

U.S. Data Review

- CPI: more pandemic-related pressure; some stirring elsewhere

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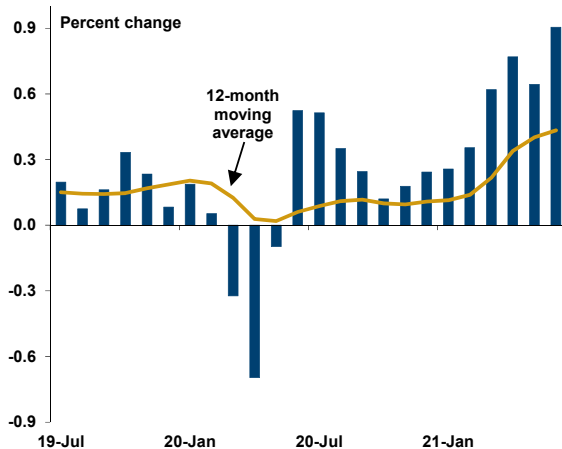
Consumer Prices

The consumer prices index surprised on the high-side for the third consecutive month, with both the headline and core indexes increasing 0.9 percent (versus expectations of 0.5 percent and 0.4 percent, respectively; charts, below). The recent changes left a year-over-year increase of 5.4 percent in the headline measure; the core component rose 4.5 percent in the past 12 months. The core annual inflation rate was the fastest in almost 30 years.

Price pressure in recent months has been severe for items related to personal transportation. Prices of new and used vehicles, along with fees for vehicle rentals, have all surged and moved well above previous levels. In addition, the unwinding of discounts on pandemic-sensitive items (airfares, hotel fees, apparel prices) stood out as well. Even with sharp advances in recent months, some of these items carry prices or fees that were below pre-pandemic levels. Thus, more upside movement is likely in the months ahead.

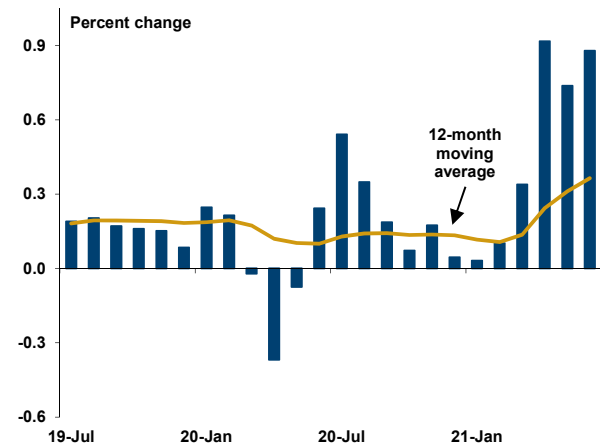
The shifts in items noted above could be viewed as transitory, but the report also carried a few hints of underlying price pressure. The food component is beginning to stir, as an increase of 0.8 percent in June followed advances of 0.4 percent in each of the prior two months. The average change in the six months before this spurt totaled 0.1 percent. Owners' equivalent rent has increased slightly more than 0.3 percent in each of the past two months, up from a norm of 0.2 percent most of last year and earlier this year. Several miscellaneous items also carried noticeably higher price tags in recent months, including household furnishings, alcoholic beverages, and cable TV services.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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