

# U.S. Data Review

- CPI: energy pressure spreads; food prices jump; rents begin to accelerate; prices of travel-related services ease

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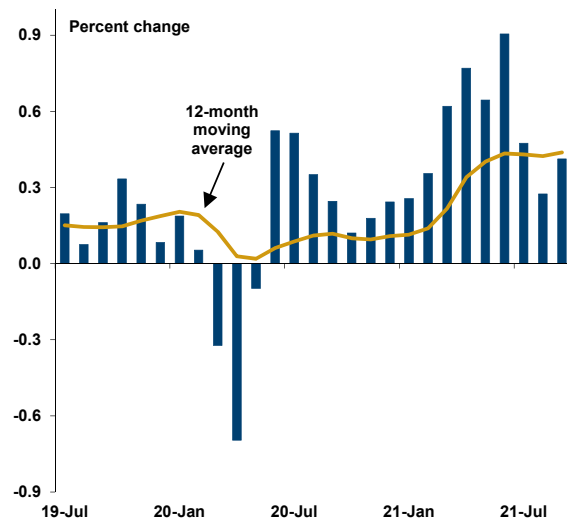
## Consumer Prices

The consumer price index rose 0.4 percent in September, a touch firmer than the expected increase of 0.3 percent (chart, left). The faster-than-expected increase could be attributed to food prices, as energy prices and the core component were about in line with our expectations. Food prices, in contrast, provided a surprise with a jump of 0.9 percent. Food prices already were under upward pressure in the prior five months (up 0.5 percent on average); September added a notable accent.

The increase of 1.3 percent in energy prices was largely expected, but the change was notable for its breadth. Prices of gasoline often lead monthly swings in the energy component, and they contributed in September with an increase of 1.3 percent. Prices of natural gas and fuel oil increased by larger amounts (up 2.7 percent and 3.9 percent, respectively). The shift in natural gas prices was especially notable because it followed increases in the prior six months that averaged 2.0 percent. More could be in store for this item, as global supplies are limited and prices in many foreign countries are higher than those in the U.S.

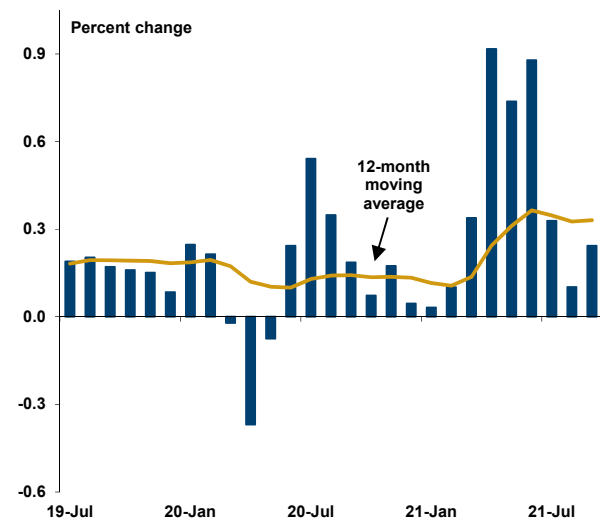
The core component rose 0.2 percent, in line with expectations (chart, right). The spread of Covid helped to constrain the advance, as many areas sensitive to the virus fell in price. For example, airfares, car-rental fees, and hotel charges all fell in September. An index of these three items had jumped above the pre-pandemic level in June and July, but reduced travel because of Covid led to discounting in both August and September. The index is now in line with results before the pandemic became an issue (chart, next page). Apparel prices also have shown sensitivity to the pandemic, and they also fell in September.

### Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

### Core CPI



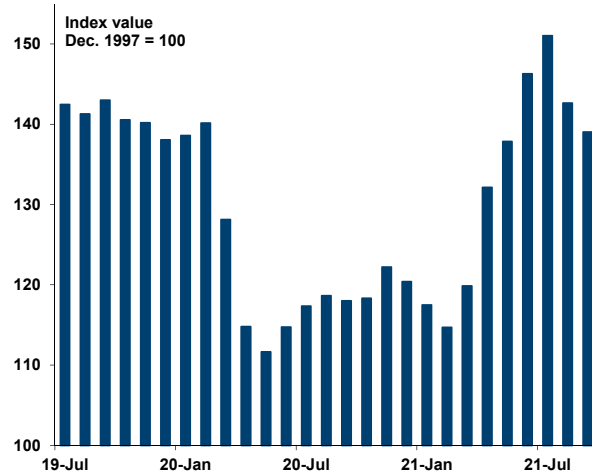
Source: Bureau of Labor Statistics via Haver Analytics

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One item in the core component stood out on the high side and signaled that underlying inflation could be building. Rent of primary residence rose 0.5 percent in September after an increase of 0.3 percent in August. This component was subdued during much of last year and earlier this year, increasing at an average rate of only 0.16 percent from June 2020 through July 2021. Owners' equivalent rent also is quickening, although not as much as that for primary rent. Limited supplies and firm demand continued to drive prices of new motor vehicles higher (up 1.3 percent in September after an average monthly increase of 1.6 percent in the prior four months).

The latest monthly changes pushed the year-over-year increase in the headline index to 5.4 percent, up one tick from August and equal to the readings in June and July. This pace is the fastest since a brief period in 2008. Core prices have increased 4.0 percent in the past year, the same as in August and down from 4.5 percent in June. Core prices were last in this neighborhood in 1992.

### CPI: Travel-Related Services\*



\* The Travel-Related Services index is a weighted average of the Car and Truck Rental, Airline Fare, and Other Lodging Away from Home incl. Hotels/Motels components of the CPI. The Airline Fare and Hotel/Motel components are rebased to equal 100 in December 1997. Weights are calculated based on the relative importance of each component in the CPI.

Source: Bureau of Labor Statistics via Haver Analytics; Daiwa Capital Markets America