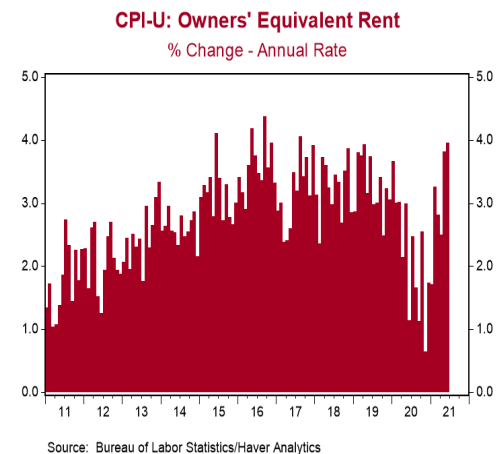
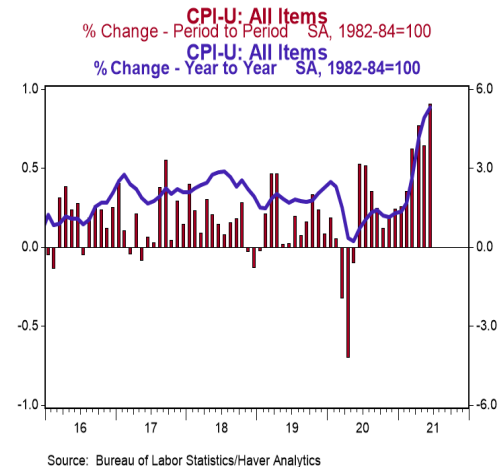


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June CPI

- The Consumer Price Index (CPI) increased 0.9% in June, well above the consensus expected +0.5%. The CPI is up 5.4% from a year ago.
- Energy prices increased 1.5% in June, while food prices increased 0.8%. The “core” CPI, which excludes food and energy, rose 0.9% in June, also well above the consensus expected +0.4%. Core prices are up 4.5% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.5% in June, and are down 1.7% in the past year. Real average weekly earnings are down 1.4% in the past year.

Implications: Consumer prices continued to accelerate in June, rising at the fastest pace in more than a decade and pushing the 12-month increase for the CPI to 5.4%. The June rise of 0.9% comes after increases of 0.8% in April and 0.6% in May, bringing the three-month change to a 9.7% annual rate. The six-month annualized change rose to 7.3% in June, the fastest increase since the early 1980s. Some say this is just a rapid return to normal, offsetting price declines in early 2020 as COVID set in. But consumer prices are now up 3.5% annualized since February 2020 (pre-COVID) which suggests inflation is up for more than just reasons of timing. “Core” prices, which exclude food and energy, are up 3.1% annualized during the same timeframe (since February 2020). Used car and truck prices led the CPI higher in June, rising 10.5%, the largest increase on record, dating back to the 1953. To be clear, that’s *not* an increase at a 10.5% *annual* rate, that’s a 10.5% increase in one month. Used car and truck prices alone accounted for about half of the increase in the core CPI. Food and energy were also factors in the rise in the overall CPI. Food prices rose 0.8%, mostly due to meats, poultry, fish, and eggs, which increased 2.5%. Energy rose 1.5% on the back of higher costs for gasoline and natural gas. After stripping out these typically volatile food and energy categories, “core” prices matched June’s headline increase of 0.9%, which ties for the largest monthly increase since 1982. Besides used cars and trucks, other sources of the increase in the core CPI included new vehicles, which rose 2.0%, the largest monthly increase since 1981. New and used autos prices are up 23.7% since February 2020. Higher prices for autos, along with an increase in prices for foods such as meats, poultry, fish, and eggs, highlight the continued struggle supply chains are facing in the wake of federally mandated shutdowns and overly-generous unemployment benefits that are keeping a large portion of the workforce at home. Other key contributors were hotels/motels (+7.9%) car and truck rentals (+5.2%) and airfares (+2.7), all of which signal a disconnect between supply and demand as travel starts to pick up. Compared to a year ago, overall consumer prices are up 5.4% while core prices are up 4.5%. Of course the Federal Reserve is going to claim these increases are “transitory,” which is its way of saying there is no need to change monetary policy. Some analysts will say there is no need to worry, that recent inflation is just a bounce back from lower prices during the COVID shutdown disaster, or come from areas where supply chains are squeezed. But that doesn’t mean we aren’t headed for persistently higher inflation than the Fed now anticipates. The M2 measure of the money supply has grown tremendously since February 2020, up about 32%, and while price increases are not even across all goods and services, to assume the overall pressure will subside just because there are a few items up rapidly would be a mistake. Math wins, and today the math says inflation above the Fed’s 2% target is likely to be with us for some time.



CPI - U	Jun-21	May-21	Apr-21	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
Consumer Price Index	0.9%	0.6%	0.8%	9.7%	7.3%	5.4%
Ex Food & Energy	0.9%	0.7%	0.9%	10.6%	6.2%	4.5%
Ex Energy	0.9%	0.7%	0.8%	10.0%	5.8%	4.2%
Energy	1.5%	0.0%	-0.1%	5.5%	30.8%	24.5%
Food	0.8%	0.4%	0.4%	6.6%	4.0%	2.4%
Housing	0.4%	0.4%	0.5%	5.6%	4.0%	3.1%
Owners Equivalent Rent	0.3%	0.3%	0.2%	3.4%	3.0%	2.3%
New Vehicles	2.0%	1.6%	0.5%	17.6%	7.2%	5.3%
Medical Care	-0.1%	-0.1%	0.1%	-0.5%	1.3%	0.4%
Services (Excluding Energy Services)	0.4%	0.4%	0.5%	5.5%	4.1%	3.1%
Real Average Hourly Earnings	-0.5%	-0.3%	-0.1%	-3.5%	-3.8%	-1.7%

Source: U.S. Department of Labor