

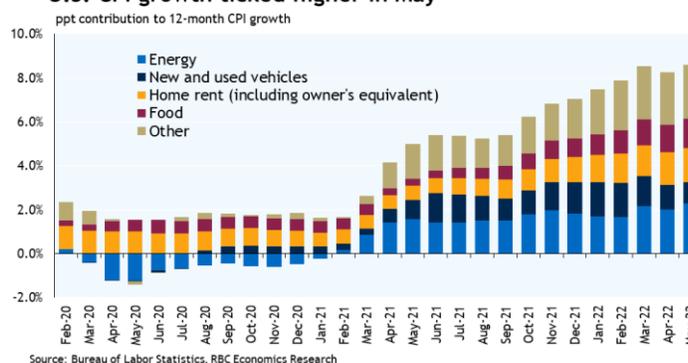
June 10, 2022

U.S. CPI Growth heats up in May

- At 8.6% year-over-year CPI growth surged above expectations in May
- 56% of CPI basket is growing at 4% per year from pre-pandemic levels
- Energy prices account for one quarter of headline growth, but price pressures extremely broad-based
- Shelter growth has rebounded from slowing growth in previous months, up 0.6% from April in May and 5.5% from a year ago

In May, U.S. CPI growth climbed to a new cycle high 8.6% (and the fastest pace since the early 1980s) after a brief reprieve in April. Global commodity price increases have continued to push up household costs. Higher energy prices account for about a quarter of the headline year-over-year CPI growth - and gasoline price growth accelerated further in early June on higher oil prices. The price of food accounts for another 16% of the total increase - with prices surging at least in part due to rising global agricultural commodity prices and increased processing costs tied to global supply chain disruptions. Food prices jumped another 1.2% in May from April.

U.S. CPI growth ticked higher in May



Price pressures remain exceptionally broad. 56% of the consumer price basket (excluding shelter) were increasing at more than a 4% per-year rate in May. That compares to ~3% pre-pandemic. And shelter growth has been rebounding from slower growth earlier. Excluding food and energy, CPI growth held steady, up 0.6% month-over-month (although the year-over-year rate still edged down to 6%). Airfares grew 12.6% in May, as travel spending continues to pick up, as one of the largest contributors to the index alongside used cars and trucks and new vehicles.

There have been some signs that cost pressures are close to peaking. The conflict in the Ukraine is still adding to global commodity price pressures - keeping upward pressure on household energy and food costs. But global shipping costs have eased somewhat in recent weeks, and central banks - including the U.S. Fed - are aggressively pulling back on monetary policy stimulus in a bid to cool overheating demand. Today's upside surprise adds even more justification for the Fed's expected 50 basis point hike next week- with more hikes to follow.

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