

14.Mar.2023

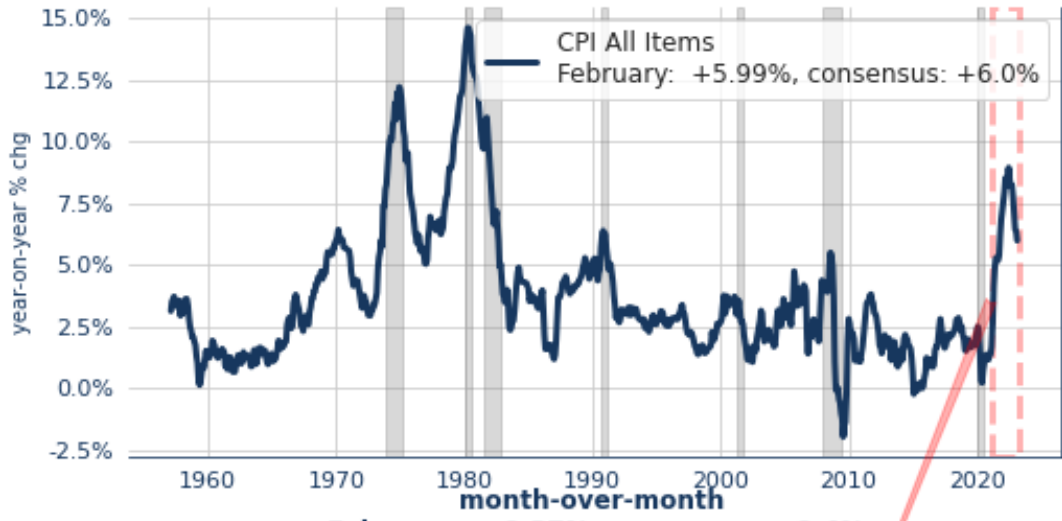
CPI: Stubbornly High Due to Lags

Bottom Line: Consumer prices rose in February, mostly as expected, as gasoline prices rose further. Core CPI was up 0.45%, stubbornly robust as Owner's Equivalent Rent (OER), the largest component of core, was up 0.7%, consistent with the long historic long lag between actual rents and the imputed rent in CPI. Used car prices were lower, countering expectations for an increase based on the major private market surveys of prices. Airfares rose sharply, though, offsetting some of the impact of used cars in this report. Medical care services prices were soft, pushing the medical category down about 0.5%.

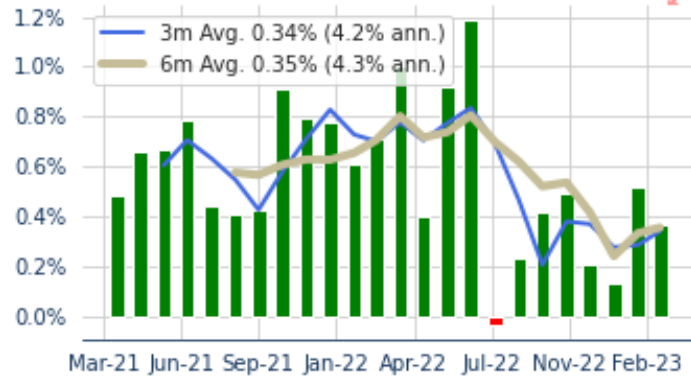
The lags holding core CPI stubbornly high are consistent with our modeling. Expect core CPI to remain stubbornly high, led by OER for several more months, before the lag with actual rents catches up with OER. We should start to see material disinflation and even deflation in OER later in the year. Critically, medical care, which was often the most significant driver of CPI before the pandemic, is trending lower -- and that should help disinflation take hold in core CPI once the OER lags are behind us.

CPI All Items

February: +5.99%, consensus: +6.0%



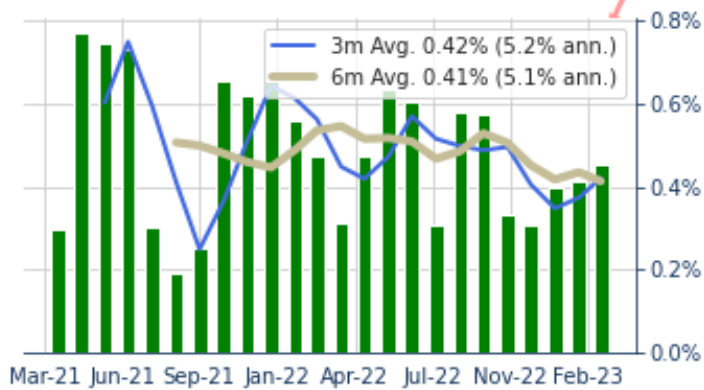
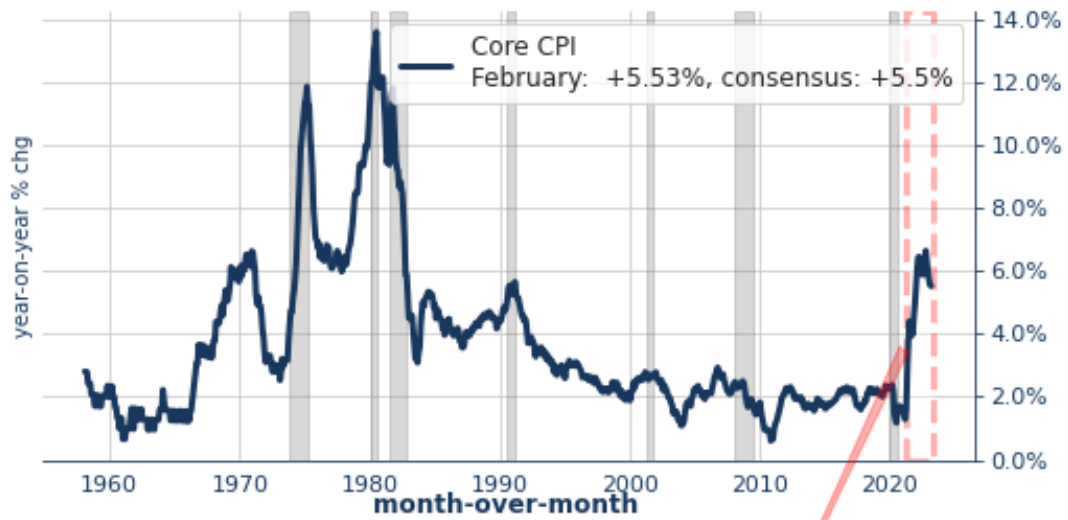
February: +0.37%, consensus: +0.4%



Contingent Macro Advisors 2023 source: US BEA

Core CPI

February: +5.53%, consensus: +5.5%



Contingent Macro Advisors 2023 source: US BEA

The CPI ROSE by 0.37% in February, compared with market expectations for an increase of 0.50%.

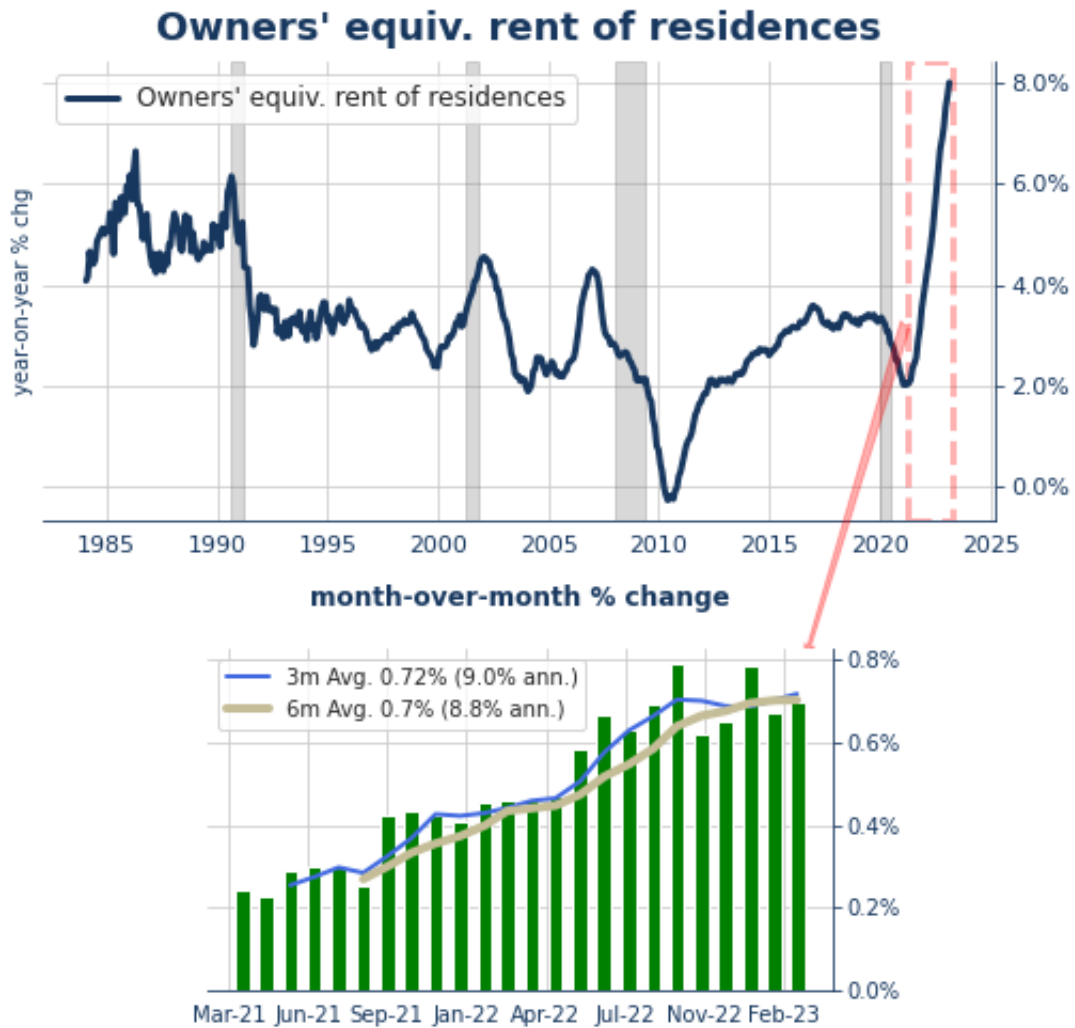
- Food prices increased by 0.39%, while energy prices fell by 0.6%.
- Prices for gasoline rose by 1.0% while prices for fuel oil declined by 6.4%; prices for electricity climbed by 0.5%, but prices for natural gas fell by 8.0%.
- Energy prices are now 5.0% ABOVE their year-ago level.

Overall consumer prices are now 6.0% ABOVE their year-ago level; in February 2022, consumer prices were 8.0% ABOVE their year-ago level.

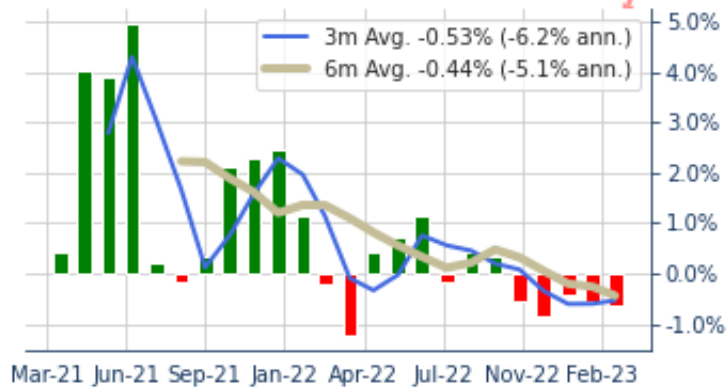
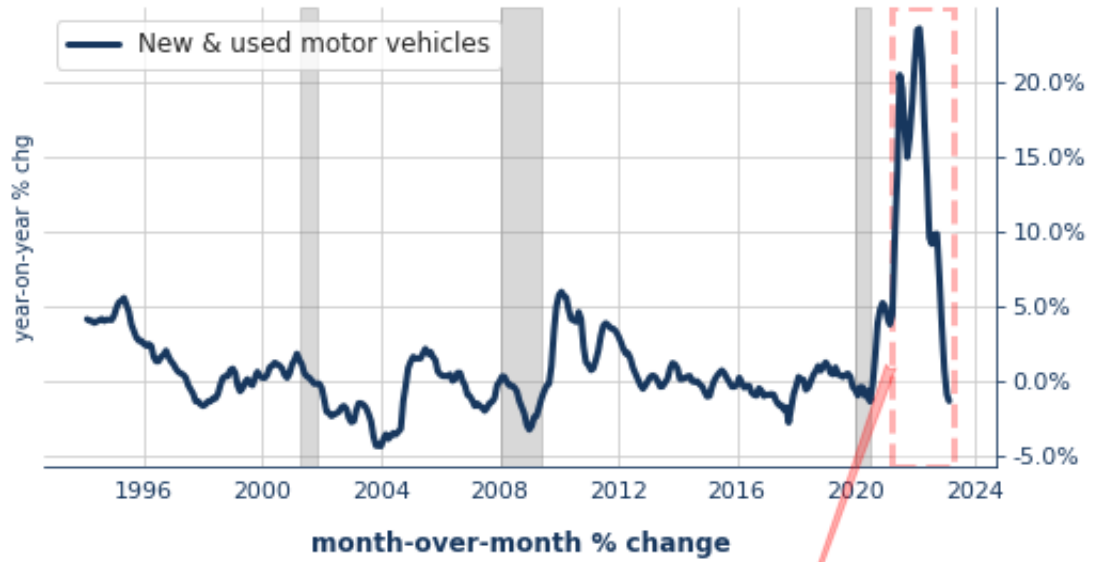
The Core CPI ROSE by 0.45%, compared with market expectations for an increase of 0.40%.

- Prices for commodities excluding food and energy commodities fell by 0.0%.
- Gains in tobacco (+1.0%), and apparel (+0.8%) were offset by declines in used cars & trucks (-2.8%), and alcoholic beverages (-0.3%).
- Prices for services excluding energy services rose 0.6%, with a moderate increase in transportation (+1.1%), and owner's equivalent rent (+0.7%).

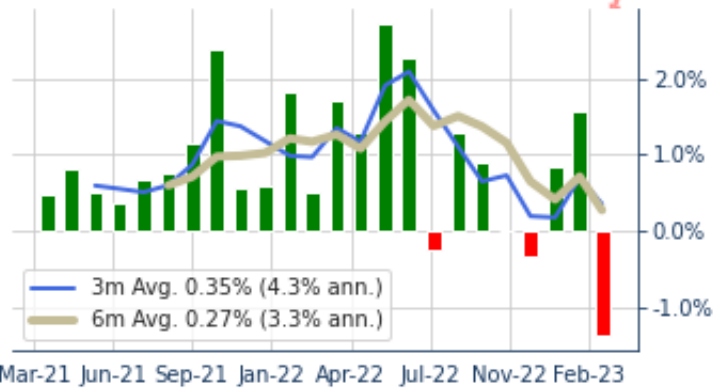
Core consumer prices are now 5.5% ABOVE their year-ago level; in February 2022, consumer prices were 6.4% ABOVE their year-ago level.



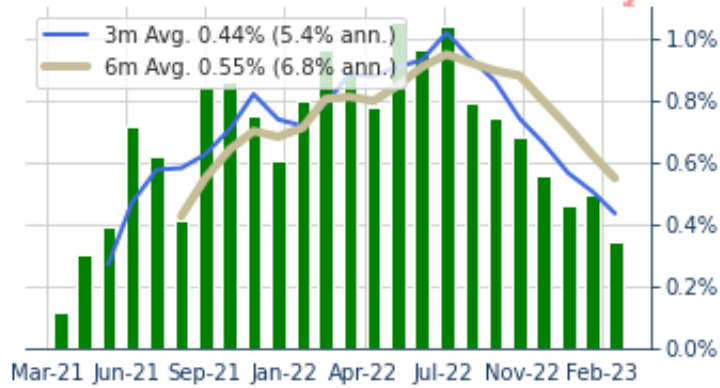
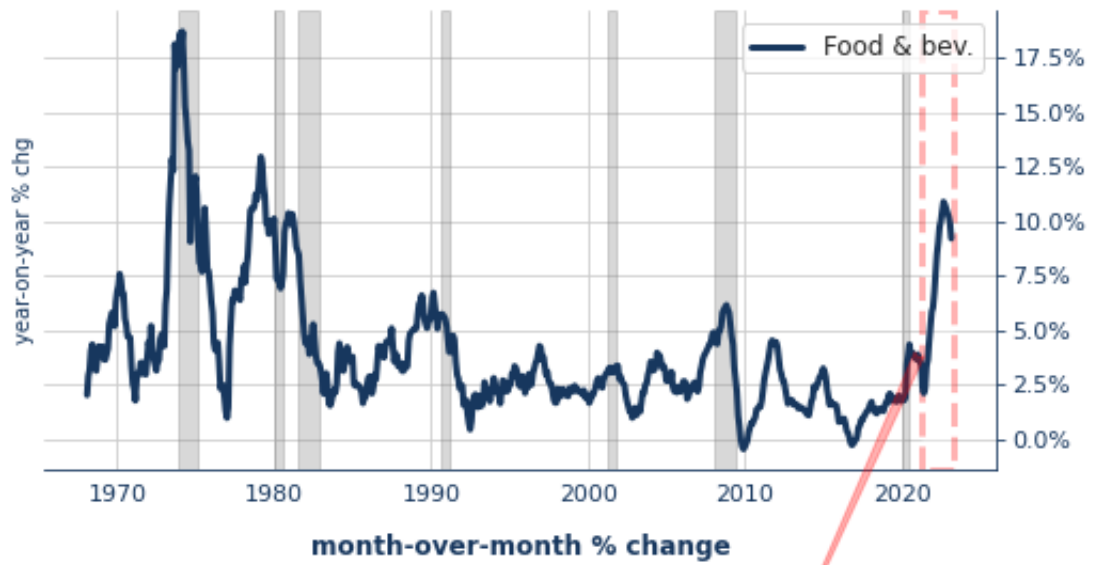
New & used motor vehicles



Fuels & utilities



Food & bev.



Contingent Macro Advisors 2023 source: US BEA

(4.3%)	0.18%	0.23%	3.98%	5.50%	5.83%	5.89%	11.78%	4.24%
Used cars & trucks (2.7%)	-2.77%	-1.94%	-23.75%	-20.74%	-13.58%	-8.59%	37.73%	6.35%
Transportation serv. (5.8%)	1.14%	0.85%	11.02%	11.46%	14.57%	14.38%	4.33%	3.69%
Education & communication (5.8%)	0.06%	0.37%	2.22%	2.51%	1.04%	0.75%	1.62%	1.25%
Recreation (5.4%)	0.87%	0.48%	6.48%	5.97%	4.96%	5.14%	3.26%	2.55%
Apparel (2.5%)	0.81%	0.83%	7.63%	3.52%	3.25%	2.91%	5.71%	0.93%
Other goods & serv. (2.7%)	0.91%	0.65%	5.93%	6.08%	6.08%	6.35%	4.46%	3.65%

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	Feb-23	Jan-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Transportation serv. (5.8% total CPI)	0.18%	0.40%	-4.11%	-2.91%	2.45%	3.71%	21.69%	5.30%
Private trans.	0.03%	0.51%	-4.46%	-3.14%	1.74%	3.02%	23.20%	5.67%
Public trans. (0.8%)	3.19%	-1.80%	3.18%	1.75%	18.00%	19.62%	2.85%	2.20%
New vehicles (4.3%)	0.18%	0.23%	3.98%	5.50%	5.83%	5.89%	11.78%	4.24%
Used cars & trucks (2.7%)	-2.77%	-1.94%	-23.75%	-20.74%	-13.58%	-8.59%	37.73%	6.35%
Leased cars & trucks (0.7%)	0.00%	0.95%	nan%	nan%	nan%	34.62%	-1.98%	4.73%
Motor vehicle maintenance & repair (1.1%)	0.21%	1.31%	10.73%	13.61%	12.52%	13.02%	4.78%	5.72%
Airline fares	6.38%	-2.15%	8.06%	-0.86%	26.54%	29.14%	1.56%	2.39%

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	Feb-23	Jan-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Fuels & utilities	-1.36%	1.56%	4.21%	3.26%	11.12%	13.50%	9.54%	5.42%
Household energy (3.6%)	-1.97%	1.77%	3.19%	2.36%	12.92%	16.16%	11.56%	6.08%

(3.6%)	-0.32%	-0.09%	-1.27%	1.26%	2.41%	2.96%	3.30%	1.94%
Hospital & related serv. (2.3%)	0.11%	0.69%	8.04%	3.11%	4.00%	4.57%	3.27%	3.10%
Health insurance (0.8%)	-4.07%	-3.57%	-36.35%	-29.72%	-4.74%	7.88%	-1.16%	4.89%

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.