

U.S. Data Review

- CPI: energy prices jump; pandemic-related discounting begins to unwind

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Consumer Price Index

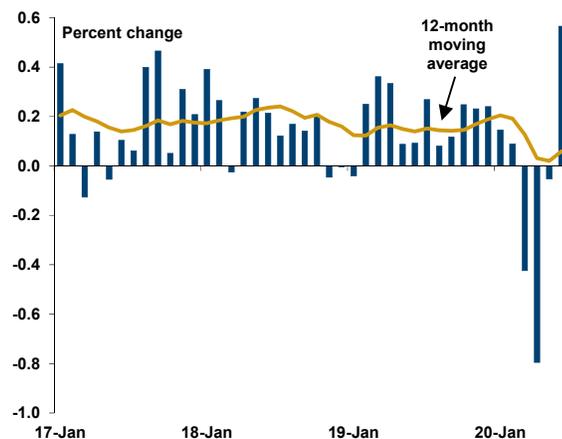
The consumer price index rose slightly more than expected in June, with the headline index increasing 0.6 percent versus the consensus estimate of 0.5 percent; the core component rose 0.2 percent rather than the expected increase of 0.1 percent (charts below). Energy prices were about in line with expectations, increasing 5.1 percent. Gasoline prices led the advance, but they had support from prices of fuel oil. Food prices provided a bit of a surprise with a jump of 0.6 percent. We looked for food prices to cool after pandemic-related jumps in April and May, but they registered a third consecutive month of upward pressure.

The increase in the core component was a solid 0.2 percent (0.235 percent), which ended a string of three consecutive declines. The pickup largely was the result of a partial unwinding of pronounced discounting in areas affected by the virus. Airfares, for example, rose 2.6 percent after a cumulative decline of 29.7 percent in the prior four months. Similarly, the cost of a hotel stay rose 1.4 percent after a drop of 16.7 percent in the prior three months. Apparel prices rose 1.7 percent after discounts totaling 8.8 percent from March to May.

While pressure points were evident in June, some areas posted subdued results. Residential rents, normally an area with above-average increases, rose only 0.1 percent in June. The cost of education, another normally firm component, rose only 0.1 percent, as tuition charges from elementary school through college were light. Charges for recreation services fell 0.9 percent, primarily reflecting random volatility in club dues and charges for participant sports (up in May and back down in June).

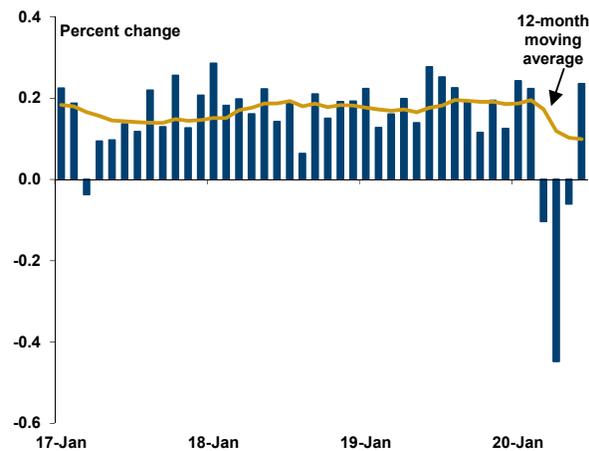
The recent changes left the year-over-year increase in the headline index at 0.6 percent, up from 0.1 percent in May but still far below the 2.5 percent in January. The drop in energy prices earlier in the year is still having a strong influence on the 12-month change. The year-over-year change in the core index totaled 1.2 percent, the same as in May (actually, slightly less: 1.187 percent versus 1.222 percent in May), and still down from 2.4 percent in February.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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