



June CPI: Prices Jump Following Earlier Slump

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Consumer Prices rose 0.6% MoM in June (DE 0.8%; Consensus 0.5%) after a 0.1% contraction in May. This coincided with a 0.6% YoY gain (DE 0.9%; Consensus 0.6%) following a 0.1% rise in the prior month. Meanwhile, **Core CPI increased 0.2% MoM** (DE and Consensus 0.1%) compared with a 0.1% fall for May. The year-over-year growth rate in the Core figure remained at the prior pace of 1.2% (DE and Consensus 1.1%).

Details

- Energy prices collapsed during the early stage of the Pandemic but are now headed back up. They rose 5.1% MoM in June, spurred by a **12.3% MoM increase for Gasoline and a 10.2% MoM increase for Fuel Oil**. However, Energy prices in June were still down 12.6% YoY, with Energy Commodities down 23.2% YoY.
- Food prices rose throughout the Pandemic and increased another 0.6% MoM for June. **Food prices were up 4.5% YoY**. Prices for Food at Home increased 0.7% MoM while Food Away from Home rose 0.5% MoM.
- Apparel prices rose 1.7% MoM for June. New Vehicle prices were unchanged, while prices for Used Cars and Trucks fell 1.2% MoM.
- Prices for Transportation Services, Medical Care Services and Shelter rose 2.1%, 0.5% and 0.1% MoM, respectively.

Perspective

The rise in the headline figure was the **largest monthly increase since 2012**, mainly due to a rally for Gasoline prices as activity continued to rise. The Core increase marked a reversal after three consecutive contractions. All this comes as expected, because eased restrictions led to more demand and greater upward force for consumer prices. **Yearly inflation remains below pre-Pandemic levels.**

This release has **minimal implications for Fed policy**, as inflation is still well below the 2% target. The Fed will likely continue to reduce its balance sheet, as it has already increased stability in financial markets, but interest rates will remain low since the economy has much more room to recover.