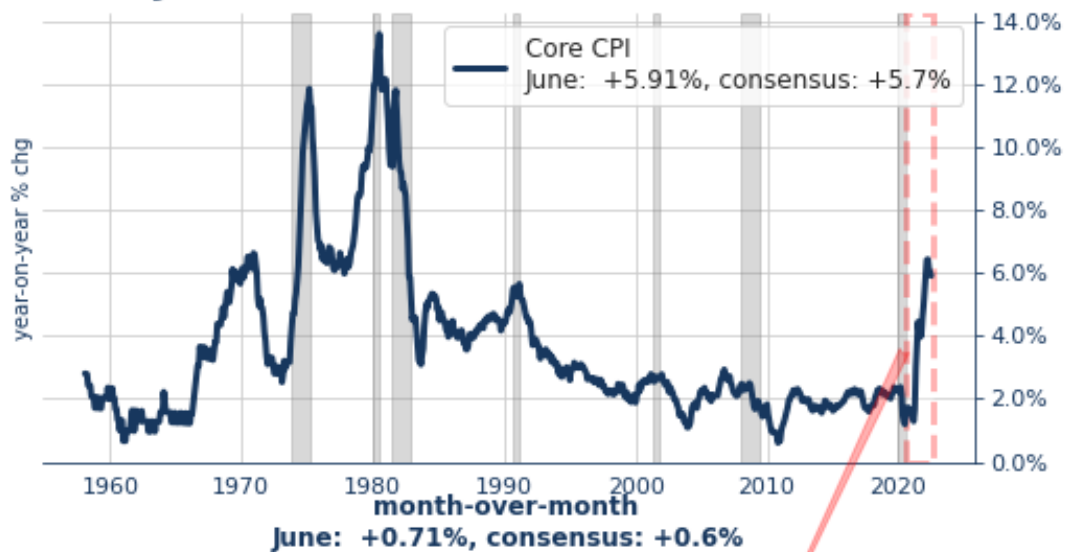
CPI All Items

June: +9.0%, consensus: +8.8%



Core CPI

June: +5.91%, consensus: +5.7%



Contingent Macro Advisors 2022 source: US BEA

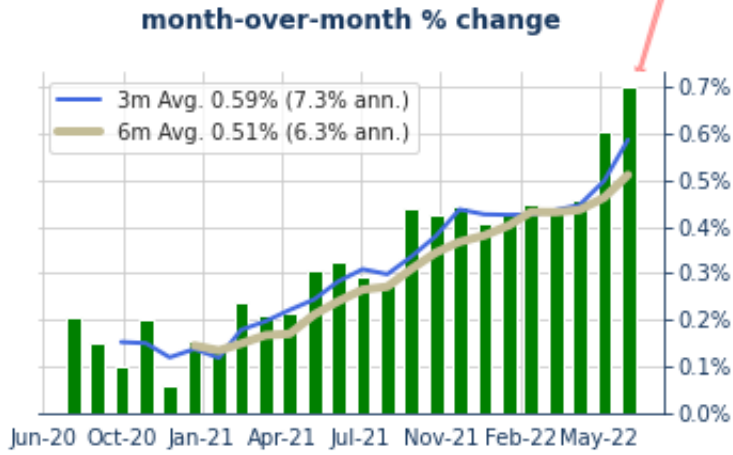
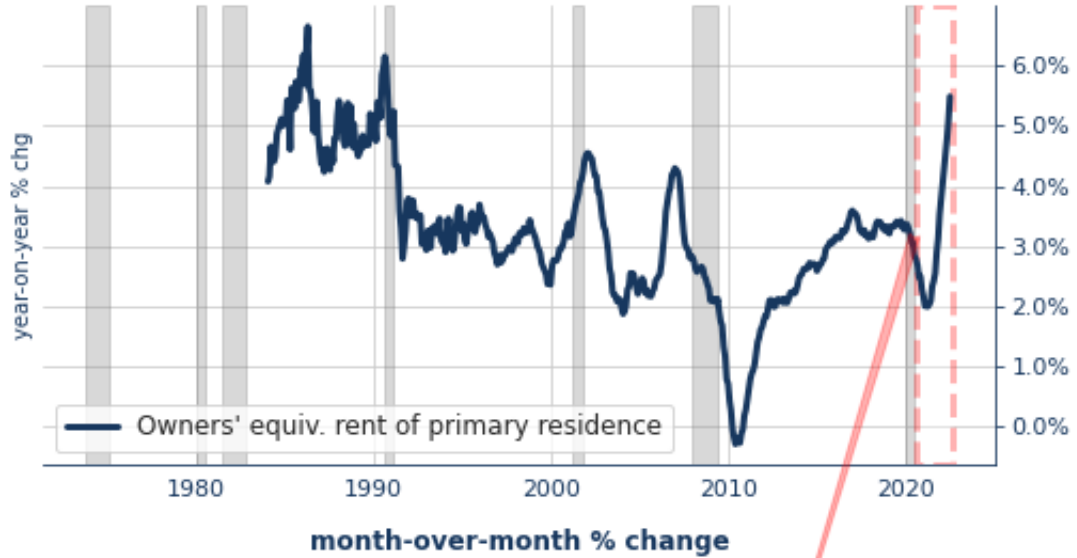
The CPI ROSE by 1.32% in June, compared with market expectations for an increase of 1.10%.

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.

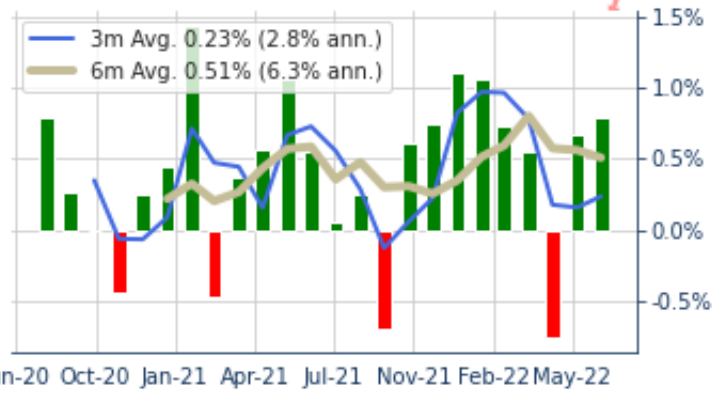
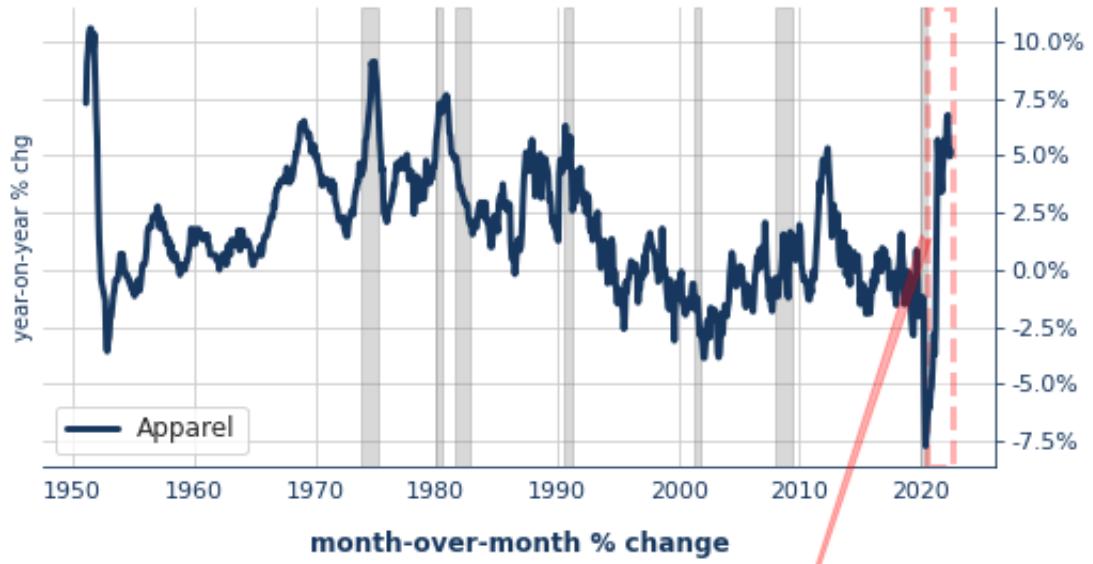
The Core CPI ROSE by 0.71%, compared with market expectations for an increase of 0.50%. Prices for commodities excluding food and energy commodities rose by 0.8%. Gains in used cars & trucks (+1.6%), apparel (+0.8%) drove core. Prices for

Owners' equiv. rent of primary residence

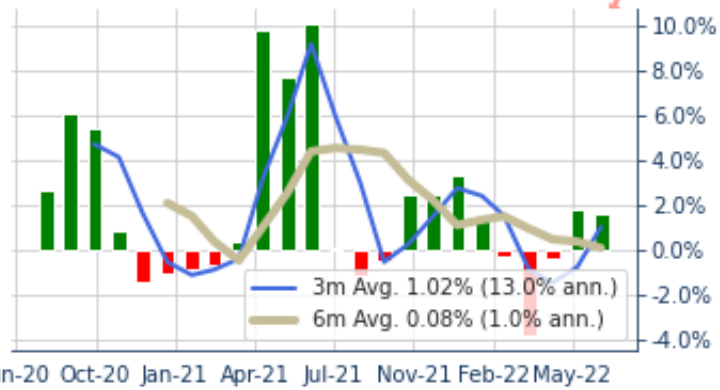
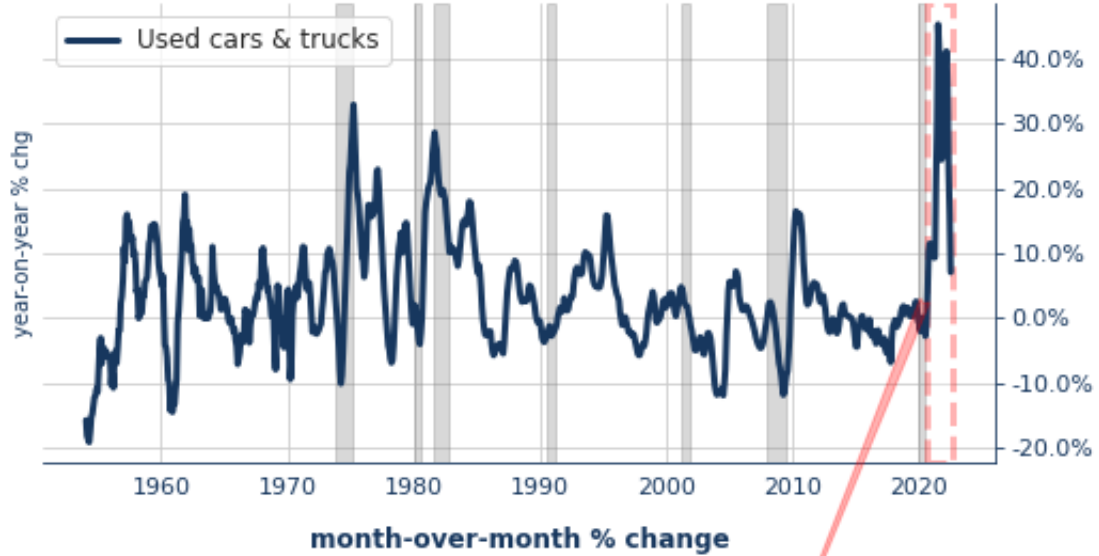


Contingent Macro Advisors 2022 source: US BEA

Apparel

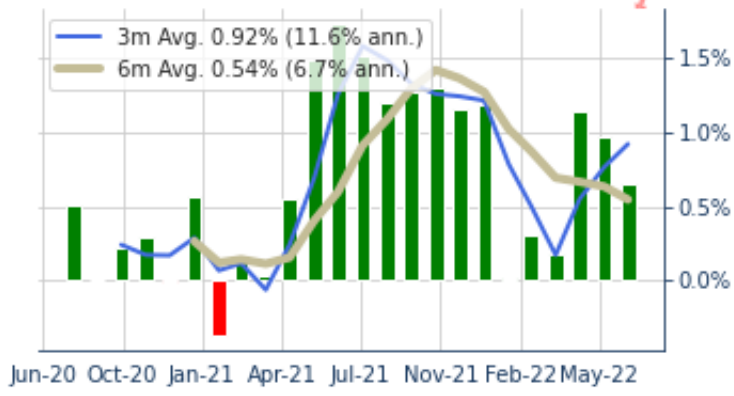
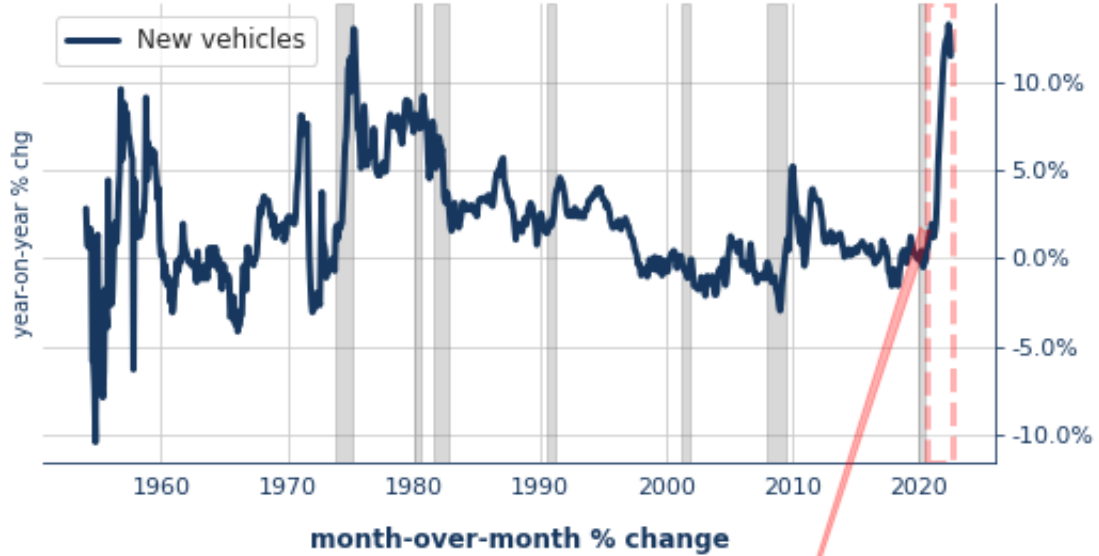


Used cars & trucks



Contingent Macro Advisors 2022 source: US BEA

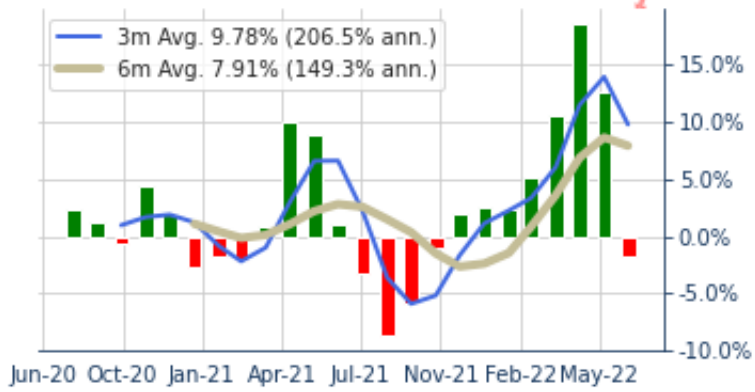
New vehicles



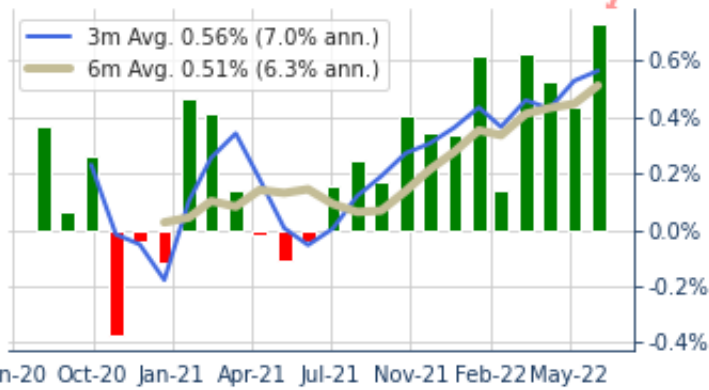
Airline fare



month-over-month % change



Medical care serv.



Contingent Macro Advisors 2022 source: US BEA

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%

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.

US CPI - Medical	Jun-22	May-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Medical care (8.4% total CPI)	0.67%	0.40%	6.23%	5.96%	4.54%	2.17%	1.78%	2.84%
Medical care commodities (1.5%)	0.39%	0.25%	2.84%	4.35%	3.22%	0.45%	-2.48%	0.41%
Prof. serv. (3.5%)	0.71%	0.09%	3.45%	2.54%	2.57%	3.29%	1.88%	1.88%
Hospital & related serv. (2.5%)	0.35%	0.42%	5.02%	4.46%	3.92%	3.26%	3.12%	3.22%

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	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.