

U.S. Data Review

- CPI: pandemic-related adjustments, supply-chain disruptions, strong demand

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Consumer Prices

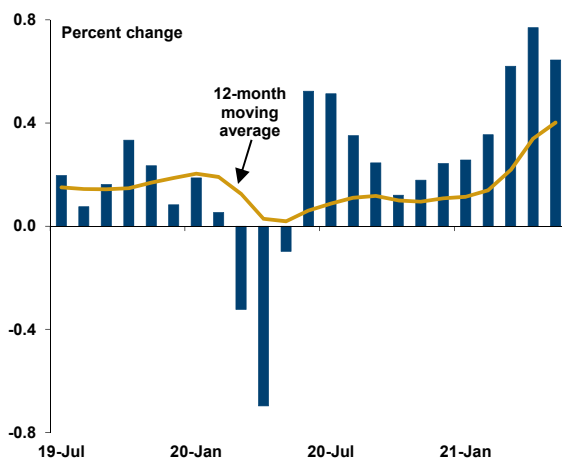
The consumer price index jumped 0.6 percent in May, a touch firmer than the expected increase of 0.5 percent. The energy component was tame, showing no change, but food prices rose 0.4 percent, matching the increase in the prior month and representing the firmest increase in the current recovery period. Core prices rose 0.7 percent, a bit softer than the increase of 0.9 percent in the prior month, but still hefty and firmer than the expected increase of 0.5 percent.

Some of the increase in the core component reflected continued adjustment to the pandemic – that is, reversals of discounts that emerged during lock-down periods. Air fares, for example, jumped 7.0 percent (not annualized!) after an increase of 10.2 percent in the prior month, and admissions to sporting events rose 1.5 percent, adding to a surge of 10.1 percent in April. Hotel fees continued to advance, increasing 0.4 percent in May after jumps of 8.8 percent and 4.4 percent in April and March, respectively.

Strong demand and supply-chain disruptions also had an influence in May. New car prices, for example, jumped 1.6 percent in May after an increase of 0.5 percent in April. The pressure most likely reflected strong spending power of individuals along with a limited inventory of vehicles because of the shortage of semiconductors. The pressure on used car prices has been more intense, with prices surging 7.3 percent in May after an increase of 10.0 percent in April. Recent changes have pushed prices of used vehicles far above previous levels. Rental fees for vehicles also have moved into the stratosphere.

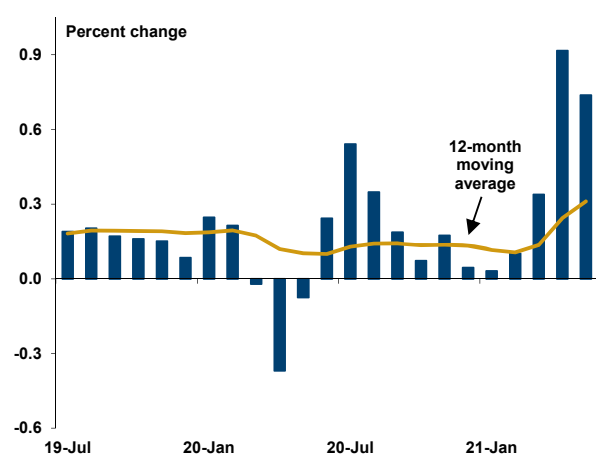
The levels of the indexes (rather than percent change) for items mentioned above are shown on the next page. The levels of the indexes give a good sense of how prices have deviated from normal during the pandemic and the recovery period. Some observers (especially Fed officials) will argue that recent pressure is transitory because increases will diminish when prices reach pre-pandemic levels (air fares and hotel fees). Some prices in coming months could decline because of their unusually high readings (used car prices and car rental fees).

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

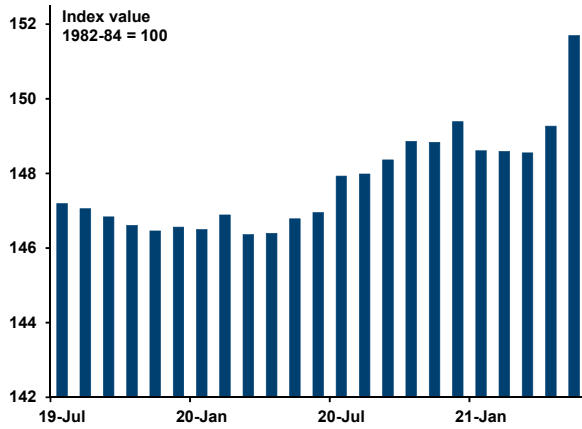
Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

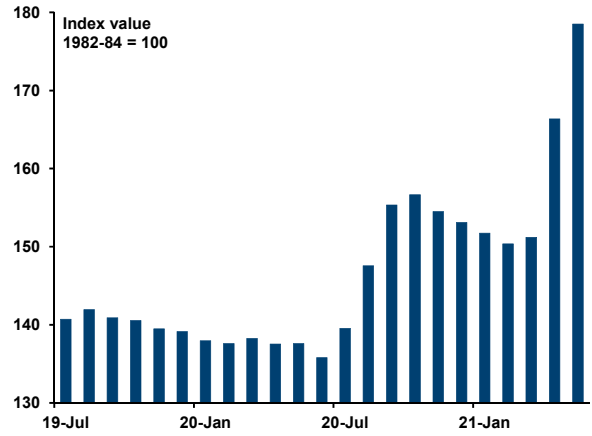
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CPI: New Vehicles



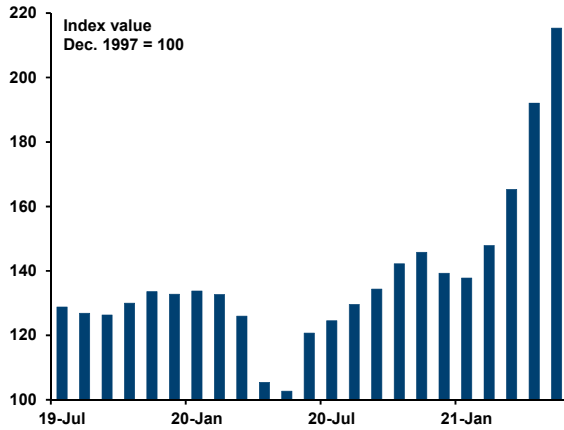
Source: Bureau of Labor Statistics via Haver Analytics

CPI: Used Cars & Trucks



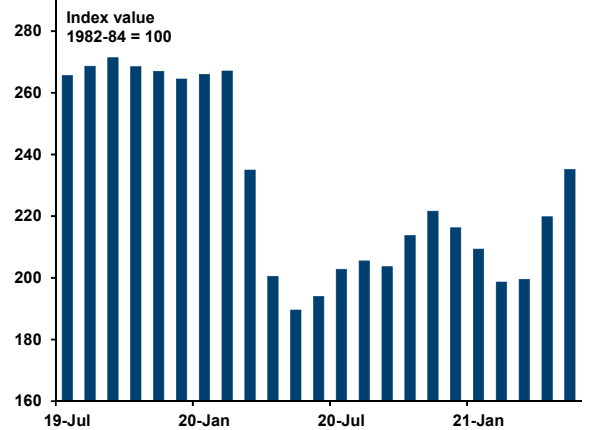
Source: Bureau of Labor Statistics via Haver Analytics

CPI: Car & Truck Rentals



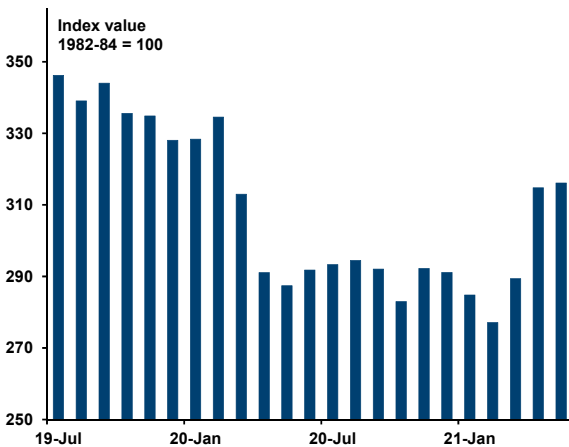
Source: Bureau of Labor Statistics via Haver Analytics

CPI: Airline Fares



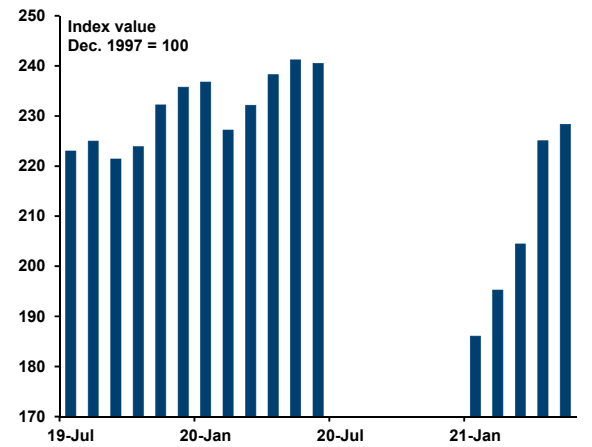
Source: Bureau of Labor Statistics via Haver Analytics

CPI: Hotel & Motel Fees



Source: Bureau of Labor Statistics via Haver Analytics

CPI: Admissions to Sporting Events*



* Data are not seasonally adjusted. The BLS did not report results for admissions to sporting events from July to December 2020.
Source: Bureau of Labor Statistics via Haver Analytics