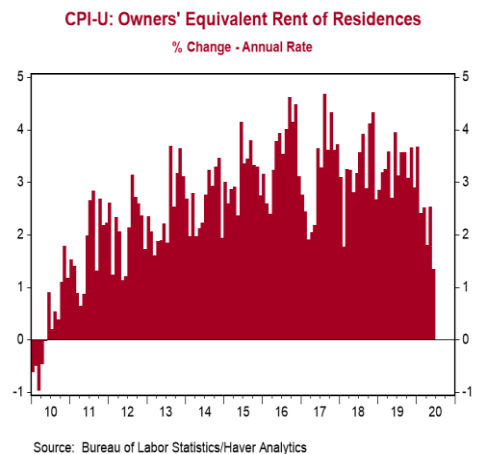
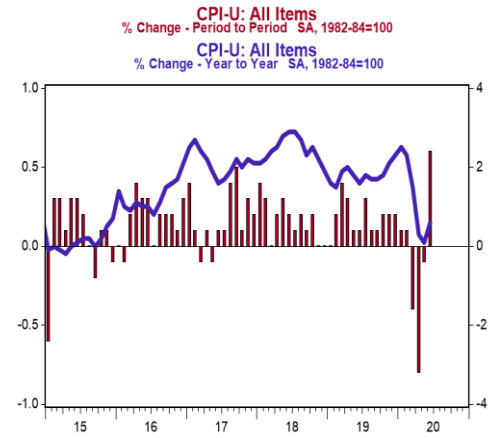


June CPI

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- The Consumer Price Index (CPI) rose 0.6% in June, coming in above the consensus expected +0.5%. The CPI is up 0.6% from a year ago.
- Energy prices rose 5.1% in June, while food prices increased 0.6%. The “core” CPI, which excludes food and energy, rose 0.2% in June, versus a consensus expected +0.1%. Core prices are up 1.2% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 1.7% in June but are up 4.3% in the past year. Real average weekly earnings are up 4.6% in the past year.

Implications: Following three months of declines, the consumer price index (CPI) turned higher in June, rising 0.6% to tie the largest monthly increase since 2009. Gasoline prices (+12.3%), beef (+4.8%) and physicians services (+0.5%) lead the rise. Energy turned higher for the first time in five months, rising 5.1% in June as fuel prices offset a decline in the electricity index. Food prices increased 0.6% in May, with rising costs for meats, poultry, fish, and eggs leading a rise across most major food categories. Strip out the impacts from these typically volatile food and energy sectors, and “core” prices increased 0.2% in June. In addition to physicians services, prices for hospital care (+0.4%), home furnishings (+0.4%), and airline fares (+2.6%) were key contributors, while heavily COVID impacted industries like autos and recreation continued to have price declines. The Coronavirus and government-mandated shutdowns remain a factor clouding the data. While states are progressing in the reopening process (outside of restaurants and bars in areas with high COVID cases), businesses continue to operate under restrictions of reduced capacity, which looks likely to continue for the foreseeable future. We expect prices will continue to rise in the months ahead towards the 2% - 3% annual pace of inflation that was in effect before the Coronavirus wreaked havoc on global economies. While we are still battling the virus, the worst - from an economic perspective - appears to be behind us, and indications from the employment front suggest that the economy bottomed back in May, making the COVID recession one of the sharpest recessions on record, but also the shortest. Even with the drastic downward impact on business activity and prices from the virus, consumer prices are still up 0.6% in the past year, though that is a marked slowdown from the upward trend in inflation prior to the Coronavirus. Core prices remain up 1.2% versus a year ago. What might, at first glance, look like the worst news in today’s report was that “real” (inflation-adjusted) average hourly earnings fell 1.7% in June. However, the June decline should really be viewed as a positive signal. As the economy lost more than 22 million jobs in March and April, lower wage sectors were hit particularly hard. With fewer workers operating in the lower wage positions, it pushed up the average hourly wage among those whose jobs remained. In May and June, nearly 7.5 million net nonfarm jobs returned, pushing average wages lower. In the months ahead, real earnings per hour will further decline as the return to work continues. The economic recovery has begun, the worst economic quarter in the post-World War II era is behind us, and the question now shifts to how quickly we recover.



CPI - U	Jun-20	May-20	Apr-20	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	0.6%	-0.1%	-0.8%	-1.1%	-0.9%	0.6%
Ex Food & Energy	0.2%	-0.1%	-0.4%	-1.1%	0.2%	1.2%
Ex Energy	0.3%	0.1%	-0.2%	0.8%	1.3%	1.7%
Energy	5.1%	-1.8%	-10.1%	-26.0%	-27.7%	-12.6%
Food	0.6%	0.7%	1.5%	11.9%	7.7%	4.5%
Housing	0.2%	0.2%	0.0%	1.3%	1.7%	2.0%
Owners Equivalent Rent	0.1%	0.3%	0.2%	2.1%	2.8%	2.8%
New Vehicles	0.0%	0.3%	0.0%	1.3%	0.1%	-0.2%
Medical Care	0.4%	0.5%	0.4%	5.4%	4.1%	5.1%
Services (Excluding Energy Services)	0.3%	0.0%	-0.4%	-0.5%	0.9%	1.9%
Real Average Hourly Earnings	-1.7%	-0.9%	5.5%	11.2%	8.2%	4.3%

Source: U.S. Department of Labor