

13.Sep.2023

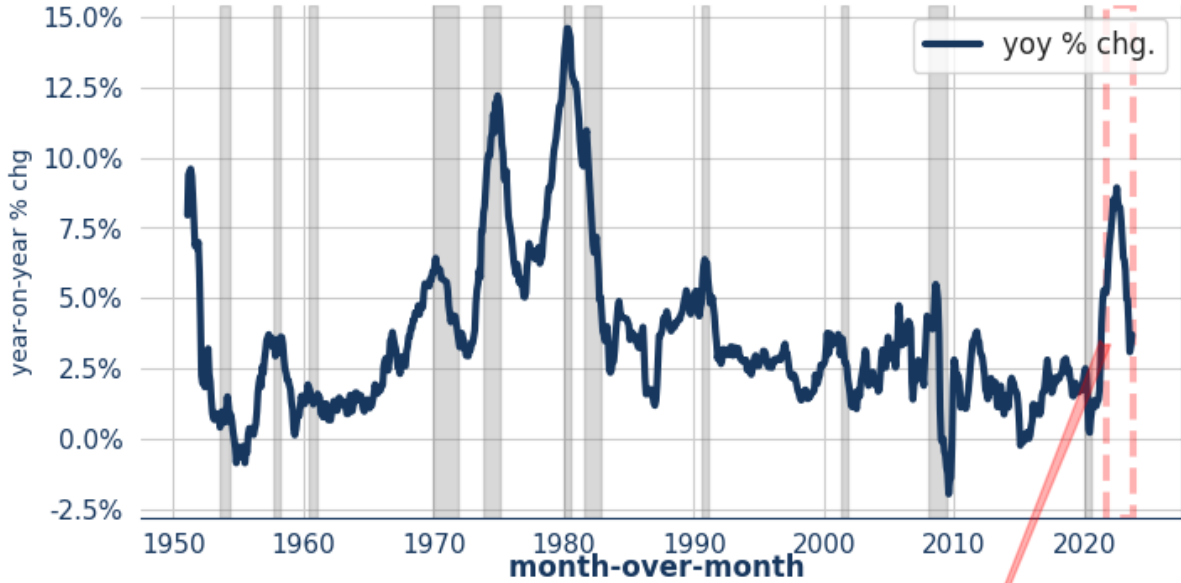
CPI: Cooler But Less Clear On Future Disinflation

Bottom Line: Consumer prices rose nearly as expected in August at the headline level, driven by higher gasoline prices. Core prices rose a bit more than expected, with an upside surprise in transportation services (mostly airfares). Owner's Equivalent Rent (OER), the largest component of the core, was the biggest driver of the increase, up 0.29%, the slowest reading of this cycle, meaning lower prices last year are finally starting to come through in OER. Services less rent, a favored indicator of Fed Chair Powell, accelerated with a nearly 0.5% reading in August, now up 3.3% annualized in the last three months. Finally, used car and truck prices were lower again, a deflationary force for several months now that looks unlikely to persist.

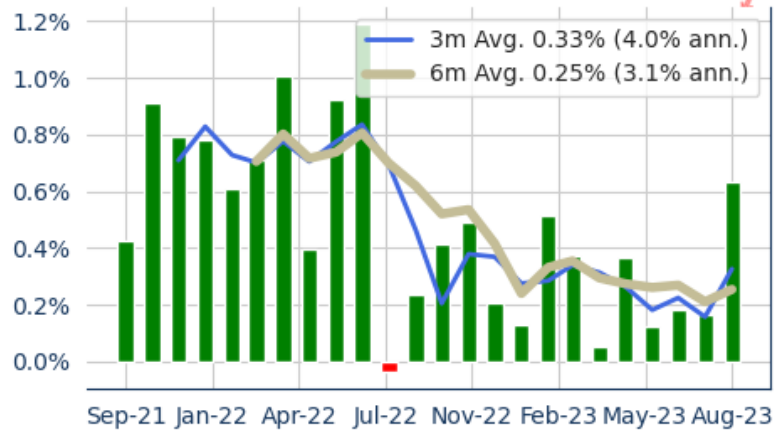
Overall, this report showed continued easing in inflation pressures in the medium- and longer-term trends. However, looking through the details, it is becoming less clear where more disinflation will come, potentially leaving the core run rate around 3% annualized without more downside surprises.

CPI All Items

Year-on-year in August: +3.71%, consensus: +3.6%

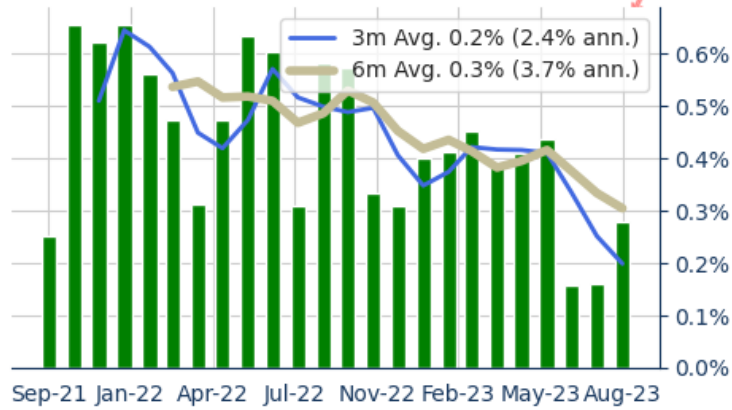
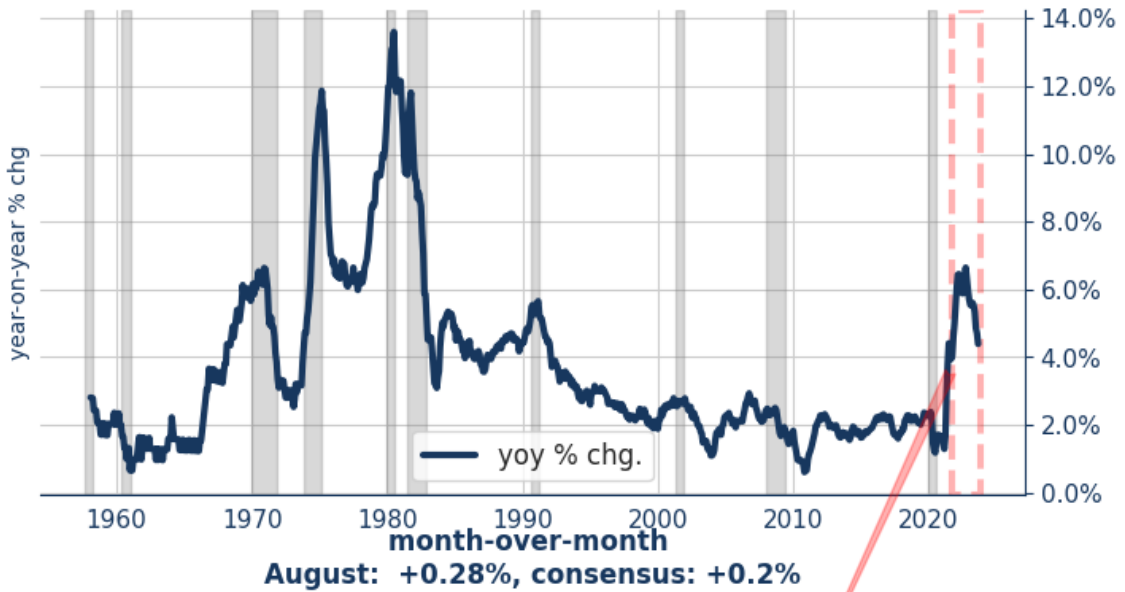


August: +0.63%, consensus: +0.6%



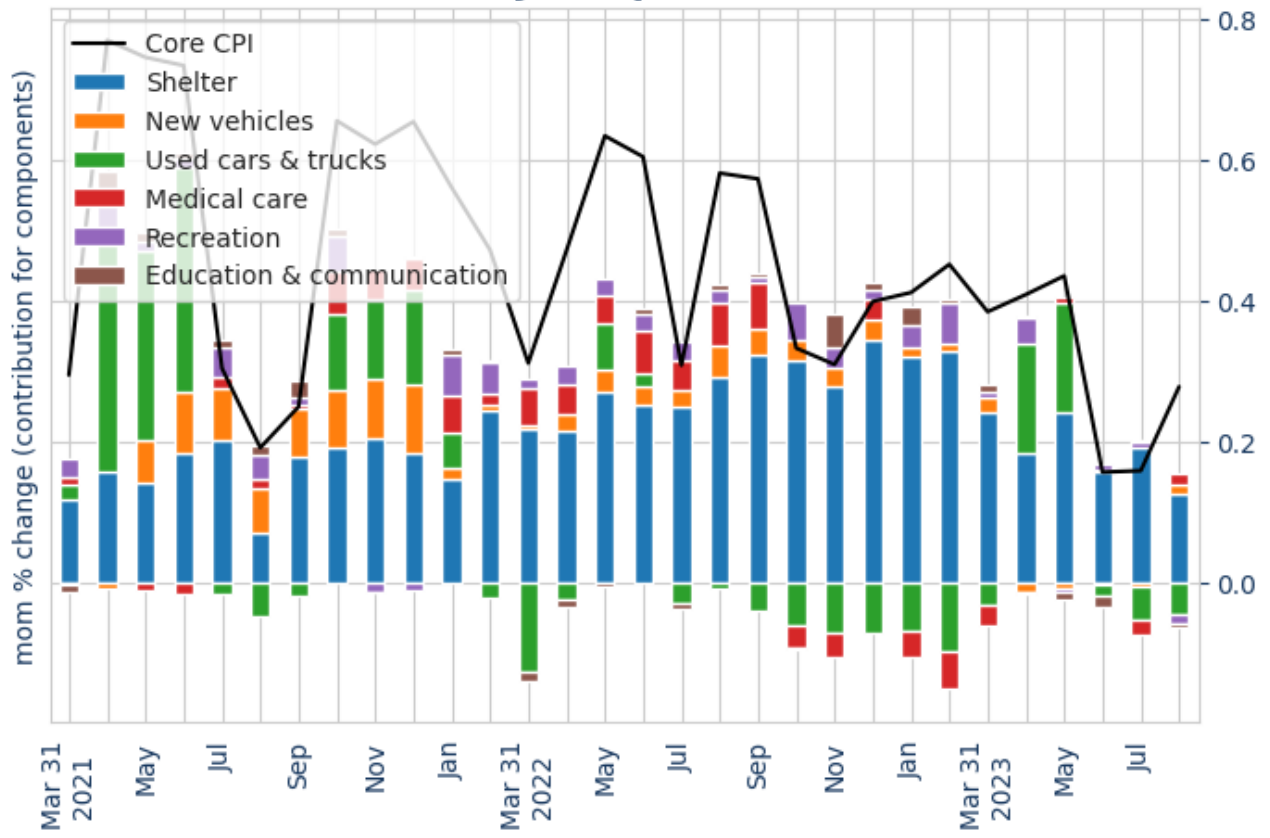
Core CPI

Year-on-year in August: +4.39%, consensus: +4.3%

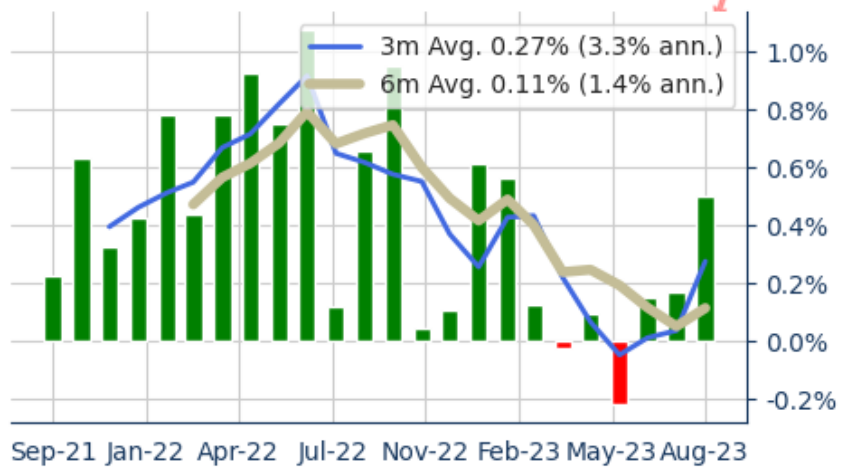
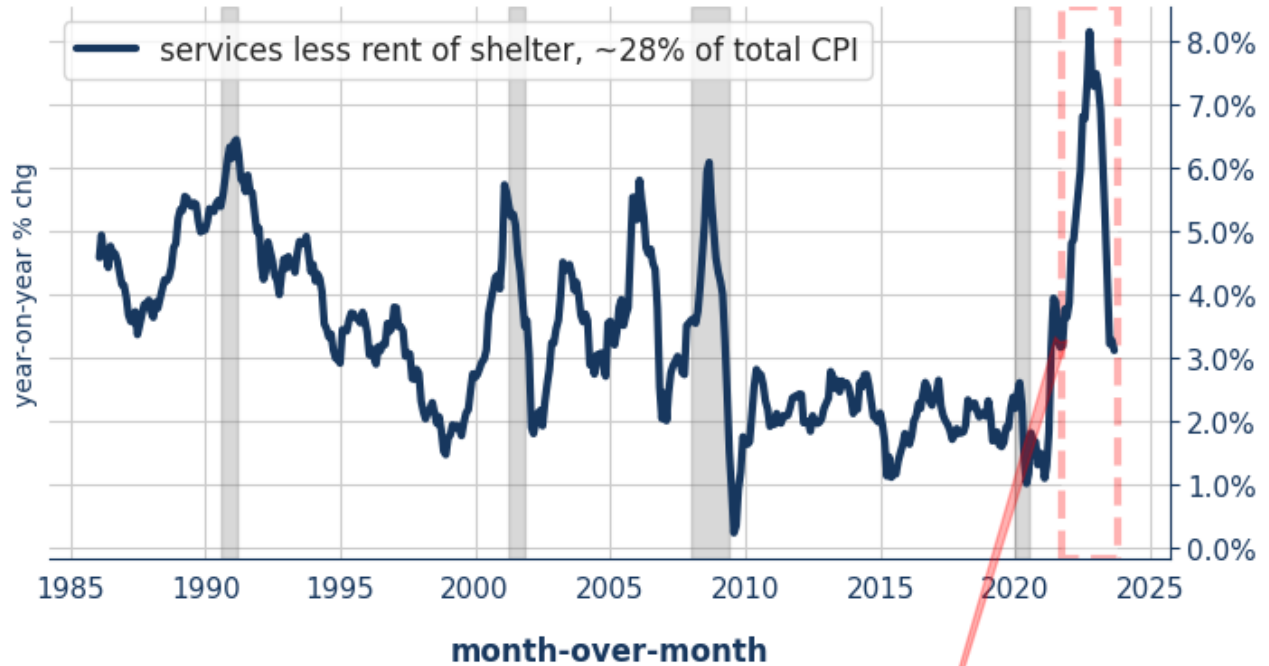


Contingent Macro Advisors 2023 source: US BEA

Monthly Core CPI (contribution by component shaded bars)

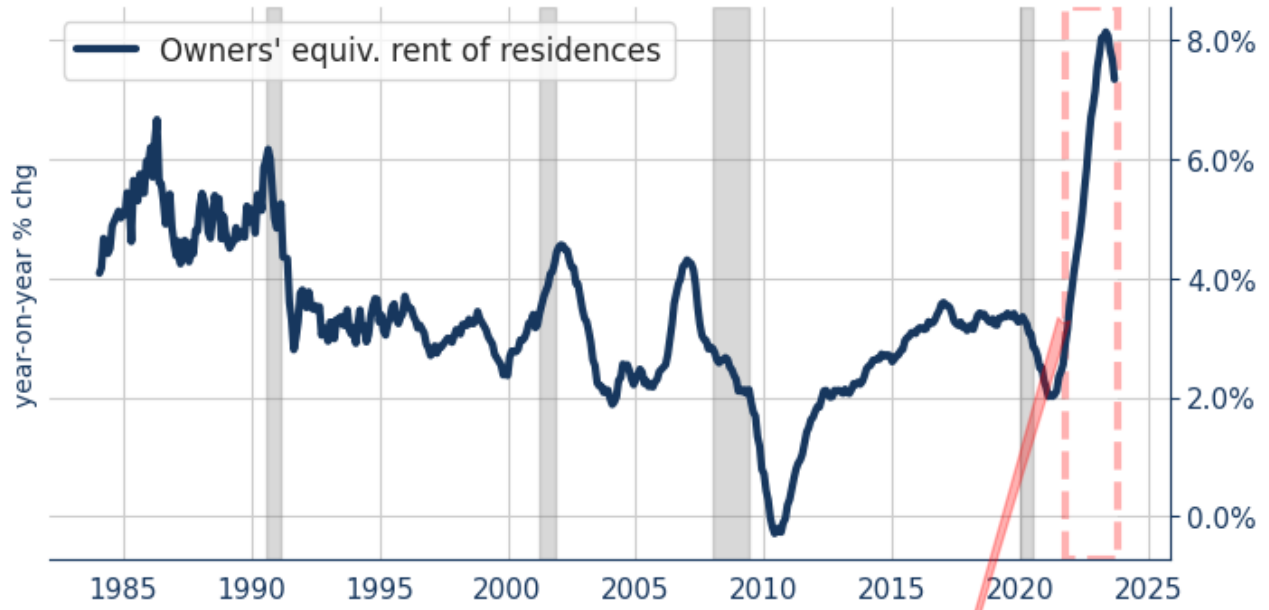


Services less rent a focus of Fed Chair Powell

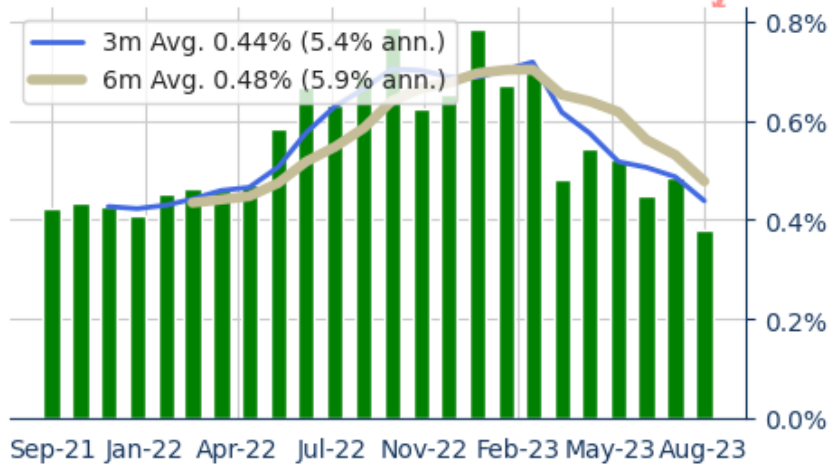


Contingent Macro Advisors 2023 source: US BEA

Owners' equiv. rent of residences

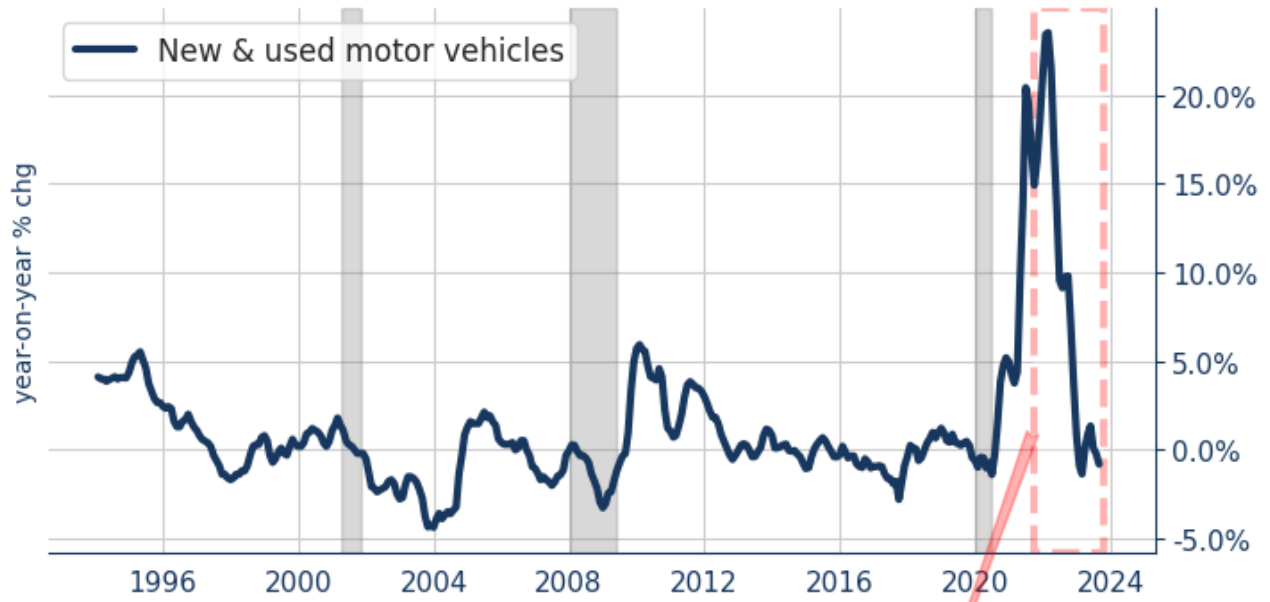


month-over-month % change

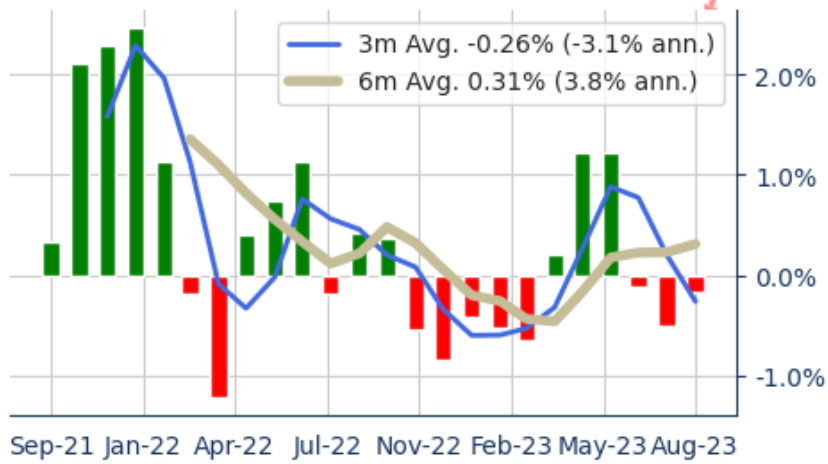


Contingent Macro Advisors 2023 source: US BEA

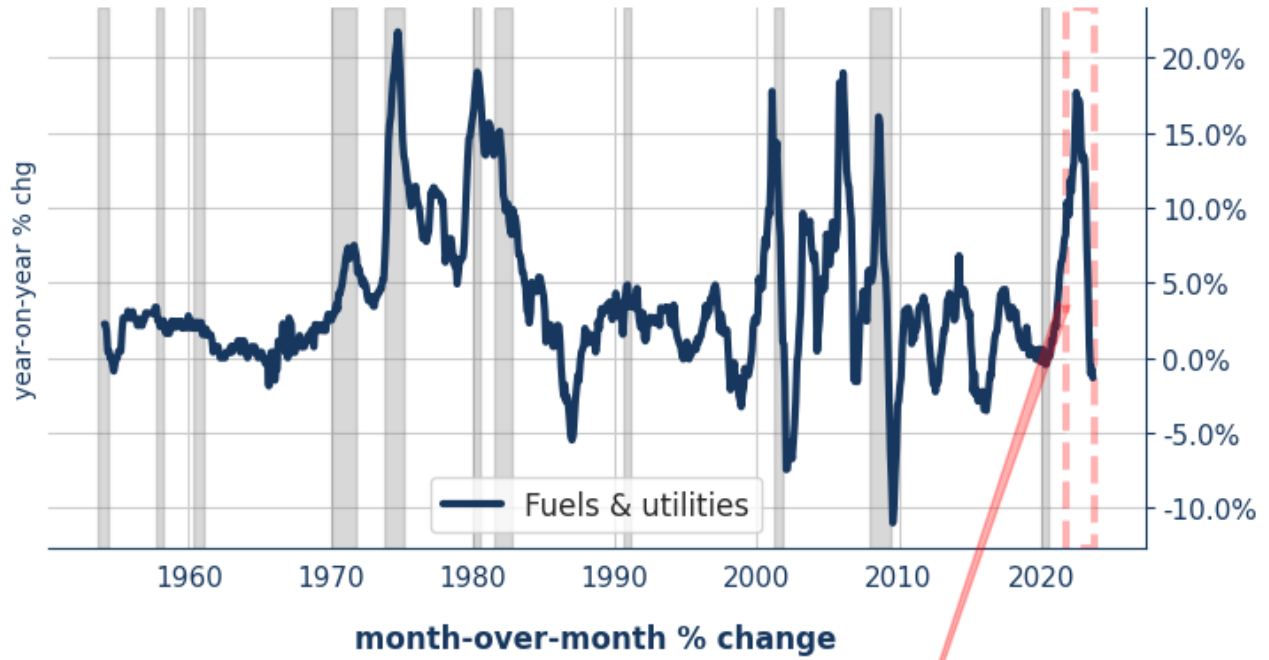
New & used motor vehicles



month-over-month % change

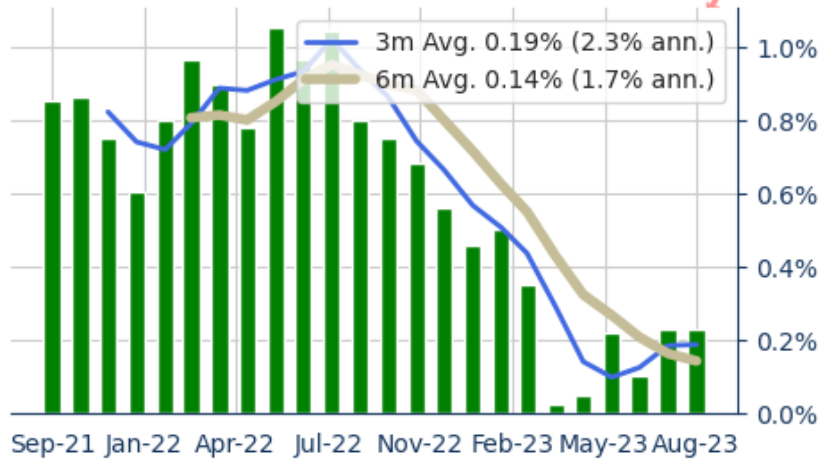
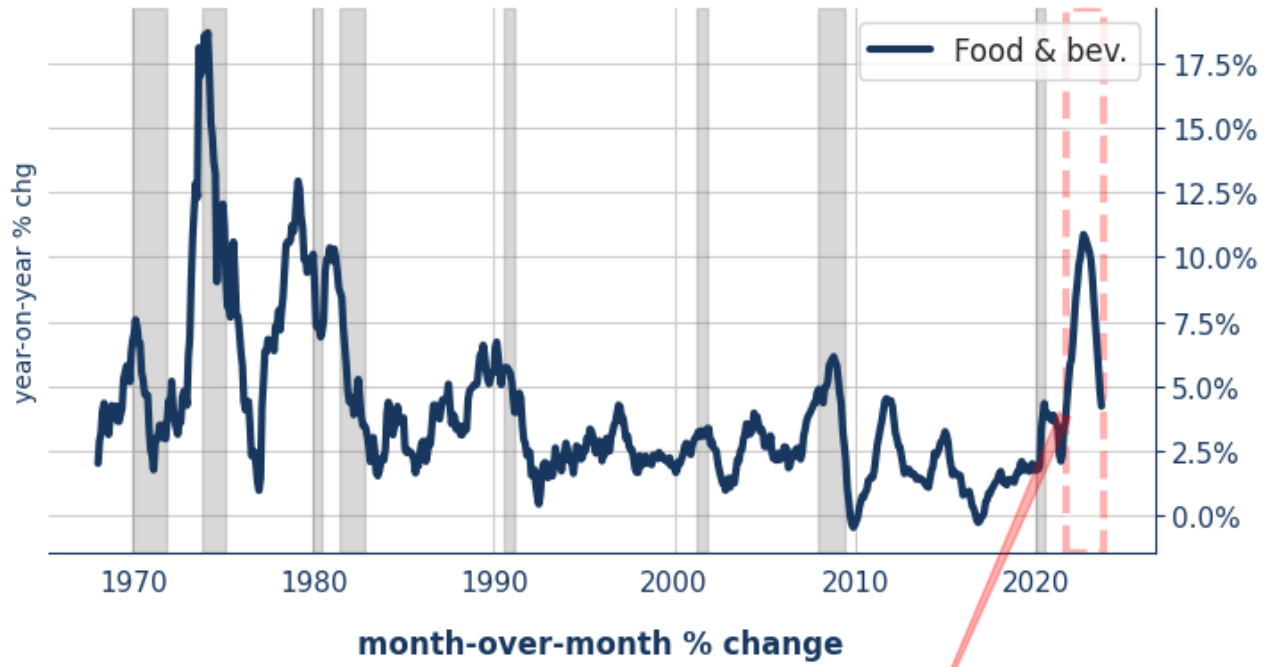


Fuels & utilities



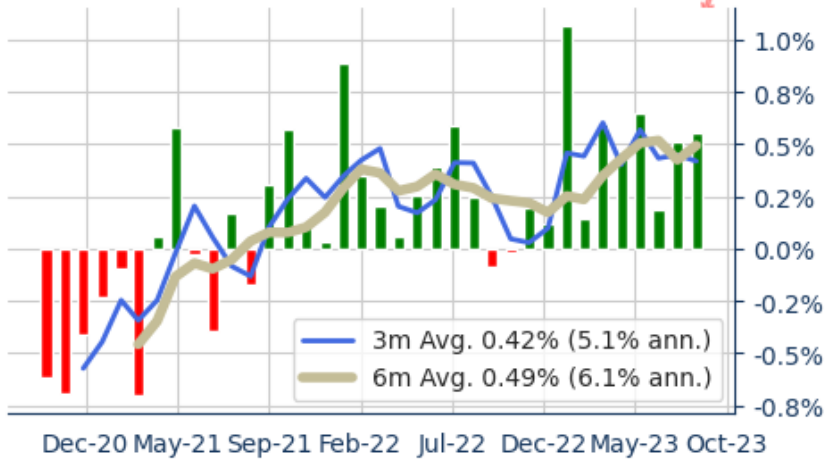
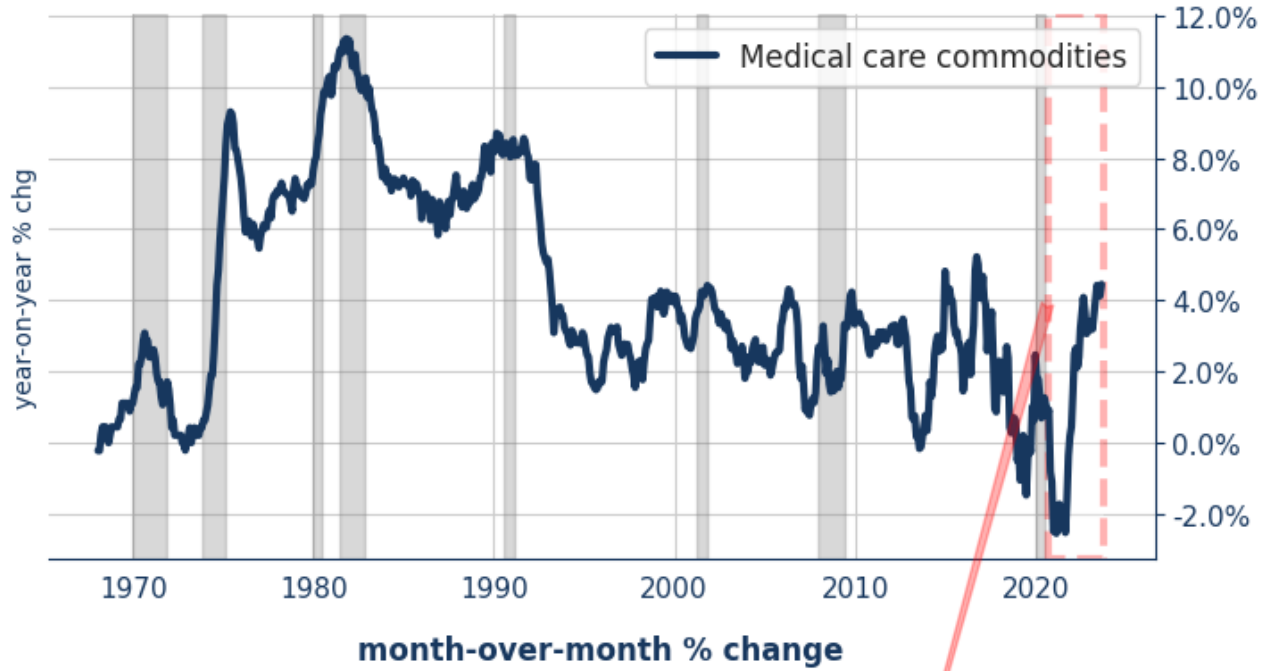
Contingent Macro Advisors 2023 source: US BEA

Food & bev.



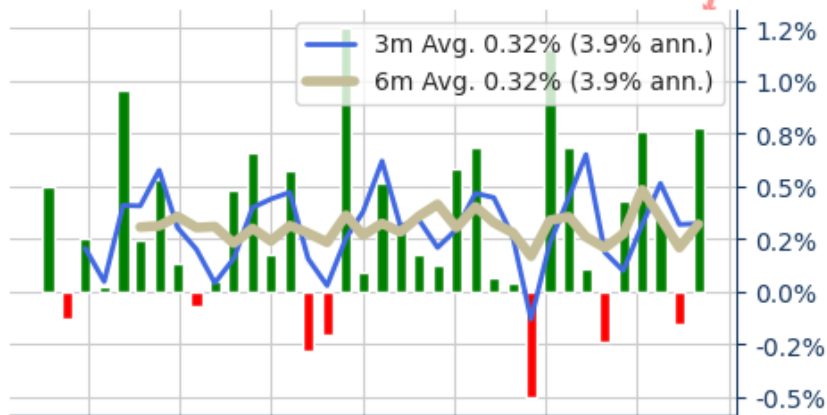
Contingent Macro Advisors 2023 source: US BEA

Medical care commodities



Contingent Macro Advisors 2023 source: US BEA

Hospital & related serv.



Dec-20 May-21 Sep-21 Feb-22 Jul-22 Dec-22 May-23 Oct-23

Contingent Macro Advisors 2023 source: US BEA

US Consumer Price Inflation	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
CPI All Items	0.63%	0.17%	3.98%	3.09%	3.71%	6.44%	7.19%	4.23%
Core CPI (79.6%)	0.28%	0.16%	2.41%	3.71%	4.39%	5.70%	5.52%	3.81%
Motor fuel (3.5%)	10.66%	0.16%	56.73%	7.07%	-3.73%	-0.53%	50.05%	9.34%
Energy serv. (3.3%)	0.22%	-0.13%	1.81%	-9.49%	-2.77%	15.60%	10.34%	4.72%
Food & bev. (13.4%)	0.23%	0.23%	2.26%	1.72%	4.22%	10.19%	6.04%	5.12%
Shelter (34.7%)	0.29%	0.44%	4.47%	5.39%	7.25%	7.48%	4.18%	4.53%
Medical care	0.15%	-0.23%	-0.23%	-0.61%	-0.96%	4.00%	2.23%	2.38%

Shelter (34.7% total CPI)	0.29%	0.44%	4.47%	5.39%	7.25%	7.48%	4.18%	4.53%
Rent of primary residence (7.6%)	0.48%	0.42%	5.61%	5.97%	7.76%	8.36%	3.34%	4.81%
Lodging away from home (1.2%)	-2.97%	-0.34%	-19.38%	-7.60%	3.02%	2.85%	24.04%	2.77%
Owners' equiv. rent of residences (25.5%)	0.38%	0.49%	5.39%	5.89%	7.32%	7.53%	3.79%	4.57%
Household energy (3.5%)	0.65%	0.06%	3.99%	-8.77%	-3.36%	16.16%	11.56%	4.91%
Household furnishings & operations (4.3%)	0.17%	-0.06%	-0.05%	-0.07%	2.19%	6.72%	7.41%	4.17%

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	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Recreation (5.4% total CPI)	-0.22%	0.12%	0.04%	1.19%	3.55%	5.14%	3.26%	2.69%
TV, radio subs. (1.0%)	0.53%	0.54%	4.69%	5.86%	6.30%	3.93%	2.82%	4.22%
Pet food (1.2%)	-0.09%	-0.16%	-1.92%	7.03%	8.65%	15.18%	2.38%	5.40%
Toys (0.3%)	0.49%	-2.94%	-10.93%	-4.79%	-2.86%	1.27%	1.83%	-1.98%
Music instruments & accessories (0.1%)	-0.68%	-0.47%	6.09%	8.35%	8.43%	5.51%	5.87%	4.38%
Club, gyms etc. (0.1%)	0.11%	0.83%	3.16%	1.50%	4.58%	5.23%	1.76%	2.42%
Entertainment tickets (0.4%)	-0.12%	0.08%	1.82%	5.56%	5.16%	6.47%	4.87%	3.93%
Fees for lessons or instructions (0.2%)	-2.54%	1.12%	-5.42%	7.02%	9.31%	7.84%	2.95%	4.30%

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	Aug-23	Jul-23	3m ann % chg	6m ann % chg	YoY % chg	2022	2021	5y
Medical care (7.8% total CPI)	0.15%	-0.23%	-0.23%	-0.61%	-0.96%	4.00%	2.23%	2.38%
Medical care commodities (1.5%)	0.56%	0.51%	5.13%	6.08%	4.45%	3.21%	0.45%	1.60%
Prof. serv. (3.5%)	0.57%	0.27%	4.49%	2.47%	1.86%	2.96%	3.30%	2.21%
Hospital & related serv. (2.3%)	0.77%	-0.16%	3.90%	3.87%	3.49%	4.57%	3.27%	3.55%

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.