

12.Jan.2023

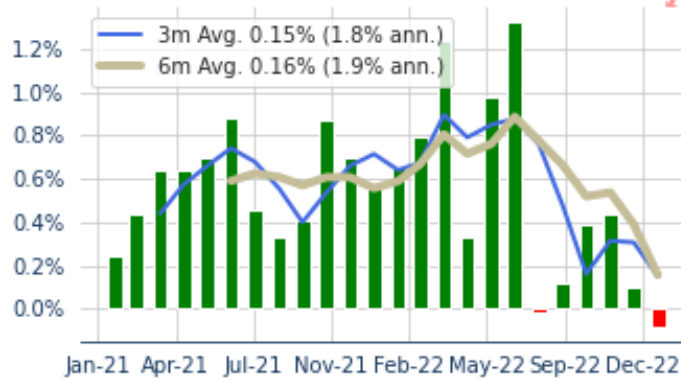
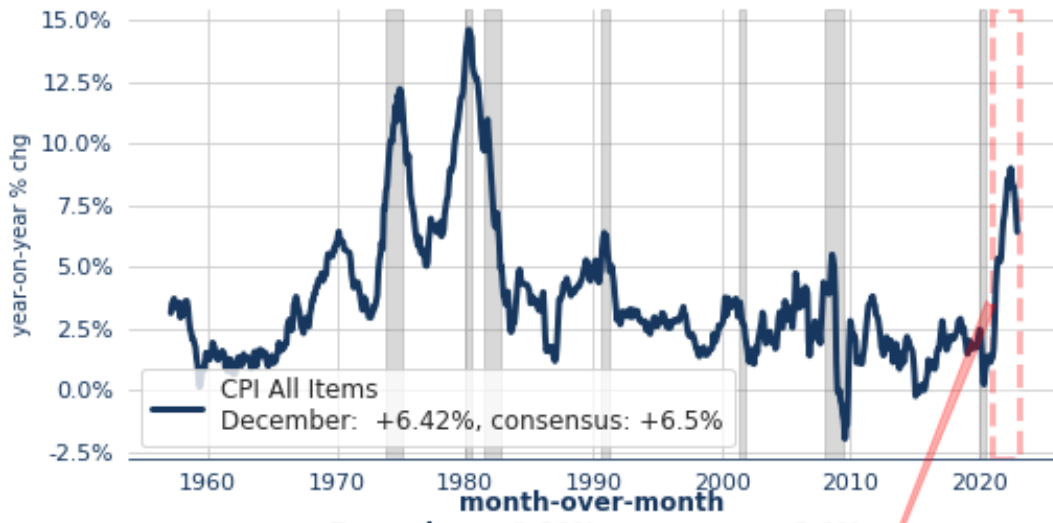
CPI: Tame, Despite Some Big Surprises

Bottom Line: Consumer prices fell at the headline level as energy prices fell in December. As expected, core prices rose 0.3%, led by a surprisingly strong jump of 0.8% in Owner's Equivalent Rent (OER), a key measure of shelter prices and nearly a third of core CPI. Offsetting some of that increase were declines in used car prices and airfares. Prices of medical care services rose only slightly after two months of declines. Hospital and related services were especially strong. **Services excluding rents, an indicator that Fed Chair Powell has increasingly mentioned in recent months, rose 0.4% but was still annualizing at just 1.2% in the final quarter of 2022, well below the average pace of the 2nd half of '22 of 4% annualized.**

Overall, there were surprisingly large increases in OER (which should move down as it typically moves with home prices after long and variable lags) and hospital-related services (which, at least for now, appear to have seen an anomalous jump in December), but the rest of the details of this report show significant disinflation. When OER finally starts to decelerate, core inflation will be even slower than the 3.1% annualized pace seen in the last quarter of '22. ces.

CPI All Items

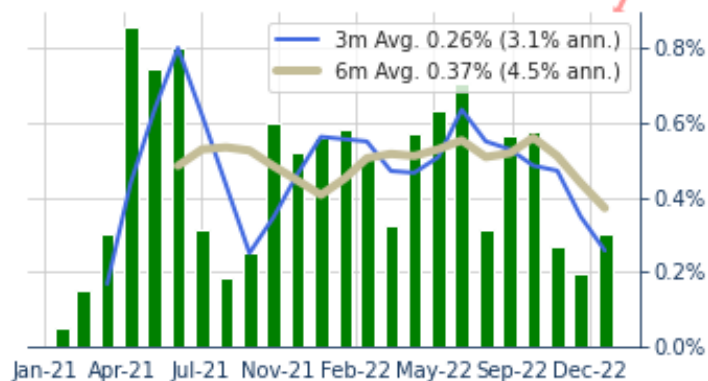
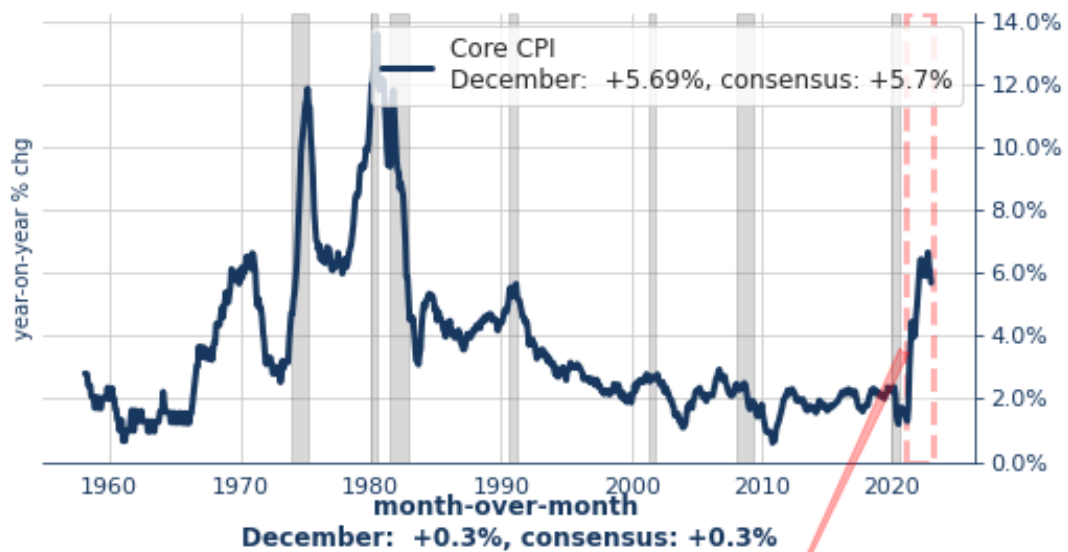
December: +6.42%, consensus: +6.5%



Contingent Macro Advisors 2023 source: US BEA

Core CPI

December: +5.69%, consensus: +5.7%



Contingent Macro Advisors 2023 source: US BEA

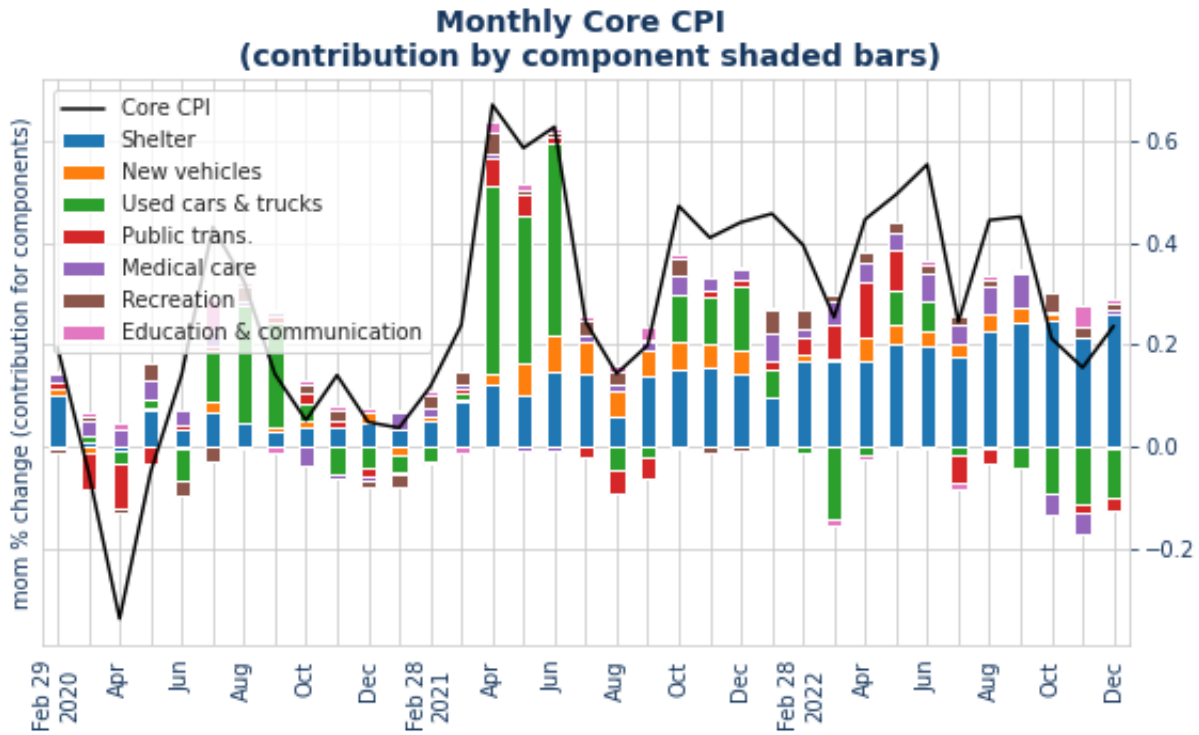
The CPI FELL by 0.08% in December, compared with market expectations for a decline of 0.10%.

- Food prices increased by 0.27% while energy prices fell by 4.5%.
- Prices for gasoline fell by 9.4% while prices for fuel oil declined by 11.9%, prices for electricity climbed by 1.0%, and prices for natural gas rose by 3.0%.
- Energy prices are now 7.0% ABOVE their year-ago level. Overall consumer prices are now 6.4% ABOVE their year-ago level; in December 2021, consumer prices were 7.1% ABOVE their year-ago level.

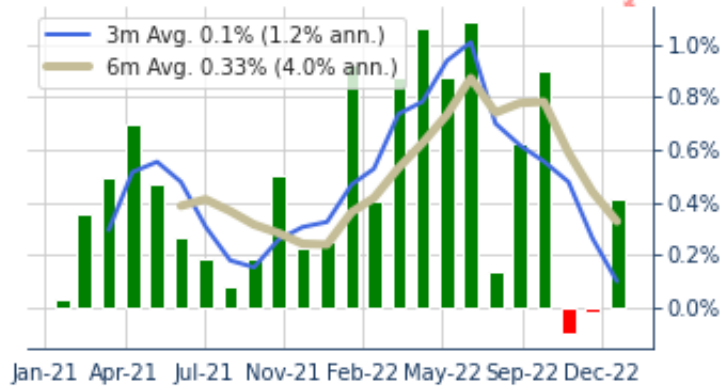
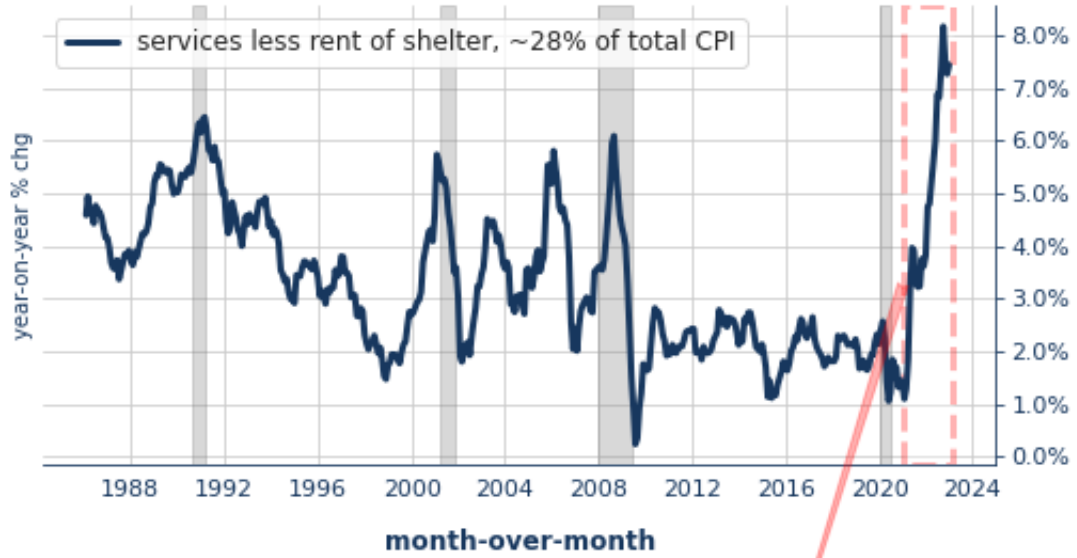
The Core CPI ROSE by 0.30%, compared with market expectations for an increase of 0.30%.

- Prices for commodities excluding food and energy commodities fell by 0.3%.

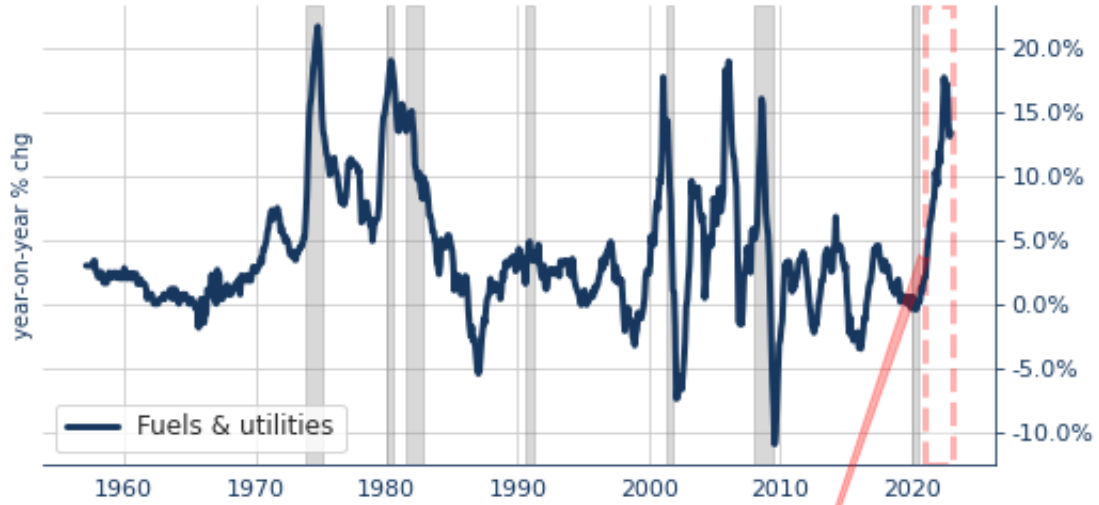
- Gains in alcoholic beverages (+0.5%), and apparel (+0.5%) were offset by declines in used cars & trucks (-2.5%), and tobacco (-0.1%).
- Prices for services excluding energy services rose 0.5% with a moderate increase in shelter (+0.8%), owner's equivalent rent (+0.8%), and transportation (+0.2%).
- Core consumer prices are now 5.7% ABOVE their year-ago level; in December 2021, consumer prices were 5.5% ABOVE their year-ago level.



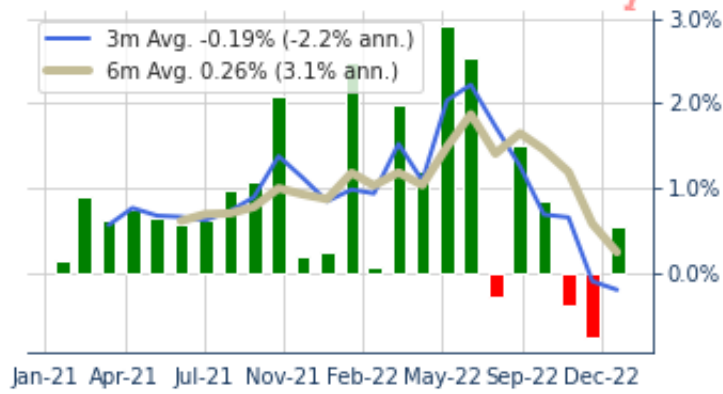
Services less rent a focus of Fed Chair Powell



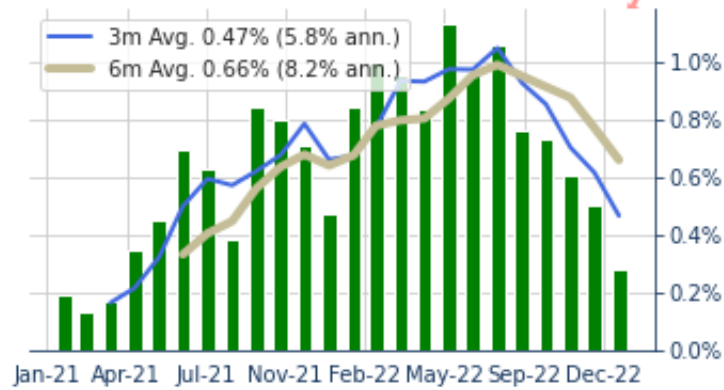
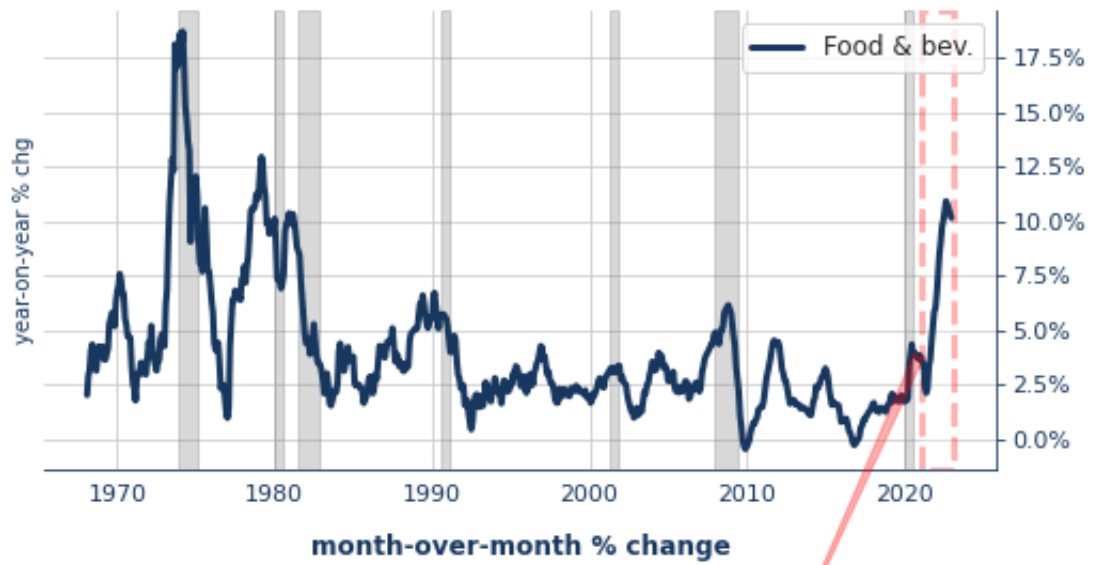
Fuels & utilities



month-over-month % change

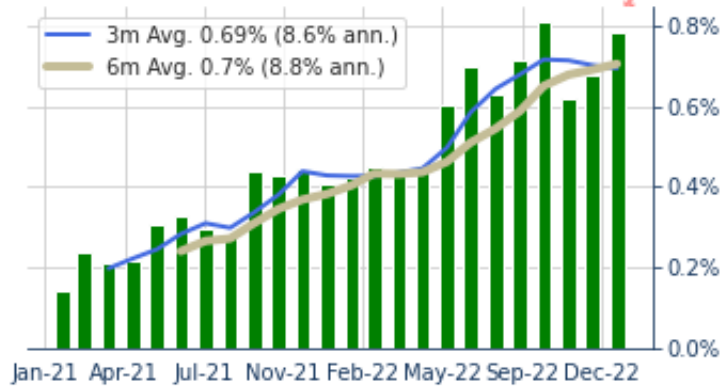
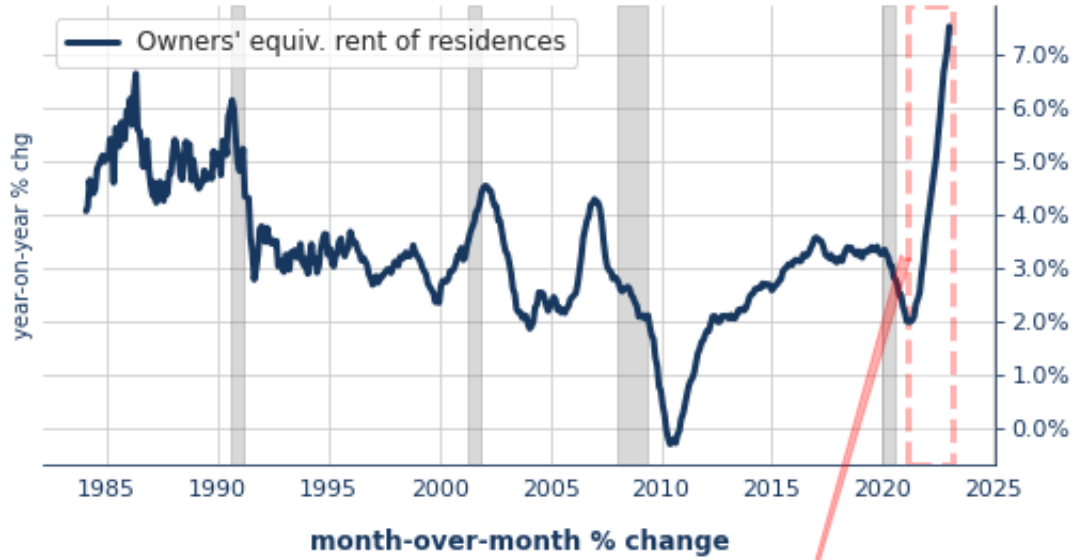


Food & bev.



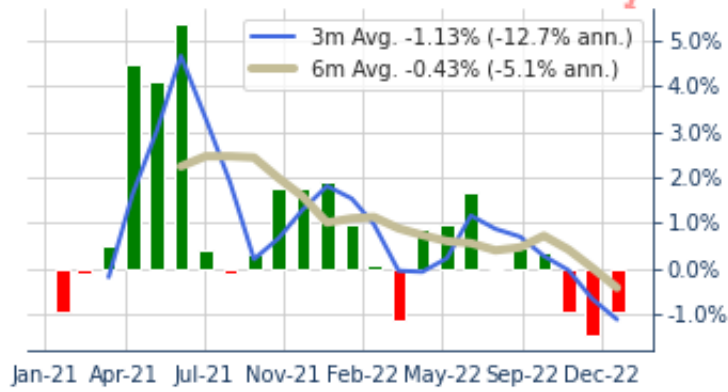
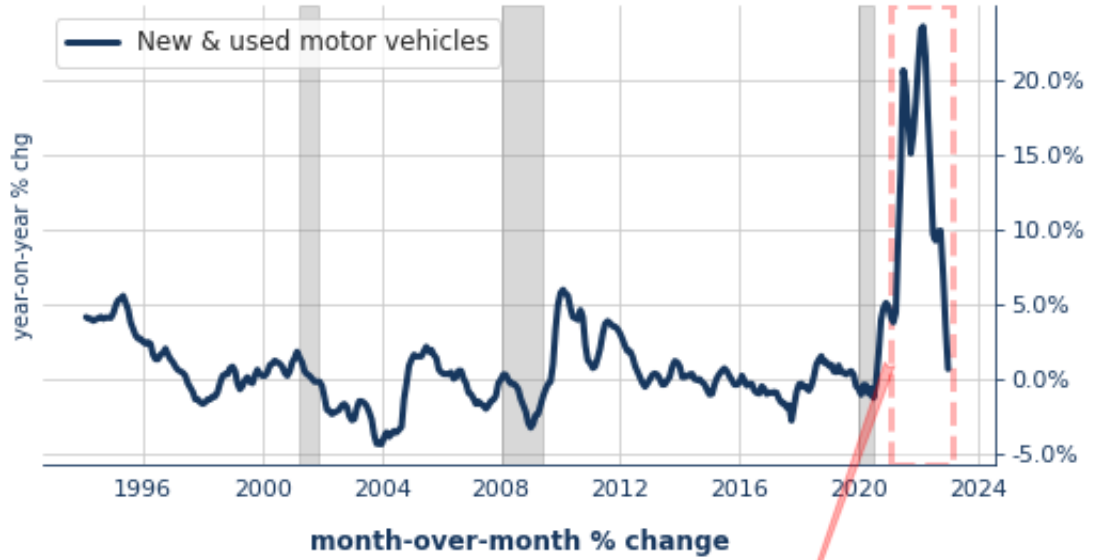
Contingent Macro Advisors 2023 source: US BEA

Owners' equiv. rent of residences

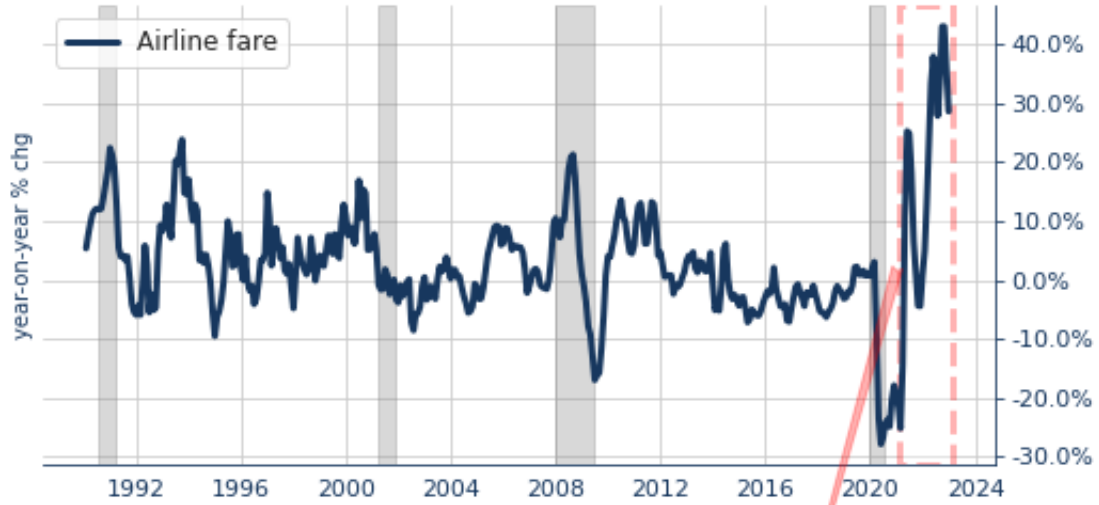


Contingent Macro Advisors 2023 source: US BEA

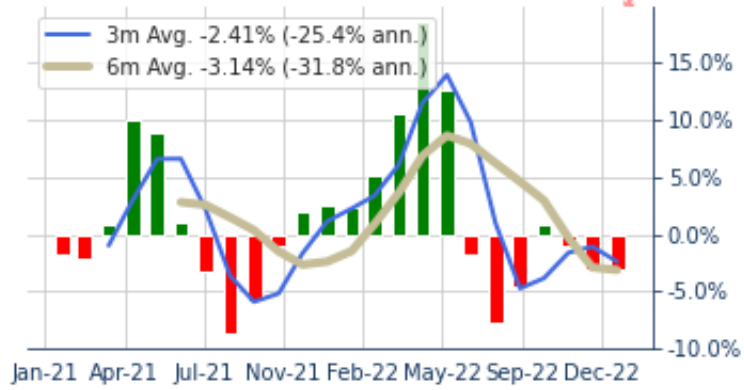
New & used motor vehicles



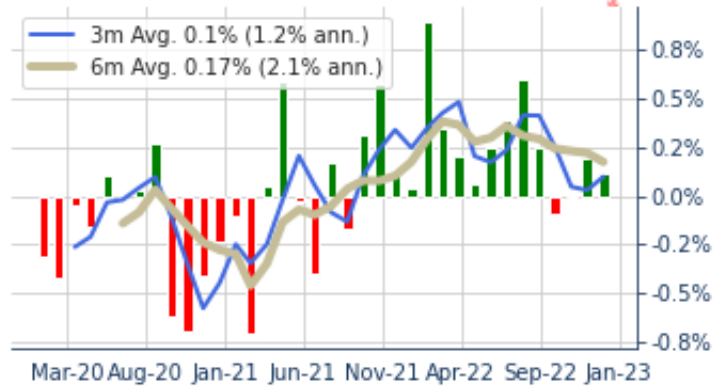
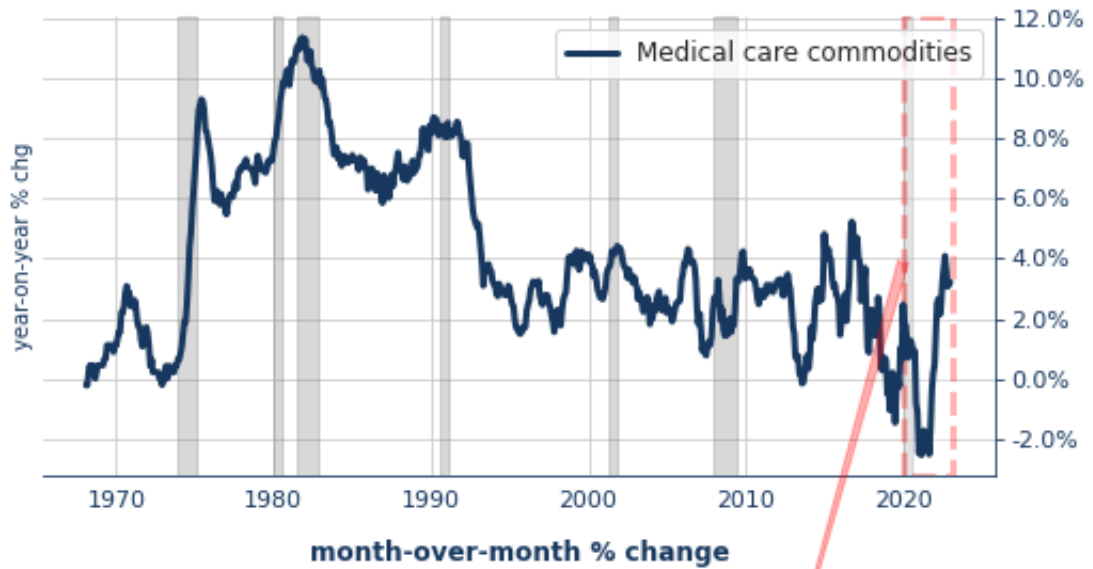
Airline fare



month-over-month % change



Medical care commodities



(4.1%)	-0.06%	0.04%	1.40%	5.05%	5.89%	11.76%	1.94%	4.07%
Used cars & trucks (3.7%)	-2.55%	-2.95%	-27.45%	-17.49%	-8.83%	37.28%	10.02%	7.73%
Transportation serv. (6.0%)	0.19%	-0.08%	3.71%	5.85%	14.55%	4.05%	-3.58%	3.74%
Public trans. (0.9%)	-2.84%	-2.02%	-16.09%	-24.20%	18.95%	1.76%	-12.79%	0.79%
Education & communication (6.0%)	0.14%	0.69%	3.45%	1.77%	0.78%	1.63%	1.97%	1.22%
Recreation (5.0%)	0.25%	0.46%	5.96%	4.24%	5.14%	3.27%	0.94%	2.49%
Apparel (2.5%)	0.48%	0.23%	0.12%	-0.27%	2.93%	5.71%	-4.17%	0.57%
Other goods & serv. (2.7%)	-0.11%	0.72%	4.38%	5.12%	6.35%	4.46%	2.40%	3.77%

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.

US CPI - Food & Bev Categories	Dec-22	Nov-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Food & bev. (13.7% total CPI)	0.28%	0.51%	5.75%	8.22%	10.14%	6.00%	3.84%	5.05%
Cereals & bakery prods (1.1%)	-0.02%	1.10%	7.75%	12.33%	16.06%	4.73%	3.11%	5.51%
Meats, poultry, fish, & eggs (1.9%)	0.97%	-0.21%	5.63%	5.68%	7.61%	12.57%	4.58%	5.80%
Dairy & related prods (0.8%)	-0.32%	1.00%	2.47%	5.99%	15.26%	1.59%	4.42%	5.02%
Fruits & vegetables (1.4%)	-0.65%	1.44%	-0.41%	5.04%	8.49%	5.02%	3.15%	3.58%
Nonalcoholic bev. & beverage materials (1.0%)	0.11%	0.67%	5.46%	9.79%	12.64%	5.11%	4.35%	5.29%
Other food at home (2.3%)	0.44%	-0.07%	5.28%	9.81%	13.95%	5.60%	3.84%	5.10%
Food away from home (5.2%)	0.38%	0.51%	7.54%	9.02%	8.25%	6.01%	3.92%	5.28%

Shelter (32.7% total CPI)	0.80%	0.65%	9.15%	8.68%	7.48%	4.18%	1.84%	4.31%
Rent of primary residence (7.4%)	0.79%	0.77%	9.39%	9.46%	8.35%	3.33%	2.28%	4.58%
Lodging away from home (0.9%)	1.47%	-0.71%	24.55%	3.57%	2.94%	24.16%	-9.69%	3.14%
Owners' equiv. rent of residences (24.0%)	0.78%	0.68%	8.64%	8.78%	7.53%	3.80%	2.18%	4.32%
Household energy (3.9%)	0.63%	-1.02%	-3.50%	2.62%	16.11%	11.33%	1.63%	6.27%
Household furnishings & operations (4.0%)	0.31%	0.03%	1.32%	4.81%	6.72%	7.37%	3.14%	4.36%

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.

US CPI - Recreation	Dec-22	Nov-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Recreation (5.0% total CPI)	0.25%	0.46%	5.96%	4.24%	5.14%	3.27%	0.94%	2.49%
TV, radio subs. (1.1%)	-0.35%	1.01%	5.86%	-0.45%	3.95%	2.90%	4.17%	3.35%
Pet food (1.1%)	0.39%	0.85%	9.48%	13.62%	15.18%	2.38%	-0.75%	4.53%
Toys (0.3%)	1.01%	-1.42%	-5.81%	0.93%	1.26%	1.75%	-3.85%	-3.30%
Music instruments & accessories (0.0%)	-1.08%	1.75%	5.28%	4.64%	5.51%	5.87%	0.01%	2.30%
Club, gyms etc. (0.0%)	0.73%	0.16%	8.73%	6.77%	5.23%	1.76%	-0.36%	2.51%
Entertainment tickets (0.4%)	-0.26%	1.60%	9.31%	5.24%	6.47%	4.87%	1.21%	3.39%
Fees for lessons or instructions (0.2%)	2.64%	-0.82%	9.06%	13.67%	7.84%	2.95%	3.57%	3.71%

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. Pet food includes all related to pets.

US CPI - Medical	Dec-22	Nov-22	3m ann % chg	6m ann % chg	YoY % chg	2021	2020	5y
Medical care (8.3% total CPI)	0.10%	-0.52%	-3.64%	1.99%	3.96%	2.17%	1.78%	3.07%
Medical care commodities (1.5%)	0.11%	0.19%	1.16%	2.09%	3.21%	0.45%	-2.48%	0.62%
Prof. serv. (3.5%)	0.06%	0.08%	1.30%	3.38%	2.96%	3.29%	1.88%	2.25%
Hospital & related serv. (2.5%)	1.51%	-0.29%	4.06%	4.67%	4.57%	3.26%	3.12%	3.76%
Health insurance (0.9%)	-3.44%	-4.25%	-37.96%	-9.98%	7.88%	-1.16%	4.77%	8.35%

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.