

U.S. Data Review

- CPI: tame results for a firm economic environment

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Consumer Prices

The consumer price index in May rose 0.2 percent both overall and excluding food and energy, matching the consensus estimate. The energy component rose noticeably (0.9 percent), led by higher prices of gasoline, but its effect on the headline measure was tempered by no change in food prices. The core component rose 0.2 percent, but it rounded up to that total (0.171 percent). Considering the economic environment -- a fully employed economy growing at a pace faster than potential -- we view the results as subdued.

The monthly changes left the headline index up 2.8 percent on a year-over-year basis, 0.3 percentage point more than in the prior month and a reading in the upper portion of the recent range (chart). The core index rose 2.2 percent in the past year, up 0.1 percentage point from the prior month and also in the upper portion of its recent range. The inflation rate for May was not troubling when viewed in isolation, but the results were much different than those in May of last year, when lower energy prices led to a drop of 0.1 percent in the headline measure. An increase of only 0.1 percent in the core index also helped to restrain inflation in May of last year. With May 2017 dropping out of the annual calculation, the year-over-year change picked up.

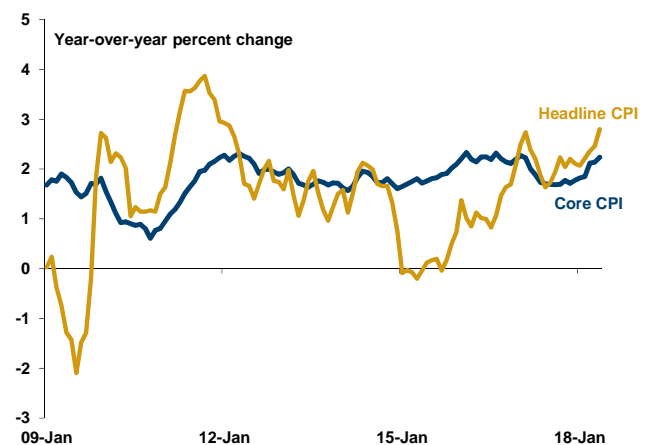
Results in the core component for May were mixed, with some items showing noticeable upward pressure while other items were subdued. On the firm side, the charges for communication services rose 0.4 percent, a marked change from price declines that have occurred in many recent months. This increase was led by higher prices from internet service providers. The costs of education services rose 0.4 percent, more than the average of 0.2 percent in the prior 12 months and 0.1 percent in the prior six. Prices of new vehicles rose 0.3 percent versus an average of -0.1 percent in the prior 12 months. On the soft side, prices of used vehicles fell 0.9 percent, marking their fourth consecutive decline and leaving a drop in total vehicle prices (new and used). Press reports have noted increases in airfares because of higher fuel prices, but the CPI for May showed a drop of 1.9 percent. Apparel prices were unchanged in May, a pause from net upward pressure in the prior four months. Rent of primary residence rose 0.3 percent, in line with its recent average, but it rounded up this total (0.261 percent). Mixed results, but tame on average.

CPI & Components*

	Feb-18	Mar-18	Apr-18	May-18	Yr./Yr.
Total	0.2	-0.1	0.2	0.2	2.8
Food	0.0	0.1	0.3	0.0	1.2
Energy	0.1	-2.8	1.4	0.9	11.7
Core	0.2	0.2	0.1	0.2	2.2
Primary Rent	0.2	0.3	0.4	0.3	3.6
Apparel	1.5	-0.6	0.3	0.0	1.4
Medical Care	-0.1	0.4	0.1	0.2	2.4
Communication	-0.6	-0.3	-0.2	0.4	-0.8
Airline fare	0.6	0.6	-2.7	-1.9	-6.6
Vehicles	-0.2	-0.1	-0.9	-0.1	-0.9

* Month-to-month percent change, except as noted
Source: Bureau of Labor Statistics via Haver Analytics

Consumer Price Index



Source: Bureau of Labor Statistics via Haver Analytics

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