

U.S. Data Review

- CPI: cooling in pandemic-related pressure points

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

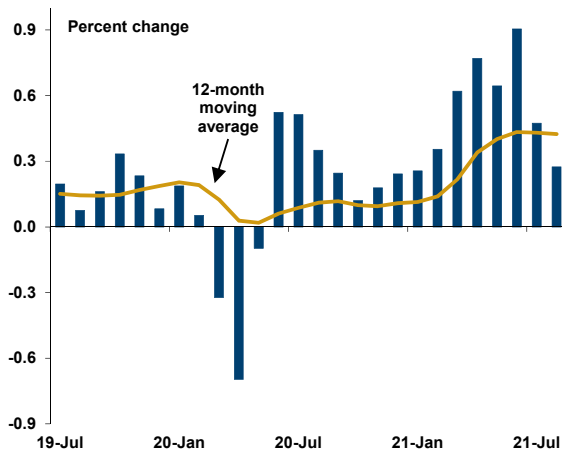
Consumer Prices

The consumer price index rose 0.3 percent in August, lighter than the expected change of 0.4 percent (and it almost rounded down to 0.2 percent: 0.274 percent; chart, left). The surprise occurred in the core component, which rose only 0.1 percent versus the expectation of 0.3 percent (chart, right). Energy prices rose 2.0 percent, continuing to move along their upward trend (up in 13 of the past 15 months, with the other two months showing no change and a minuscule decline). Food prices rose 0.4 percent, keeping them on a fast track that began this past spring. After increasing only moderately in the second half of last year and early this year, food prices have posted increases of 0.4 to 0.8 percent in each of the past five months.

The surprising restraint on the core CPI was largely the result of cooling in items that had shown pandemic-related pressure in earlier months. Prices of used cars represented the single biggest factor behind the jump in the core component in the prior five months, but they fell 1.5 percent in August. Rental fees for motor vehicles also showed extreme pressure in the spring and early summer, but they fell 8.5 percent in the latest month. Hotel fees rebounded sharply from discounts in place during the worst of the pandemic, rising well above readings before the onset of the virus, but they gave back some of those increases in August with a decline of 3.3 percent. Airfares were rising in earlier months, although they remained below pre-pandemic levels. Despite less than full recovery, airfares fell 9.1 percent in August.

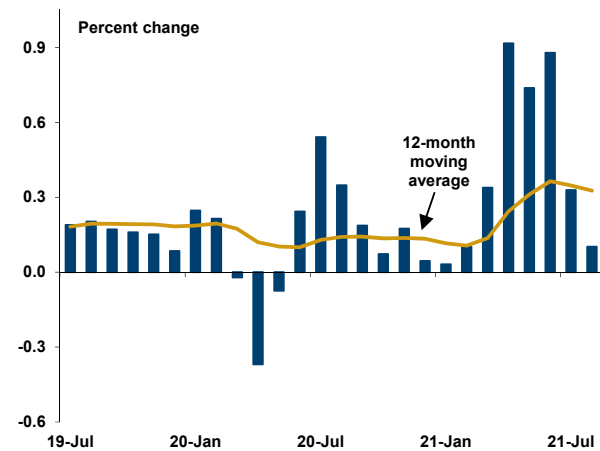
While reversals in prior pressure points occurred in several areas, some continued to move ahead. Prices of new motor vehicles rose 1.2 percent, and prices of sporting goods rose 2.3 percent. The role of sports also was evident in the cost of admission to sporting events (up 1.3 percent). Apparel prices rose 0.4 percent. Rent of primary residence continued to rise during the pandemic, but the rate of increase eased. This area perhaps got back on track in August with an increase of 0.3 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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While prices of some goods and services showed upside pressure, soft spots carried the day. Fed officials most likely will highlight this report in their public comments, arguing that results support their view that the recent pickup in inflation will be transitory.