

10.Aug.2022

CPI: Cooler Readings As Trend Starts To Decelerate

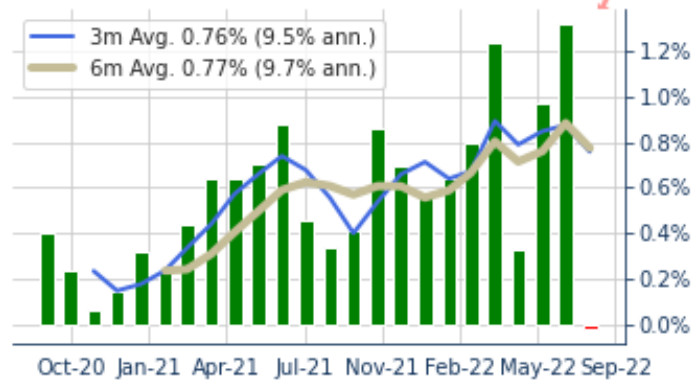
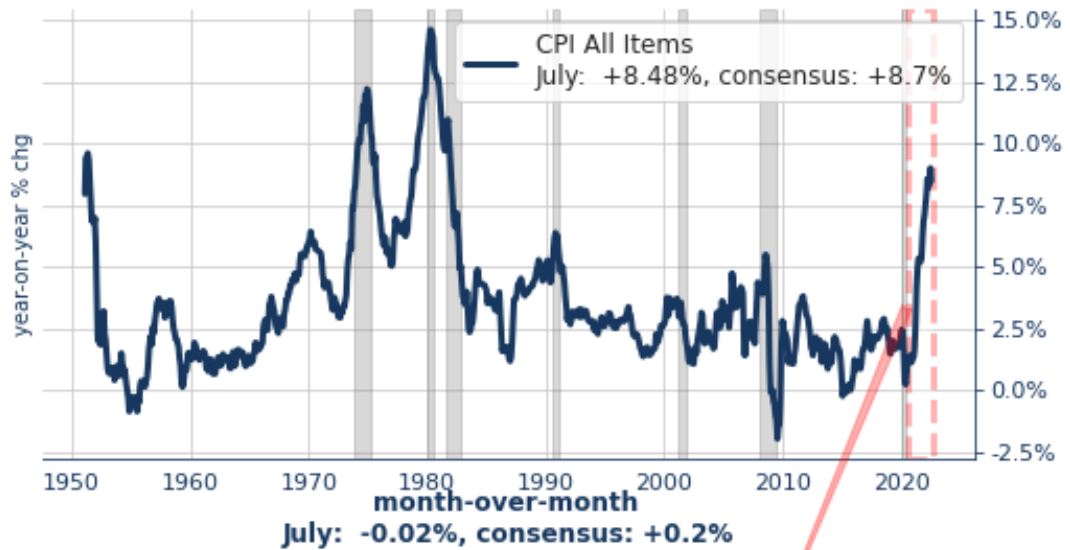
Bottom Line: CPI was flat in July as energy prices tumbled, and even the core reading was lower than expected at just 0.3%, easing the trend rate of core inflation back below 4%.

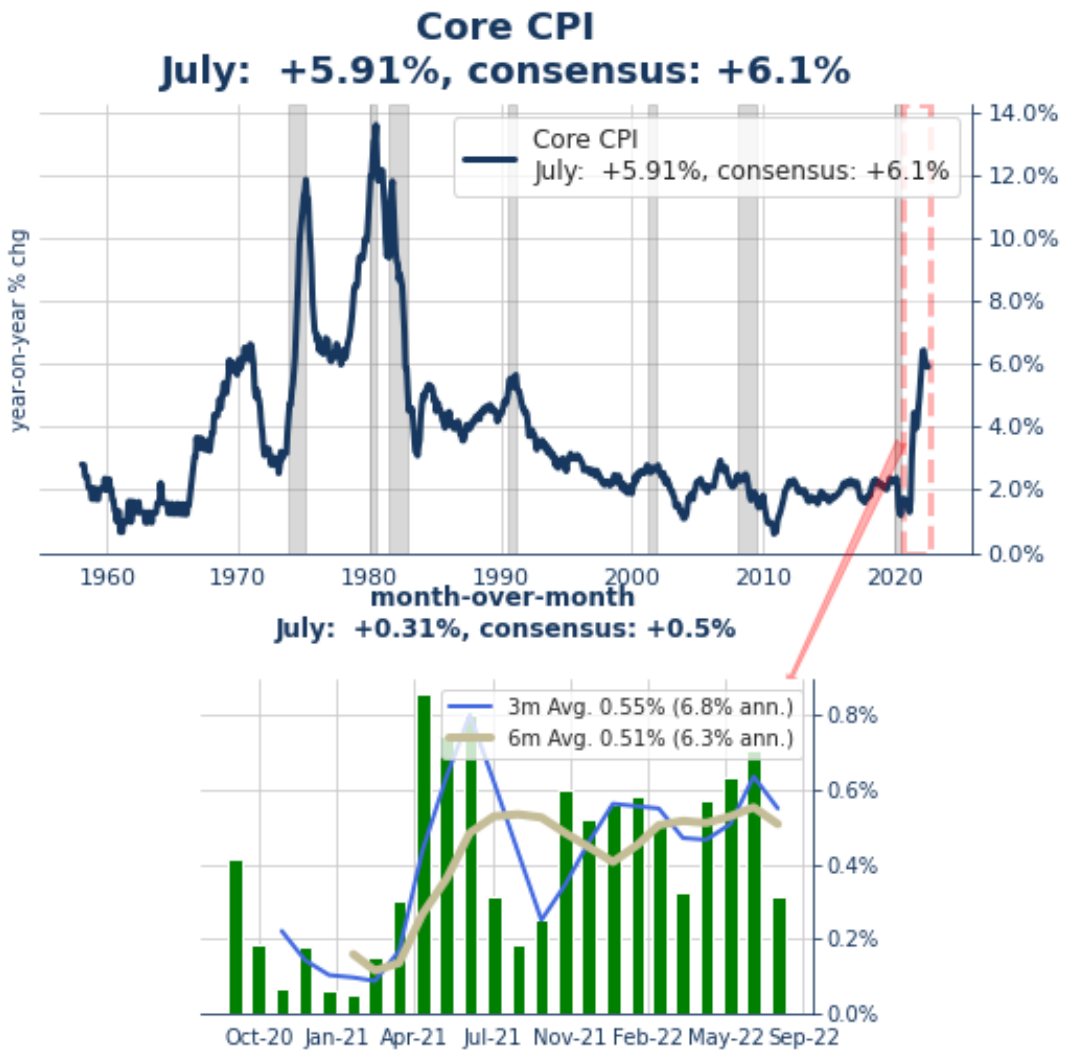
At the core level, used car prices fell, while new vehicle prices continue to rise. Airfares, while a much smaller contribution to the index, were down sharply, nearly 8% lower on the month. Communications prices, mostly cell phone services, were lower too. Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, barely decelerated, though, holding near 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. Medical care services prices, the largest contributor to volatility before the pandemic, decelerated slightly but remained a major source of higher trend core inflation.

Overall, while consumers saw some welcome relief in energy prices and even core inflation in July, it is too early to call the end of inflation. Expect core inflation readings to remain historically high for a few months until high goods inventories and smoother supply chains start to put downward pressure on prices in the 4th Quarter, just as the lagged impact of housing prices on OER starts to become a source of deceleration on core CPI.

CPI All Items

July: +8.48%, consensus: +8.7%



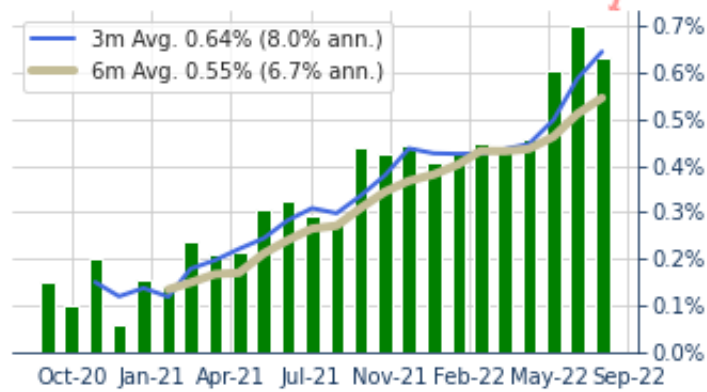
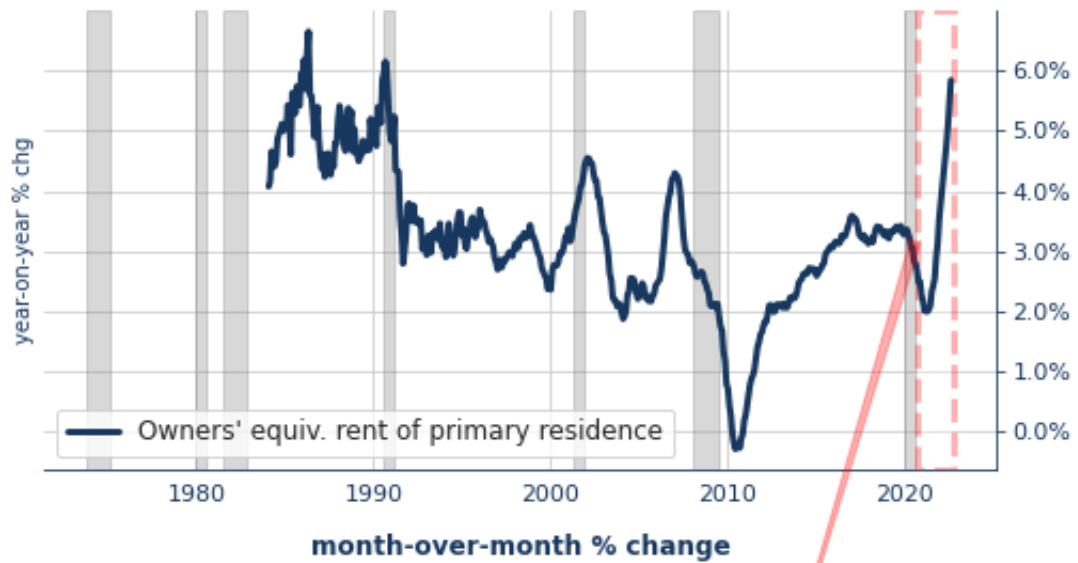


The CPI FELL by 0.02% in July, compared with market expectations for an increase of 0.20%.

Food prices increased by 1.10% while energy prices fell by 4.6%. **Prices for gasoline** fell by 7.7% while prices for fuel oil declined by 8.1%, **prices for electricity** climbed by 1.6%, but prices for natural gas fell by 3.6%. Energy prices are now 32.9% ABOVE their year-ago level. Overall consumer prices are now 8.5% ABOVE their year-ago level; in July 2021, consumer prices were 5.3% ABOVE their year-ago level.

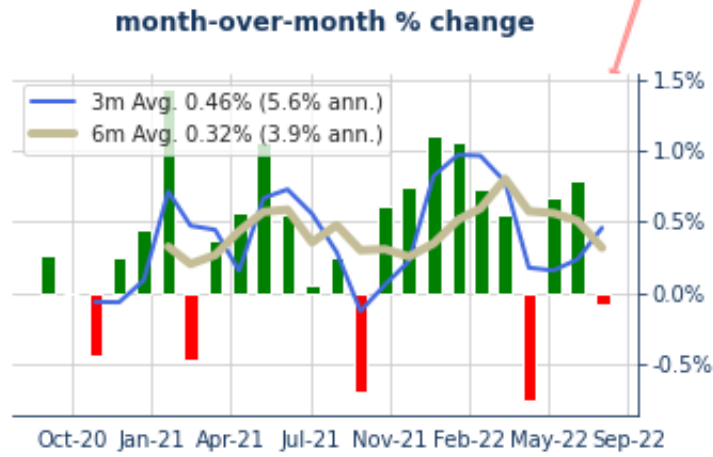
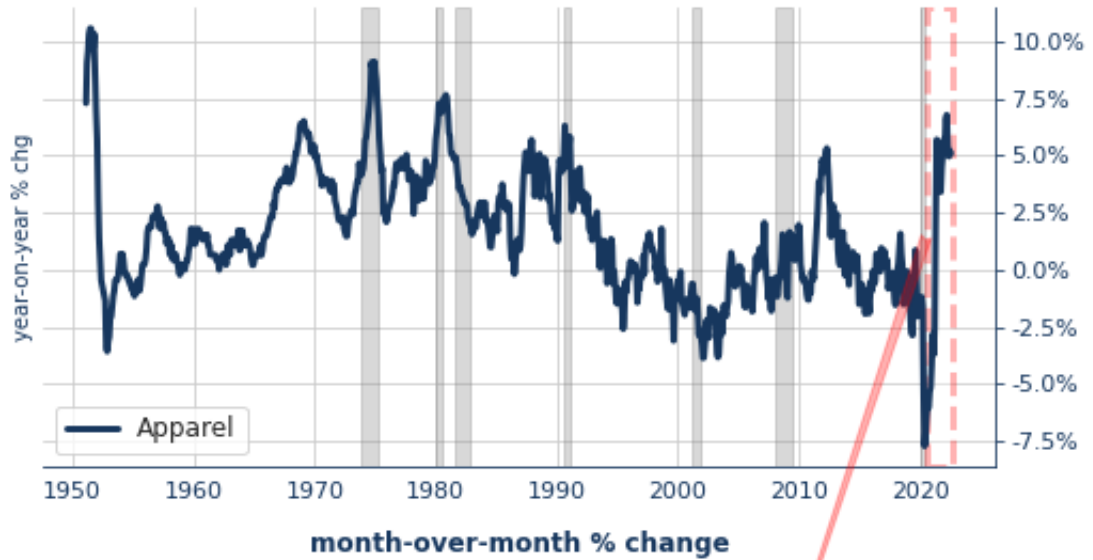
The Core CPI ROSE by 0.31%, compared with market expectations for an increase of 0.50%. Prices for commodities excluding food and energy commodities rose by 0.2%. Gains in new vehicles (+0.6%), medical care (+0.6%), were offset by declines in used cars & trucks (-0.4%), apparel (-0.1%). **Prices for services excluding**

Owners' equiv. rent of primary residence

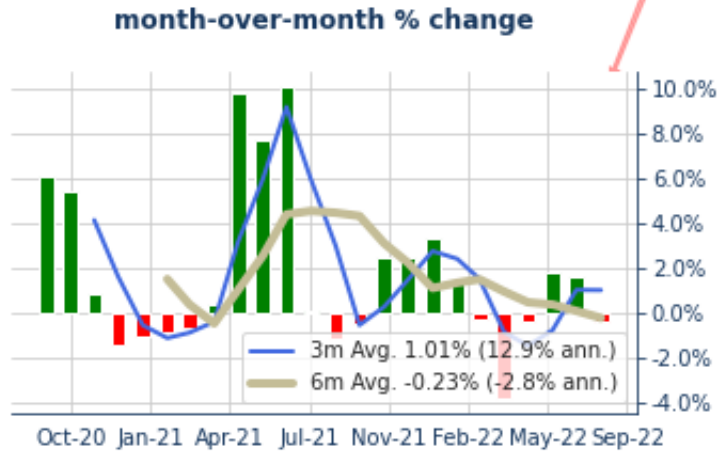
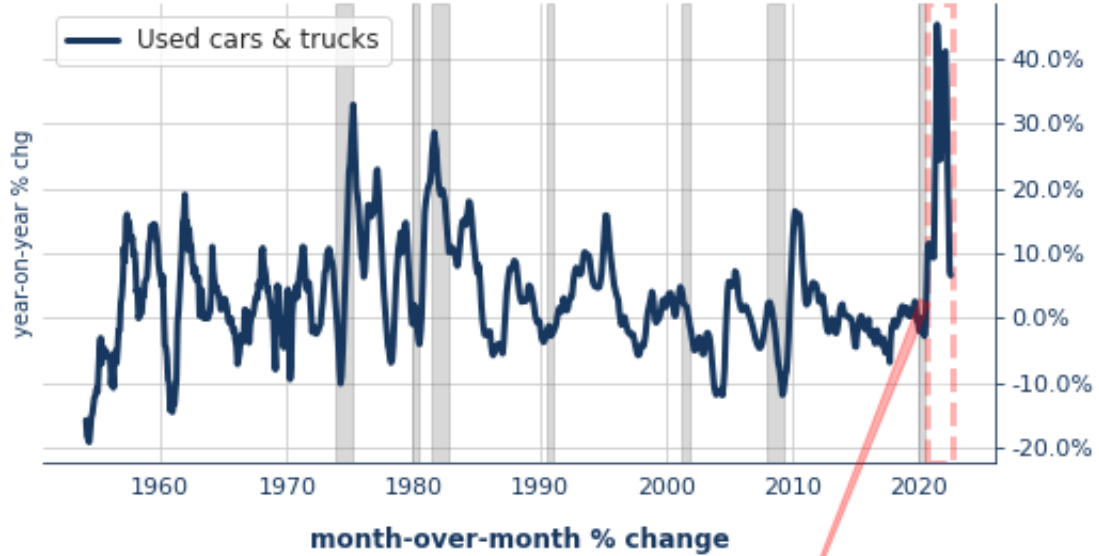


Contingent Macro Advisors 2022 source: US BEA

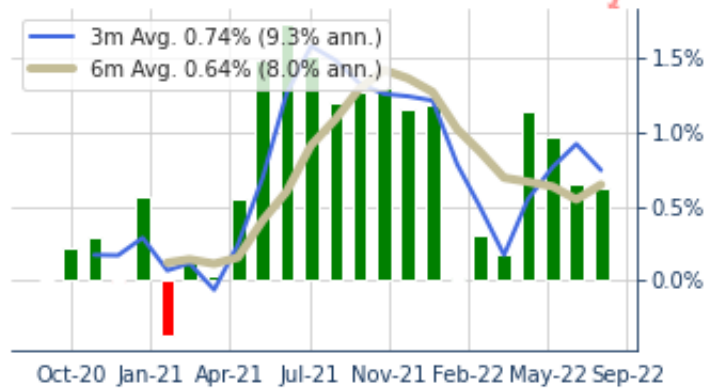
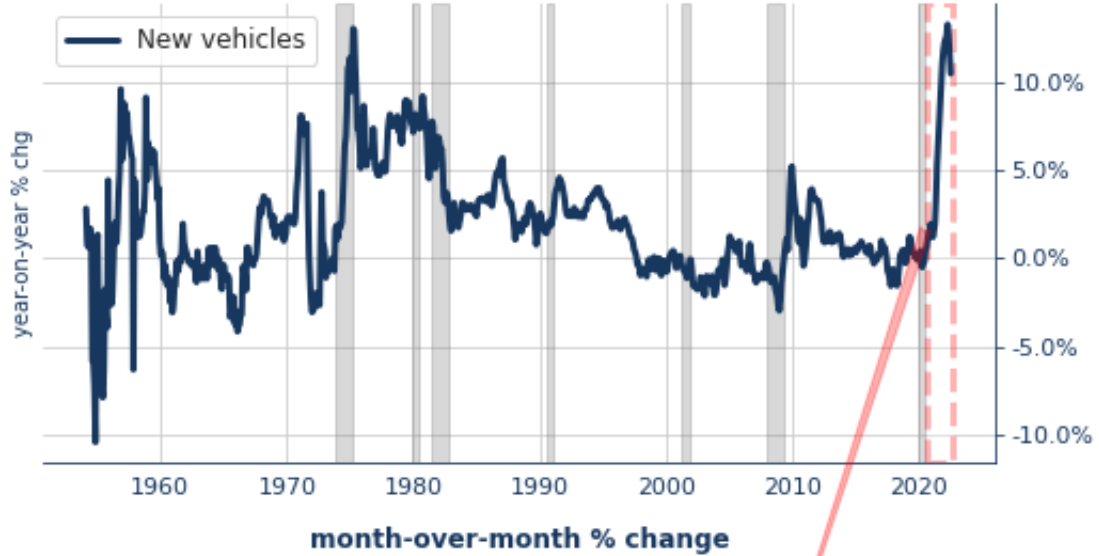
Apparel



Used cars & trucks



New vehicles

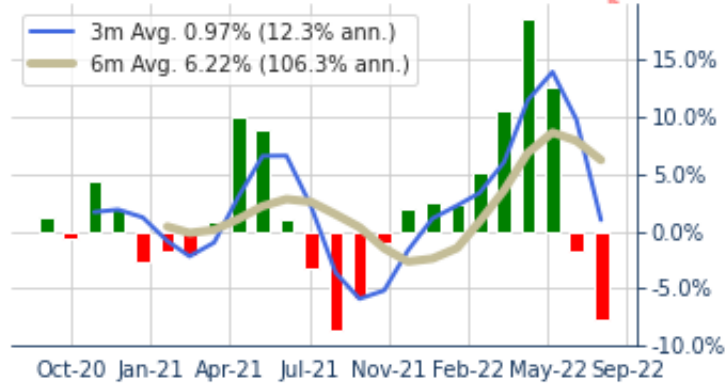


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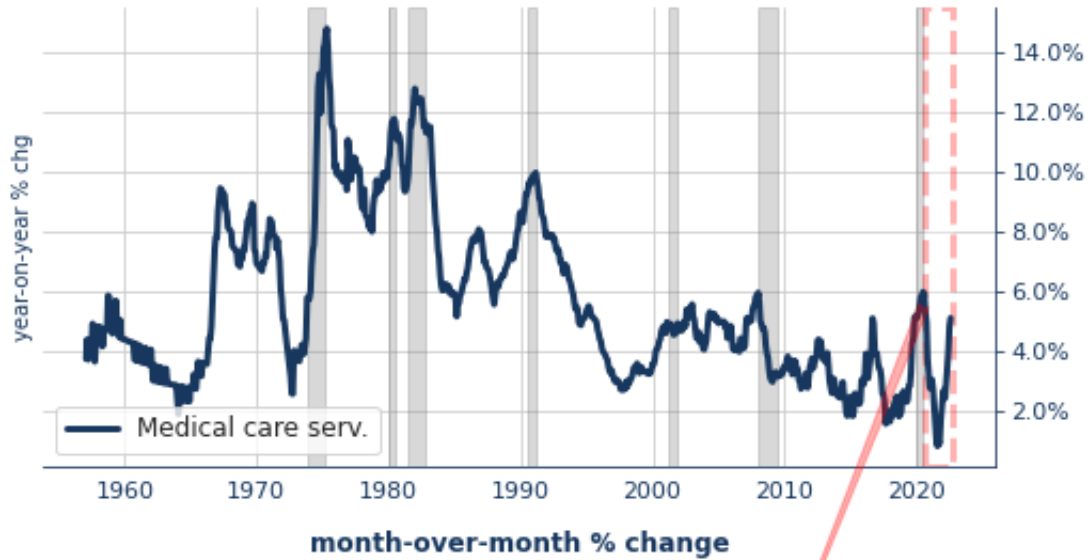
Airline fare



month-over-month % change



Medical care serv.



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US Consumer Price Inflation	Jul-22	Jun-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
CPI All Items	-0.02%	1.32%	9.48%	9.69%	8.48%	7.10%	1.28%	3.83%
Core CPI (77.9%)	0.31%	0.71%	6.80%	6.27%	5.91%	5.48%	1.60%	3.22%
Motor fuel (4.9%)	-7.62%	11.02%	29.81%	61.03%	44.47%	49.24%	-15.39%	13.45%
Energy serv. (3.5%)	0.12%	3.47%	29.78%	20.12%	18.90%	10.14%	2.44%	5.40%
Food & bev. (13.4%)	1.06%	0.95%	13.35%	12.57%	10.48%	6.00%	3.84%	4.34%
Shelter (32.3%)	0.54%	0.61%	7.26%	6.80%	5.72%	4.18%	1.84%	3.44%
Medical care (8.3%)	0.44%	0.67%	6.22%	5.49%	4.83%	2.17%	1.78%	2.94%
New vehicles	0.62%	0.65%	9.29%	8.01%	10.44%	11.76%	1.94%	3.63%

away from home (1.0%)	-2.74%	-2.82%	-17.26%	4.85%	1.23%	24.16%	-9.69%	2.12%
Owners' equiv. rent of residences (23.7%)	0.63%	0.70%	7.98%	6.72%	5.83%	3.80%	2.18%	3.46%
Household energy (3.7%)	-0.45%	3.17%	28.67%	22.77%	20.69%	11.33%	1.63%	5.82%
Household furnishings & operations (3.9%)	0.59%	0.40%	5.69%	7.04%	10.13%	7.37%	3.14%	3.93%

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	Jul-22	Jun-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Medical care (8.3% total CPI)	0.44%	0.67%	6.22%	5.49%	4.83%	2.17%	1.78%	2.94%
Medical care commodities (1.5%)	0.59%	0.39%	5.04%	3.74%	3.65%	0.45%	-2.48%	0.53%
Prof. serv. (3.5%)	-0.03%	0.71%	3.16%	2.08%	2.22%	3.29%	1.88%	1.88%
Hospital & related serv. (2.5%)	0.54%	0.35%	5.38%	4.57%	4.03%	3.26%	3.12%	3.35%

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	Jul-22	Jun-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Transportation	-2.09%	3.85%	15.68%	19.68%	16.36%	21.28%	-2.64%	6.64%
Private trans.	-1.87%	4.09%	16.19%	18.04%	16.55%	22.81%	-1.75%	7.10%
Public trans.	-6.09%	-0.42%	6.41%	59.33%	18.97%	1.76%	-12.79%	2.42%
New vehicles	0.62%	0.65%	9.29%	8.01%	10.44%	11.76%	1.94%	3.63%
Used cars & trucks	-0.41%	1.61%	12.78%	-2.96%	6.61%	37.28%	10.02%	10.41%
Motor vehicle maintenance & repair	1.06%	2.04%	15.20%	11.52%	8.06%	4.78%	3.43%	4.28%
Airline fare	-7.83%	-1.82%	7.65%	97.64%	27.75%	0.73%	-19.35%	2.77%

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.