

U.S. Data Review

- CPI: reversal of earlier discounts

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Consumer Price Index

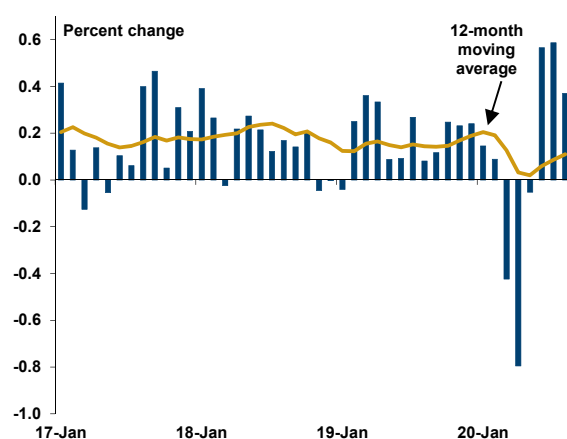
The consumer price index jumped 0.4 percent in August, firmer than the expected increase of 0.3 percent (but not terribly far away, 0.370 percent when calculated with more precision). Energy prices played a role with an increase of 0.9 percent, but this change was largely expected (even a bit lighter than expected). The upside surprise occurred in the core component, which rose 0.4 percent after a jump of 0.6 percent in July. Food prices were tame (0.1 percent), as a dip in prices of food for home consumption dampened an increase of 0.3 percent in food away from home. The food-at-home category is backing away gradually from pandemic-related spikes in the spring, while the away-from-home category is showing a hint of vigor after modest changes in the spring.

The core component seems to be stirring, with an average increase of 0.4 percent in the past three months, but recall that the index fell from March through May. In the past six months, the measure has increased 0.6 percent overall (0.1 percent per month on average or an annual rate of 1.25 percent). Several items affected by the pandemic offered substantial discounts in the spring, and these goods or services are now reversing some of the declines; air travel, hotel stays, recreation commodities, and apparel stand out in this regard. Prices of used cars and trucks contributed to the recent increases in the core component, with July and August both showing unusually firm increases. The jumps followed price reductions in the prior three months, but the recent increases still pushed average prices well above the recent range.

Two items in the core component showed soft results. College tuition fell 0.7 percent in August, while elementary and high school tuitions have declined on balance in the past three months. Apparently, many schools are offering some concessions because of remote learning. Rental rates for primary residence have increases either 0.1 or 0.2 percent in each of the past three months, a noticeable break from the typical increases of 0.3 or 0.4 percent. We suspect that a shift from urban to suburban living because of the pandemic is having an influence.

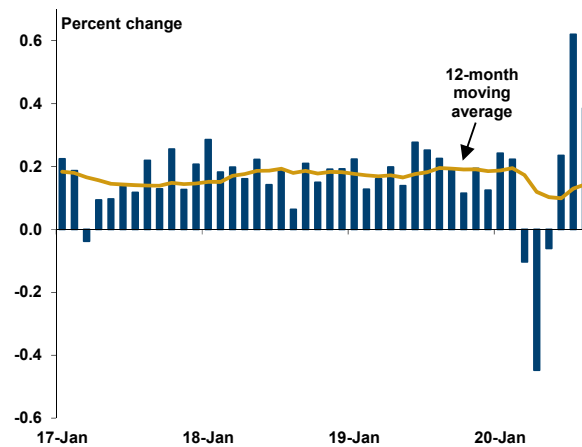
Recent changes left the headline index up 1.3 percent in the past year; the core component has increased 1.7 percent.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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