

10.Nov.2022

### **CPI: Key Categories Consistent with Declining Trend**

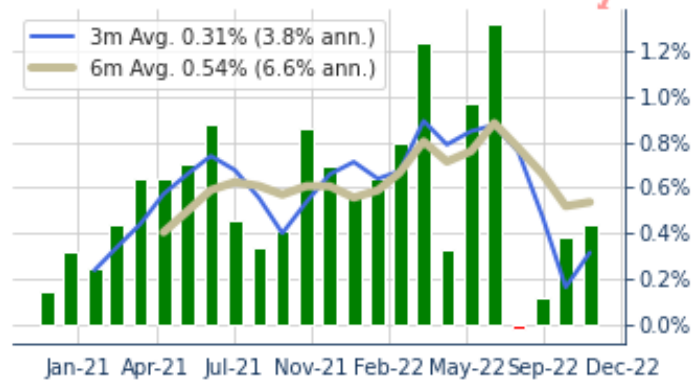
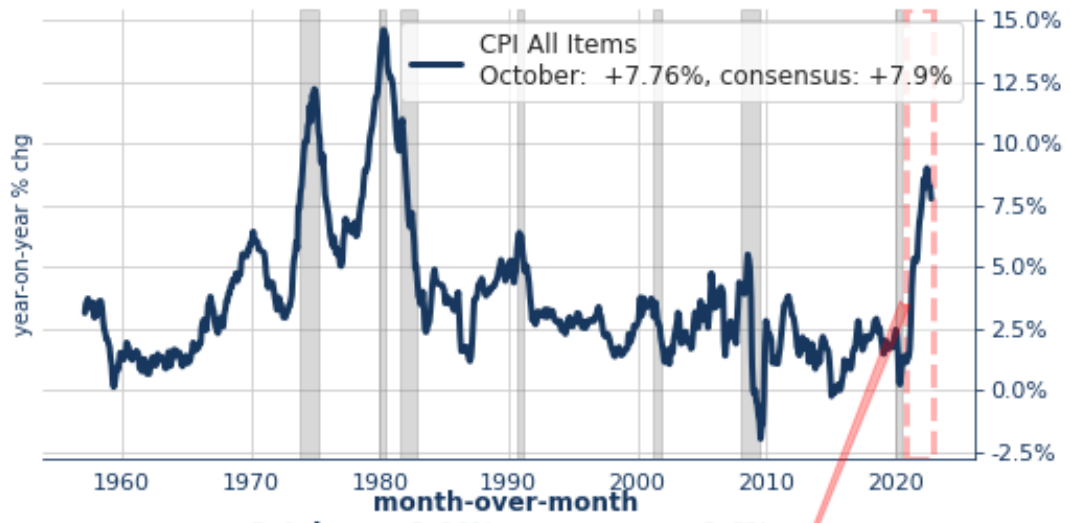
**Bottom Line:** After several months of sharply higher prices for medical care services, prices in this critical segment of core CPI fell, easing core price pressures even more than expected in October. The core CPI was up 0.3%, two-tenths less than expected. Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI, rose 0.6%, two-tenths less than a month prior. Against that, hotel prices ("lodging away from home") were sharply higher, pushing the overall shelter category higher --- but the move in OER was much more critical for gauging the trend and its consistent 14-month lagged correlation with home prices. Used car prices were lower, as expected, given leading indicators in that space. And apparel prices were also lower.

Finally, at the headline level, food prices remained a source of historically strong upward pressure but showed signs of easing slightly on a trend basis. Gasoline prices were higher but were primarily offset by lower utility prices, mainly piped natural gas.

Overall, this report was consistent with a slow easing in consumer price pressures. Lower prices in medical care services were a relief as a potential upward trend was developing (still possible, but now looking more like normal volatility). Moreover, the move in OER was consistent with our models that suggest slower OER gains until the spring, when we expect one more push higher, followed by sharp outright declines in the late 3rd Quarter of 2023.

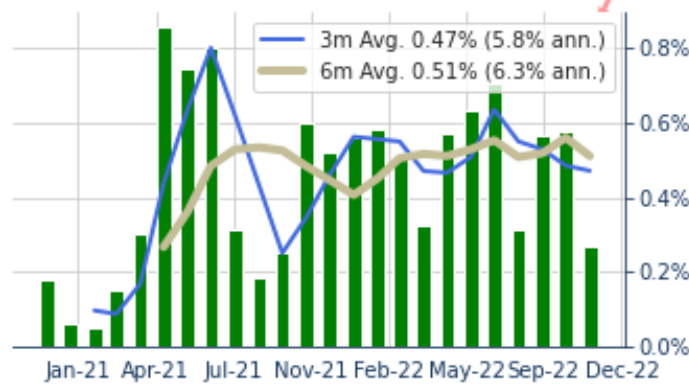
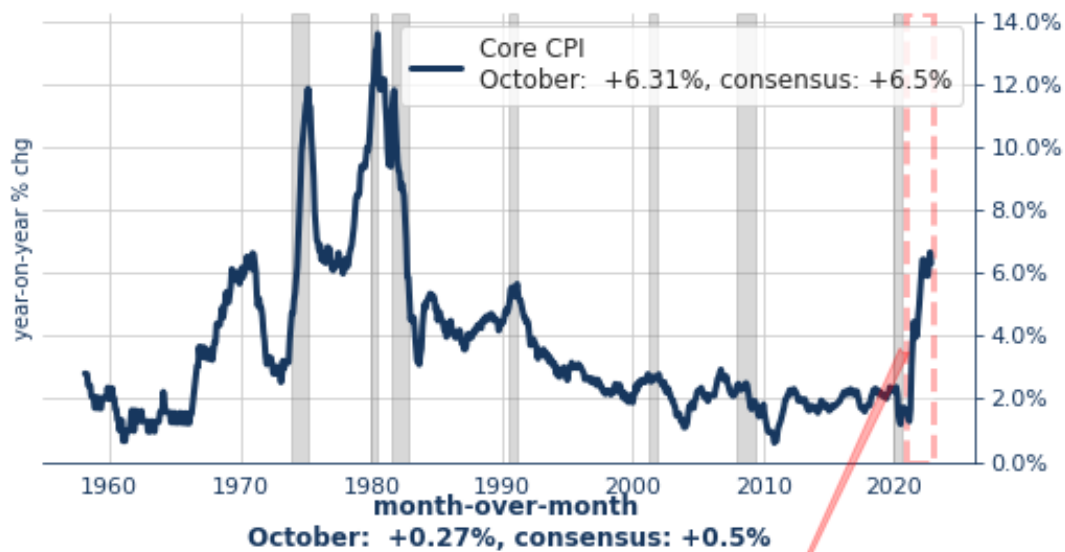
# CPI All Items

## October: +7.76%, consensus: +7.9%



## Core CPI

### October: +6.31%, consensus: +6.5%



Contingent Macro Advisors 2022 source: US BEA

**The CPI ROSE** by 0.44% in October, compared with market expectations for an increase of 0.60%.

**Food prices** increased by 0.60% while energy prices rose by 1.8%. **Prices for gasoline** rose by 4.0% while prices for fuel oil increased by 10.5%, prices for electricity climbed by 0.1%, but prices for natural gas fell by 4.6%. Energy prices are now 17.6% ABOVE their year-ago level. Overall consumer prices are now 7.8% ABOVE their year-ago level; in October 2021, consumer prices were 6.2% ABOVE their year-ago level.

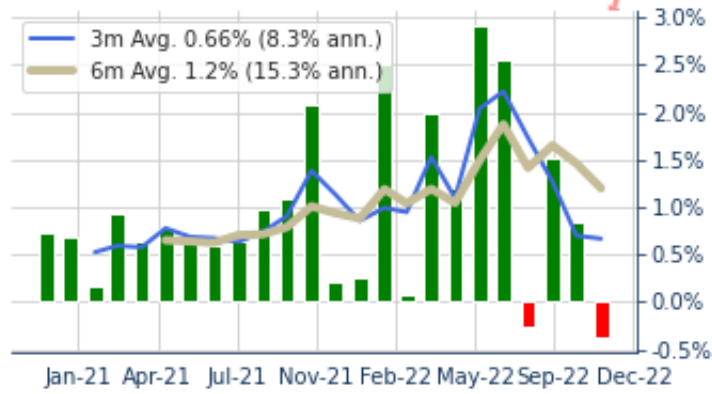
The Core CPI ROSE by 0.27%, compared with market expectations for an increase of 0.50%. Prices for commodities excluding food and energy commodities fell by 0.4%. Gains in alcoholic beverages (+0.8%), new vehicles (+0.4%), were offset by declines in used cars & trucks (-2.4%), and apparel (-0.7%). Prices for services

excluding energy services rose 0.5% with a moderate increase in transportation (+0.8%), shelter (+0.8%), and owner's equivalent rent (+0.6%). Core consumer prices are now 6.3% ABOVE their year-ago level; in October 2021, consumer prices were 4.6% ABOVE their year-ago level.

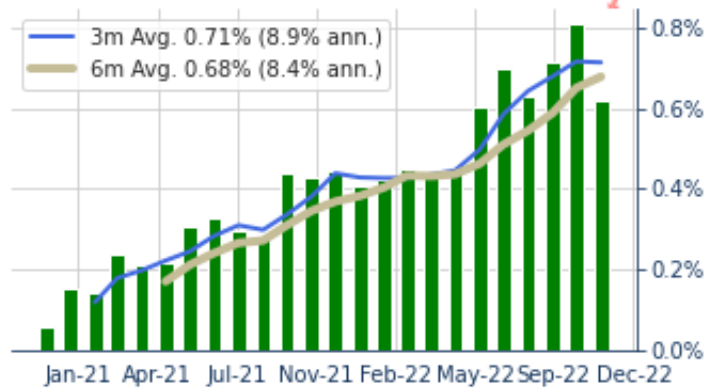


Contingent Macro Advisors 2022 source: US BEA

## Fuels & utilities

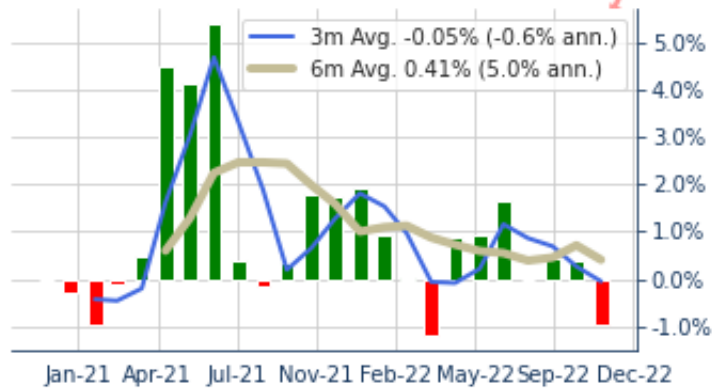
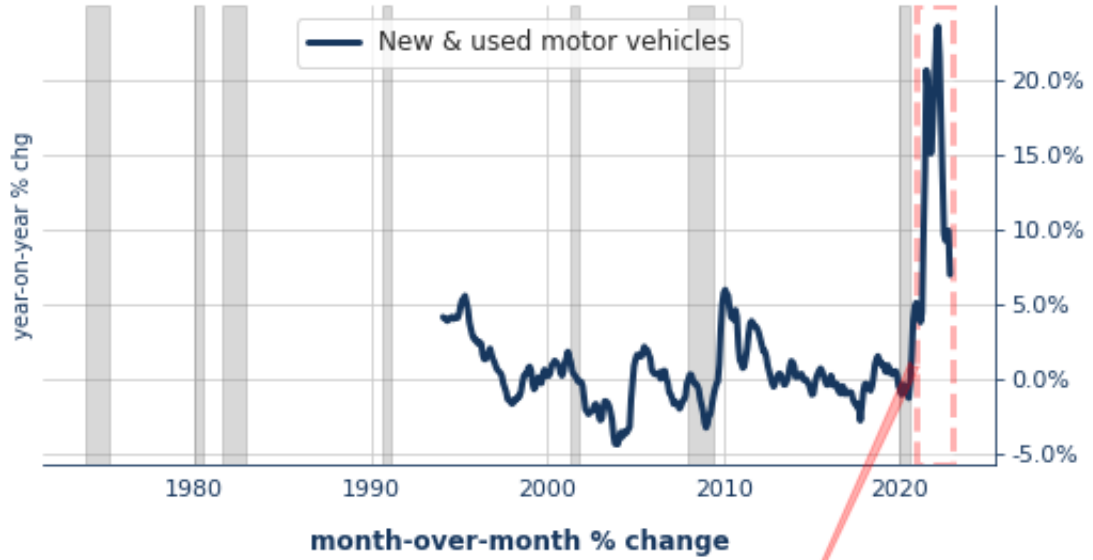


## Owners' equiv. rent of residences



Contingent Macro Advisors 2022 source: US BEA

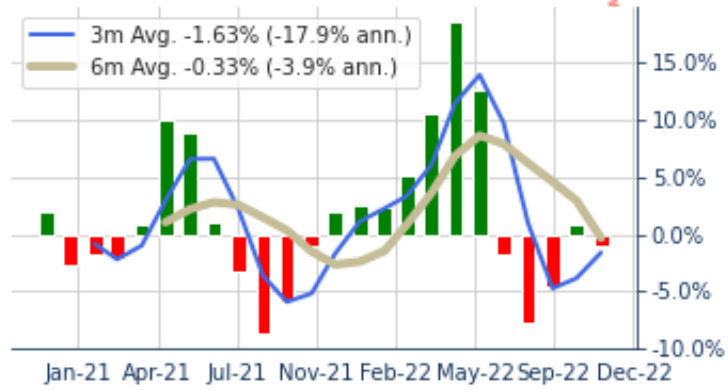
# New & used motor vehicles



# Airline fare



## month-over-month % change







(4.0%)	0.37%	0.67%	7.76%	8.52%	8.39%	11.76%	1.94%	4.08%
Used cars & trucks (4.0%)	-2.42%	-1.07%	-13.52%	-1.24%	2.03%	37.28%	10.02%	9.32%
Public trans. (0.9%)	0.54%	0.06%	-10.04%	-2.16%	28.09%	1.76%	-12.79%	1.83%
Education & communication (6.0%)	0.02%	0.09%	0.86%	0.31%	0.02%	1.63%	1.97%	1.04%
Recreation (5.0%)	0.75%	0.10%	4.30%	4.15%	4.08%	3.27%	0.94%	2.33%
Apparel (2.4%)	-0.69%	-0.29%	-3.00%	1.21%	4.10%	5.71%	-4.17%	0.42%
Other goods & serv. (2.7%)	0.47%	0.33%	6.26%	5.79%	6.49%	4.46%	2.40%	3.63%

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 - Food & Bev Categories	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Food &amp; bev. (13.6% total CPI)</b>	<b>0.61%</b>	<b>0.73%</b>	<b>8.78%</b>	<b>11.04%</b>	<b>10.57%</b>	<b>6.00%</b>	<b>3.84%</b>	<b>4.85%</b>
Cereals & bakery prods (1.1%)	0.79%	0.93%	12.41%	18.06%	15.91%	4.73%	3.11%	5.24%
Meats, poultry, fish, & eggs (1.9%)	0.61%	0.38%	6.17%	5.69%	8.04%	12.57%	4.58%	5.61%
Dairy & related prods (0.8%)	-0.06%	0.27%	2.23%	14.57%	15.52%	1.59%	4.42%	4.85%
Fruits & vegetables (1.4%)	-0.87%	1.59%	4.95%	6.08%	9.35%	5.02%	3.15%	3.40%
Nonalcoholic bev. & beverage materials (1.0%)	0.55%	0.58%	6.64%	13.54%	12.73%	5.11%	4.35%	5.10%
Other food at home (2.3%)	0.92%	0.46%	10.50%	16.51%	15.42%	5.60%	3.84%	5.01%
Food away from home (5.2%)	0.94%	0.94%	11.56%	10.77%	8.59%	6.01%	3.92%	5.06%
Alc. bevs. at home (0.6%)	0.48%	-0.40%	2.51%	4.04%	3.76%	1.21%	2.79%	1.95%

Alc. bevs. away from home (0.3%)	1.23%	0.48%	8.92%	7.31%	6.97%	3.73%	2.79%	3.30%
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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 - Transportation	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Transportation</b>	<b>0.71%</b>	<b>-0.57%</b>	<b>-8.29%</b>	<b>3.00%</b>	<b>11.21%</b>	<b>21.28%</b>	<b>-2.64%</b>	<b>6.07%</b>
<b>Private trans.</b>	<b>0.72%</b>	<b>-0.61%</b>	<b>-8.20%</b>	<b>3.28%</b>	<b>10.46%</b>	<b>22.81%</b>	<b>-1.75%</b>	<b>6.52%</b>
<b>Public trans.</b>	<b>0.54%</b>	<b>0.06%</b>	<b>-10.04%</b>	<b>-2.16%</b>	<b>28.09%</b>	<b>1.76%</b>	<b>-12.79%</b>	<b>1.83%</b>
New vehicles	0.37%	0.67%	7.76%	8.52%	8.39%	11.76%	1.94%	4.08%
Used cars & trucks	-2.42%	-1.07%	-13.52%	-1.24%	2.03%	37.28%	10.02%	9.32%
Motor vehicle maintenance & repair	0.71%	1.87%	18.53%	16.85%	10.31%	4.78%	3.43%	5.33%
Airline fare	-1.10%	0.84%	-18.15%	-6.14%	42.89%	0.73%	-19.35%	1.66%

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.

US CPI - Energy	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Fuels &amp; utilities</b>	<b>-0.37%</b>	<b>0.85%</b>	<b>8.23%</b>	<b>15.24%</b>	<b>14.20%</b>	<b>9.36%</b>	<b>2.10%</b>	<b>5.77%</b>
Household energy (3.9%)	-0.48%	0.88%	8.97%	18.41%	17.16%	11.33%	1.63%	6.38%
Motor fuel (4.3%)	4.01%	-4.83%	-38.33%	-10.53%	18.05%	49.24%	-15.39%	9.64%
Fuel oil & other fuels (0.2%)	10.51%	-2.78%	20.87%	17.26%	44.17%	37.69%	-13.50%	15.38%
Electricity (2.7%)	0.14%	0.44%	8.62%	14.26%	14.13%	6.20%	1.99%	4.59%
Utility (piped) gas service (1.0%)	-4.57%	2.94%	7.03%	31.23%	19.99%	23.96%	3.98%	10.51%

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	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Shelter (32.5% total CPI)</b>	<b>0.75%</b>	<b>0.75%</b>	<b>9.12%</b>	<b>8.19%</b>	<b>6.91%</b>	<b>4.18%</b>	<b>1.84%</b>	<b>3.96%</b>

Rent of primary residence (7.3%)	0.69%	0.84%	9.50%	9.14%	7.52%	3.33%	2.28%	4.20%
Lodging away from home (1.0%)	4.85%	-1.04%	16.31%	-1.90%	5.78%	24.16%	-9.69%	2.97%
Owners' equiv. rent of residences (23.8%)	0.62%	0.81%	8.89%	8.44%	6.88%	3.80%	2.18%	3.97%
Household energy (3.9%)	-0.48%	0.88%	8.97%	18.41%	17.16%	11.33%	1.63%	6.38%
Household furnishings & operations (3.9%)	-0.02%	0.46%	5.84%	5.76%	8.43%	7.37%	3.14%	4.27%

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 - Recreation	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
<b>Recreation (5.0% total CPI)</b>	<b>0.75%</b>	<b>0.10%</b>	<b>4.30%</b>	<b>4.15%</b>	<b>4.08%</b>	<b>3.27%</b>	<b>0.94%</b>	<b>2.33%</b>
TV, radio subs. (1.1%)	0.77%	-0.41%	-0.23%	0.83%	2.98%	2.90%	4.17%	3.20%
Pet food (1.1%)	1.04%	1.28%	17.34%	17.33%	15.00%	2.38%	-0.75%	4.24%
Toys (0.3%)	-1.06%	0.32%	-2.38%	2.21%	3.08%	1.75%	-3.85%	-3.23%
Music instruments & accessories (0.0%)	0.63%	0.48%	6.60%	2.13%	4.68%	5.87%	0.01%	2.16%
Club, gyms etc. (0.0%)	1.21%	0.41%	8.37%	5.37%	5.00%	1.76%	-0.36%	2.32%
Entertainment tickets (0.4%)	0.91%	-0.58%	-1.01%	4.35%	6.51%	4.87%	1.21%	3.08%
Fees for lessons or instructions (0.2%)	0.38%	2.78%	21.78%	9.13%	5.90%	2.95%	3.57%	3.29%

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.

US CPI - Medical	Oct-22	Sep-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
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<b>Medical care (8.3% total CPI)</b>	<b>-0.50%</b>	<b>0.80%</b>	<b>3.96%</b>	<b>5.08%</b>	<b>5.02%</b>	<b>2.17%</b>	<b>1.78%</b>	<b>3.16%</b>
Medical care commodities (1.5%)	-0.02%	-0.09%	0.55%	2.77%	3.06%	0.45%	-2.48%	0.55%
Prof. serv. (3.4%)	0.19%	0.73%	6.41%	4.77%	3.31%	3.29%	1.88%	2.22%
Hospital & related serv. (2.5%)	-0.21%	0.17%	2.18%	3.77%	3.39%	3.26%	3.12%	3.47%

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.