

## **May CPI: Prices Continue to Fall, but Less Severe Descent**

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**Consumer Prices declined for the third consecutive month in May.** Headline CPI fell 0.1% MoM (Consensus: unch, DE: -0.3%), following the 0.8% fall in April, and it is down from 0.3% to 0.1% YoY (Consensus: +0.3%, DE: unch). Meanwhile, Core CPI declined an additional 0.1% MoM (Consensus: unch, DE: +0.1%), after the 0.4% drop in the prior month. It marked the third-straight drop in Core CPI, which has never happened before. The Core CPI also dropped from 1.4% to 1.2% YoY (Consensus: +1.3%, DE: +1.4%).

### **Details**

- Energy prices fell 1.8% MoM in May compared with the 10.1% decrease in April. This descent was spurred by a drop in gasoline prices, which declined 3.5% MoM following a 20.6% slide in the prior month. Electricity prices faced their biggest monthly fall in five years, declining 0.8% MoM. The overall energy index has now fallen 18.9% YoY.
- The food index — which rose throughout the pandemic, including a 1.5% MoM hike in April — increased another 0.7% in May.
- New vehicle prices rose 0.3% MoM, after being stable in April and falling 0.4% in March. Apparel prices fell 2.3% MoM in May following a 4.7% drop in the prior month.
- The shelter index increased by 0.2% MoM after being stable in the two preceding months. Airline fares, which contracted 15.2% MoM in April, shrank another 4.9%.

### **Bottom-Line**

These figures paint a similar picture as other recent US economic indicators. Headline and core price levels continue to fall on a monthly basis, but at less steep rates. This is because many of the sub-indices went from collapses in April to less severe drops in May, with a few even breaking into the positive inflationary territory. This coincides with an economy that has seen the worst and is slowly regaining ground.

This CPI release comes amid the Federal Reserve's two-day policy meeting. Earlier this week, the Fed enhanced its Main Street Lending Program to make it easier for smaller businesses to get loans. DE expects the Fed to maintain low interest rates this afternoon. Together, the Fed's active policy measures will continue to ease the downward pressure on prices, but it will still take time for overall levels to get back into inflationary territory.