

U.S. Data Review

- CPI: continued pressure in January

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Consumer Prices

The consumer price index rose 0.6 percent in January, exceeding the expected increase of 0.4 percent and almost rounding up to 0.7 percent (0.645 percent). Prices excluding food and energy also rose 0.6 percent, although they rounded up to get there (0.583 percent). The latest changes left the year-over-year increases at 7.5 percent for the headline index and 6.0 percent for the core component. Both represented the sharpest increases since 1982.

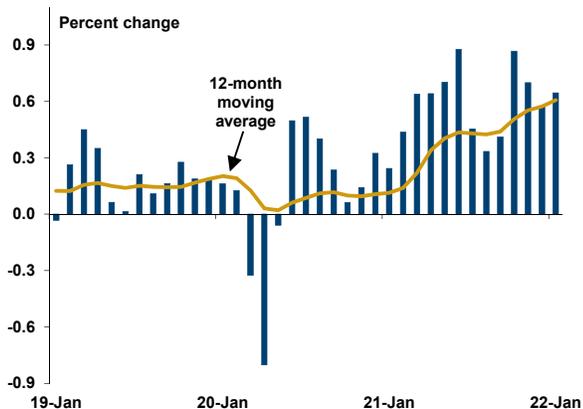
Some of the pressure in January was again related to Covid, as discounts that emerged during the worst of the pandemic continued to reverse (apparel, airfares). Also, areas that saw strong demand as the virus spread continued to jump in price (used motor vehicles, household appliances, sporting goods). Pressure has started to seep into other areas. The cost of medical-care, which had been tame during much of the pandemic jumped 0.7 percent in January after an average increase of 0.3 percent in the prior three months, which represented a pickup from essentially no change from September 2020 to September 2021. Today's *Wall Street Journal* carried an article about rising costs of auto insurance, and today's report showed its first dose of pressure with an increase of 0.9 percent (versus a marginal decline in the prior six months).

The most notable area of new pressure is in residential rents. The rent of primary residence jumped 0.5 percent in January after increases of 0.3 to 0.4 percent in the prior five months. During most of the pandemic, rents rose 0.1 to 0.2 percent per month. Owners' equivalent rent also has accelerated.

Changes in the prices of food and energy were notable, with both increasing 0.9 percent and continuing to move along firm upward trends. Energy prices have now increased 27.0 percent in the past year while food prices are up 7.0 percent. With food and energy prices representing large shares of many household budgets, these highly visible changes have the potential to depress consumer attitudes and raise inflation expectations.

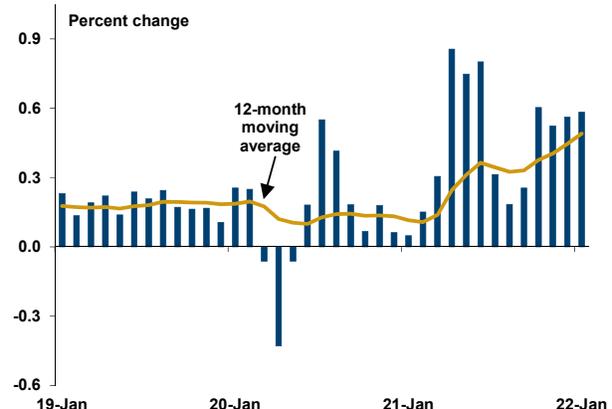
The report contained some favorable news in that areas that had shown pronounced price increases in prior months have eased to a degree. The cost of a hotel stay fell 4.2 percent in January. After heavy discounting during the worst of the pandemic, hotel fees rose sharply much of last year and moved well above pre-pandemic norms. They are now giving back some of those increases. Similarly, car and truck rental fees exploded in the first half of last year, but they have been in retreat since June and they fell again in January with a drop of 7.0 percent (although fees are still well above pre-Covid levels). The cost of a tickets to sporting events surged this year as attendance restrictions were eased, but they have eased in the past three months and are now back in the pre-pandemic range (albeit the upper portion of that range).

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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