

U.S. Data Review

- CPI: energy down; virus-related softness in core

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Consumer Prices

Consumer prices, both headline and core, fell 0.1 percent in May, a touch softer than the expected readings of no change. However, both measures rounded down to the published totals (-0.052 percent headline and -0.060 percent core), and the results were close to expectations.

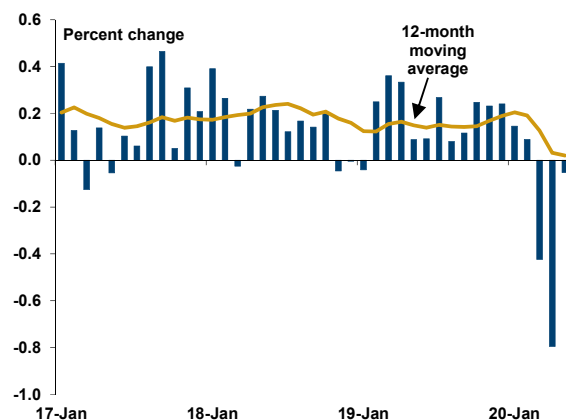
The energy component fell 1.8 percent in May, led by a drop of 6.3 percent in the price of fuel oil and supported by a retreat of 3.5 percent in gasoline prices. Higher prices of natural gas services provided a partial offset. The food component jumped 0.7 percent, reflecting primarily higher prices of food for home consumption, driven by still-strong demand during the lockdown. Prices of food away from home rose 0.4 percent, surprising in light of limited demand for restaurant meals because of the lockdown.

Core prices fell for the third consecutive month. As in the prior two months, areas affected by the virus accounted for most of the downward pressure. Airfares tumbled 4.9 percent, marking the fourth consecutive decline and pushing the cumulative change over this period to -29.8 percent. The cost of a hotel stay fell 1.8 percent, marking the third consecutive decline, which brought the cumulative change to -16.7 percent. With stores closed, demand for clothing has eased, which led to the third consecutive decline in apparel prices (off 2.3 percent in May and 8.8 percent in the past three months).

Rental rates tilted on the soft side. The published totals matched the normal increase of 0.3 percent, but they rounded up to this amount (0.267 percent for primary residence and 0.256 percent for owners' equivalent rent). The miscellaneous category also was soft, dropping 0.1 percent, influenced by lower prices of tobacco products but also reflecting limited pressure elsewhere. One category showed upward pressure (recreation services), pushed higher by club dues. Curiously, the costs of admissions to movies, theatre, and concerts also rose noticeably, an inexplicable change in light of virus-related closures.

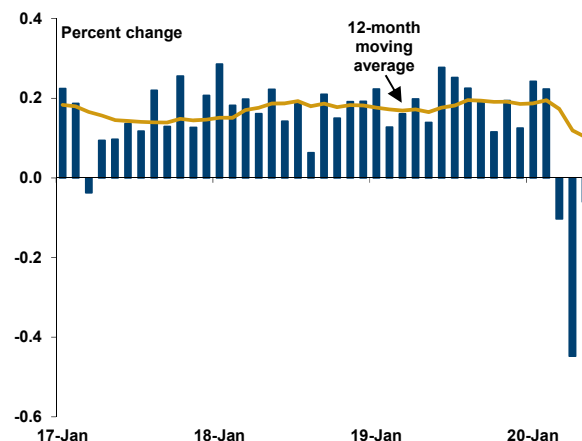
The latest results left the year-over-year change in the headline index at 0.1 percent, down from 0.3 percent in April and a recent peak of 2.5 percent in January. The core component rose 1.2 percent in the past year, down from 1.4 percent in the prior month and 2.4 percent in February.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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