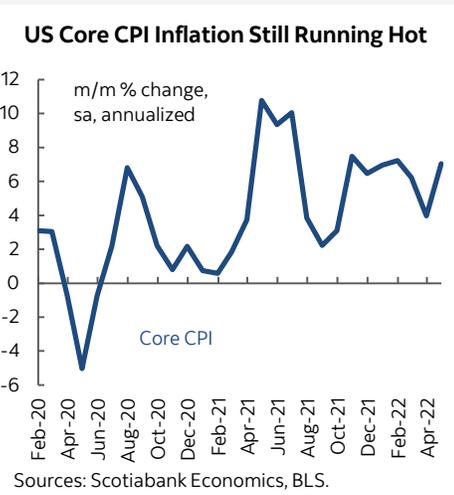


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Chart 1



## US Core Inflation is Still Running Hot

- **US CPI inflation exceeded consensus estimates**
- **That drove a significant rates sell-off**
- **But the Fed's narrative is likely set for most of the summer**

**US CPI, m/m SA // y/y % change, April:**

Actual: 0.3 / 8.3  
 Scotia: 0.3 / 8.3  
 Consensus: 0.2 / 8.1  
 Prior: 1.2 / 8.5

**US core CPI, m/m SA // y/y % change, April:**

Actual: 0.6 / 6.2  
 Scotia: 0.5 / 6.1  
 Consensus: 0.4 / 6.0  
 Prior: 0.3 / 6.5

My what a whippy market we have these days! The FOMC has set the script for most of the summer and yet a slightly firmer than expected set of inflation readings sparked a near riot in fixed income which probably speaks more to wrong-footed positioning into the data. Post release the yield on 2s is about 10bps higher as the curve flattened a touch with 10s about 7bps higher. The dollar initially rallied but is now flat. The S&P is very slightly firmer this morning.

Headline CPI inflation landed above consensus and matched my bottom-up estimates for 0.3% m/m and 8.3% y/y. Core inflation climbed 0.6% m/m and 6.2% y/y which were both above consensus and less so against my guesstimates.

Core inflation is showing no signs of slowing. In fact, very much to the contrary as the seasonally adjusted and annualized m/m rate climbed to 7.05% which is the hottest reading since January (chart 1).

Breadth was high. See chart 2 for the breakdown of prices in y/y terms and chart 3 for the equivalent in terms of weighted contributions to the overall rise. Chart 4 breaks down the basket in m/m SA terms and chart 5 does the same thing in terms of weighted contributions.

Among the drivers were the following:

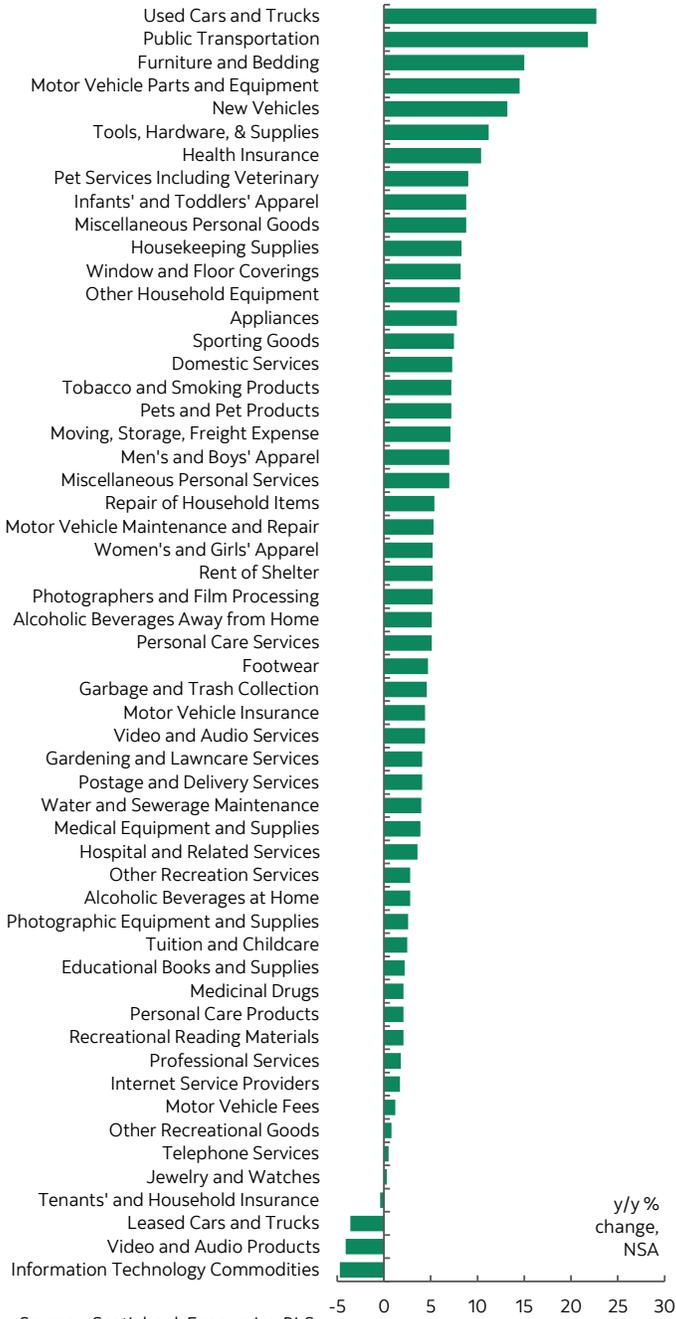
- food prices were up by another 0.9% m/m including 1% for 'at home' and 0.6% for 'away from home' food prices which covers things like take-out, dining in, cafs etc.
- energy prices retreated, but not uniformly so. Overall energy prices fell 2.7% m/m SA with energy commodities down 5.4% m/m and energy services up 1.3%. Within energy services, the driver was a 3.1% m/m rise in utility piped gas that directionally followed the more volatile one-third rise in Henry hub spots. Within energy commodities the decline was driven by gasoline (-6.1% m/m SA all grades) but higher prices for other fuels offset some of this.
- Gasoline prices were down 6.1% m/m and this should reverse higher in the next report for May.
- new vehicle prices were up by 1.1% m/m and used vehicle prices slipped by 0.4% for the third consecutive decline.
- clothing was optional last month with prices down 0.8% m/m.

- core services continue to be hot, with prices up by another 0.7% m/m. High contact services continue to see significant price gains as firms serving those sectors cash in on pricing power given improved mobility and lowered guards. Within them, airfare prices took flight again and were up another 18.6% m/m. Vehicle rental prices climbed another 0.8 higher. Lodging was up another 1.7%.

Please see the accompanying charts and also the detailed table at the back of this publication that provides a more thorough decomposition of the inflation basket and deviations from recent norms measured using Z-scores.

Chart 2

**April 12-Month Changes in US Headline CPI Categories**



Sources: Scotiabank Economics, BLS.

Chart 3

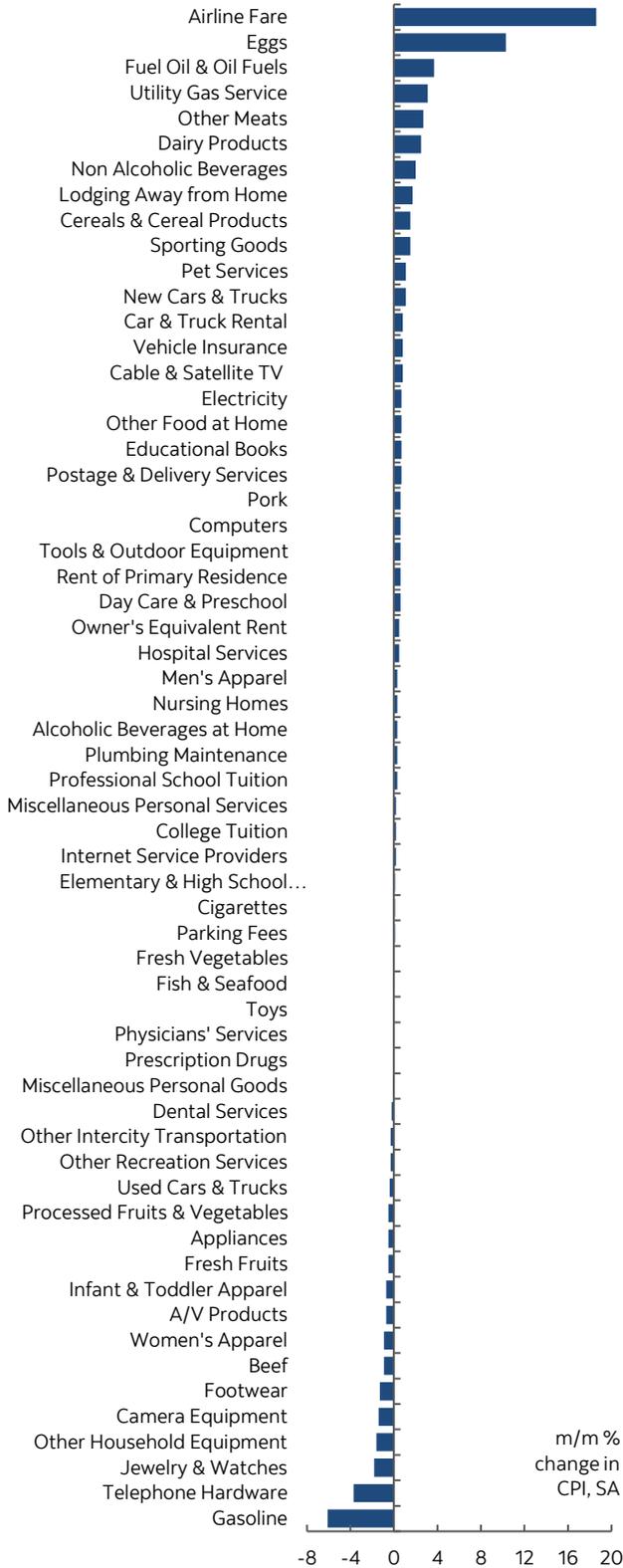
**April Weighted Contributions to the 12-Month Change in US Headline CPI**



Source: Scotiabank Economics, BLS.

Chart 4

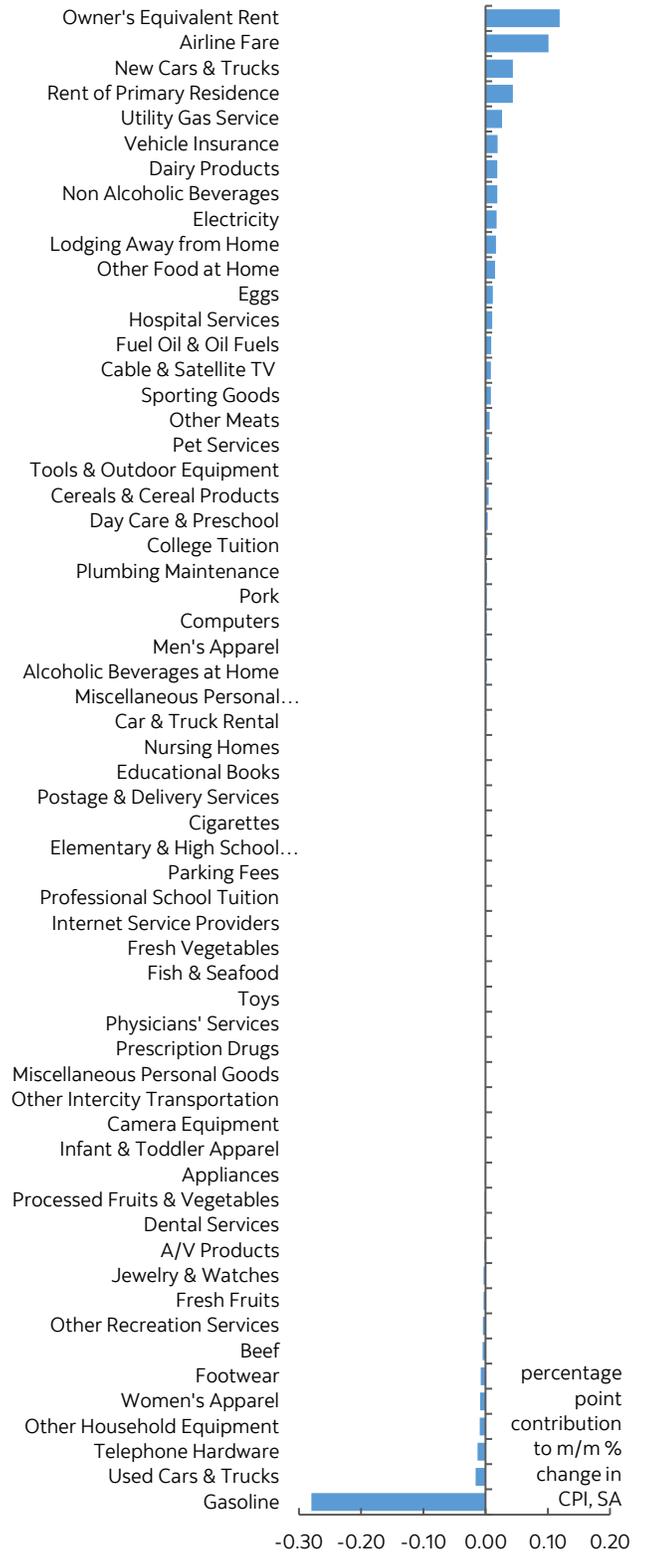
April Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

Chart 5

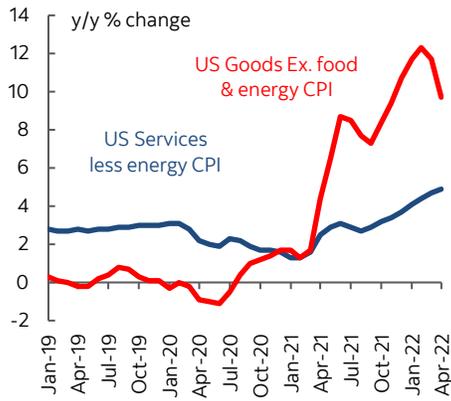
April Weighted Contributions to Monthly Change in US Headline CPI



Sources: Scotiabank Economics, US BLS.

Chart 6

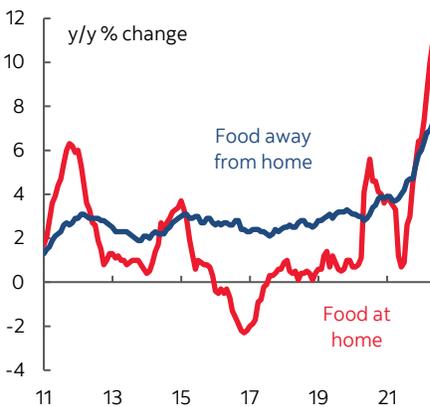
**US Goods vs Services Inflation**



Sources: Scotiabank Economics, BLS.

Chart 7

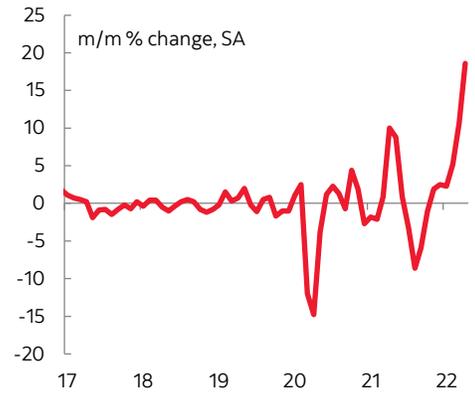
**US Food Prices**



Sources: Scotiabank Economics, BLS.

Chart 8

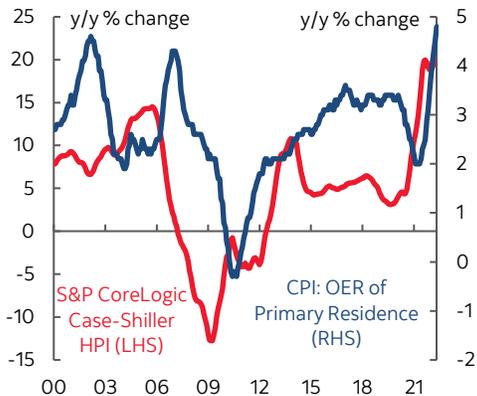
**US Airfare**



Sources: Scotiabank Economics, BLS.

Chart 9

**Homebuying Price Surges Causing Upward Pressure on Rents**



Sources: Scotiabank Economics, BLS, S&P.

Chart 10

**New vs Used Vehicle Inflation**



Sources: Scotiabank Economics, BLS.

Chart 11

**US Apparel**



Sources: Scotiabank Economics, BLS.

Chart 12

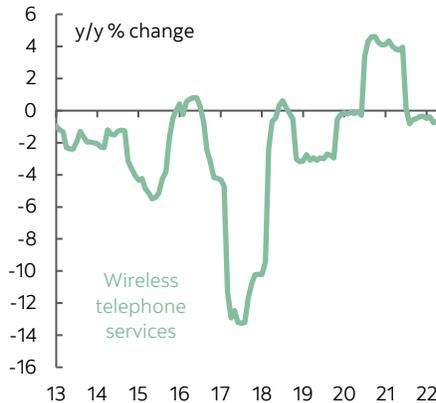
**US Financial Services**



Sources: Scotiabank Economics, BLS.

Chart 13

**US Cell Phone Service Inflation**



Sources: Scotiabank Economics, BLS.

Chart 14

**Prescription Drug Prices**



Sources: Scotiabank Economics, BLS.

May 11, 2022

Apr 2022				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
<b>Food</b>	<b>9.4</b>			<b>0.9</b>	<b>13.36</b>	<b>1.26</b>	<b>0.12</b>	<b>1.3</b>	<b>0.8</b>	<b>10.7</b>	<b>1.7</b>	<b>1.1</b>	<b>6.7</b>
<b>Food, home</b>	<b>10.8</b>			<b>1.0</b>	<b>8.25</b>	<b>0.89</b>	<b>0.08</b>	<b>0.2</b>	<b>1.1</b>	<b>9.3</b>	<b>1.2</b>	<b>1.9</b>	<b>5.2</b>
Cereals & bakery products	10.3			1.1	1.05	0.11	0.01	0.4	0.9	11.3	0.9	1.7	5.6
Meats, poultry, fish & eggs	14.3			1.4	1.88	0.27	0.03	-0.2	3.2	4.5	2.1	3.9	3.1
Dairy & related products	9.1			2.5	0.76	0.07	0.02	-0.6	1.6	6.0	1.1	3.1	2.6
Fruits & vegetables	7.8			-0.3	1.43	0.11	0.00	0.4	1.7	4.3	1.0	2.0	3.3
Non-alcoholic beverages	9.8			2.0	0.94	0.09	0.02	0.6	1.0	8.8	0.5	1.6	5.9
Other food at home	11.0			0.7	2.19	0.24	0.02	0.5	0.6	16.3	1.0	1.6	6.4
<b>Food, away</b>	<b>7.2</b>			<b>0.6</b>	<b>5.12</b>	<b>0.37</b>	<b>0.03</b>	<b>2.7</b>	<b>0.3</b>	<b>15.2</b>	<b>2.5</b>	<b>0.5</b>	<b>9.0</b>
Full services meals & snacks	8.7			0.9	2.38	0.21	0.02	2.6	0.4	16.6	2.4	0.5	12.6
Limited services meals and snacks	7.0			0.3	2.49	0.17	0.01	2.8	0.3	13.0	2.5	0.7	6.4
Food at employee sites and school	-30.0			0.1	0.04	-0.01	0.00	2.8	2.4	-13.4	2.8	1.9	-17.1
Food from vending machines & mobile vendors	7.1			1.5	0.04	0.00	0.00	3.1	1.0	4.1	2.5	1.3	3.5
Other food away from home	5.5			0.1	0.17	0.01	0.00	2.5	1.3	2.3	2.3	1.0	3.2
<b>Energy</b>	<b>30.3</b>			<b>-2.7</b>	<b>8.30</b>	<b>2.51</b>	<b>-0.22</b>	<b>-1.9</b>	<b>10.0</b>	<b>3.2</b>	<b>1.6</b>	<b>9.6</b>	<b>3.0</b>
<b>Energy comm.</b>	<b>44.7</b>			<b>-5.4</b>	<b>4.93</b>	<b>2.20</b>	<b>-0.27</b>	<b>-2.8</b>	<b>17.0</b>	<b>2.8</b>	<b>3.0</b>	<b>17.1</b>	<b>2.4</b>
Fuel oils & other fuels	58.8			3.7	0.24	0.14	0.01	-2.3	15.8	3.9	2.7	14.4	3.9
Motor fuel	44.0			-5.8	4.69	2.06	-0.27	-2.8	17.1	2.7	3.0	17.3	2.4
<i>Gasoline</i>	<i>43.6</i>			<i>-6.1</i>	<i>4.59</i>	<i>2.00</i>	<i>-0.28</i>	<i>-2.8</i>	<i>17.1</i>	<i>2.7</i>	<i>3.0</i>	<i>17.4</i>	<i>2.3</i>
<i>Other</i>	<i>64.2</i>			<i>6.9</i>	<i>0.09</i>	<i>0.06</i>	<i>0.01</i>	<i>-2.3</i>	<i>19.5</i>	<i>3.4</i>	<i>3.6</i>	<i>17.9</i>	<i>3.4</i>
<b>Energy serv.</b>	<b>13.7</b>			<b>1.3</b>	<b>3.37</b>	<b>0.46</b>	<b>0.04</b>	<b>0.0</b>	<b>2.4</b>	<b>5.6</b>	<b>0.5</b>	<b>2.7</b>	<b>5.0</b>
Electricity	11.0			0.7	2.51	0.28	0.02	0.5	1.5	7.1	1.0	1.7	6.0
Utility (piped gas service)	22.7			3.1	0.86	0.19	0.03	-1.4	7.5	3.2	-0.9	7.3	3.2
<b>All items less food and energy</b>	<b>6.2</b>			<b>0.6</b>	<b>78.34</b>	<b>4.86</b>	<b>0.47</b>	<b>2.0</b>	<b>0.2</b>	<b>18.7</b>	<b>1.8</b>	<b>0.4</b>	<b>10.7</b>
<b>Commodities less food and energy</b>	<b>9.7</b>			<b>0.2</b>	<b>21.51</b>	<b>2.09</b>	<b>0.04</b>	<b>-0.3</b>	<b>0.4</b>	<b>25.7</b>	<b>0.2</b>	<b>0.9</b>	<b>10.7</b>
<b>Household furnishings</b>	<b>10.6</b>			<b>0.5</b>	<b>3.74</b>	<b>0.40</b>	<b>0.02</b>	<b>-0.8</b>	<b>1.2</b>	<b>9.5</b>	<b>-0.9</b>	<b>1.2</b>	<b>9.6</b>
Window & floor coverings	8.2			0.8	0.30	0.02	0.00	-2.3	1.7	6.1	-2.8	1.8	6.2
Furniture & bedding	15.0			1.5	0.97	0.15	0.01	-0.3	1.7	8.9	-0.9	2.1	7.7
Appliances	7.8			-0.5	0.26	0.02	0.00	-1.2	3.1	2.9	-1.6	3.0	3.1
Other household equipment	8.1			-1.4	0.59	0.05	-0.01	-3.5	1.8	6.3	-3.7	1.5	7.9
Tools & hardware	11.2			0.6	0.93	0.10	0.01	-0.1	1.0	10.9	-0.3	1.2	9.4
Housekeeping supplies	8.3			1.3	0.93	0.08	0.01	0.3	1.2	6.7	0.4	1.3	6.0

May 11, 2022

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<b>Apparel</b>	<b>5.4</b>			<b>-0.8</b>	<b>2.54</b>	<b>0.14</b>	<b>-0.02</b>	<b>-0.5</b>	<b>1.0</b>	<b>6.0</b>	<b>0.3</b>	<b>1.7</b>	<b>2.9</b>
Men's & boys apparel	7.0			0.3	0.64	0.05	0.00	-0.3	1.5	4.8	0.5	2.3	2.9
Women's & girls apparel	5.2			-0.9	1.00	0.05	-0.01	-1.3	1.9	3.5	-0.1	2.5	2.1
Footwear	4.7			-1.3	0.61	0.03	-0.01	0.2	1.3	3.4	0.8	1.7	2.4
Infant & toddler's apparel	8.8			-0.7	0.12	0.01	0.00	0.4	3.8	2.2	0.5	3.6	2.3
Jewelry & watches	0.3			-1.8	0.16	0.00	0.00	1.0	3.4	-0.2	1.5	3.8	-0.3
<b>Trans. less fuel</b>	<b>17.2</b>			<b>0.4</b>	<b>6.96</b>	<b>1.20</b>	<b>0.03</b>	<b>-0.3</b>	<b>0.9</b>	<b>19.8</b>	<b>0.4</b>	<b>1.5</b>	<b>11.3</b>
New vehicles	13.2			1.1	4.01	0.53	0.04	0.1	0.7	19.9	0.8	1.2	10.1
Used cars & trucks	22.7			-0.4	4.04	0.92	-0.02	-1.3	2.1	11.5	1.1	4.8	4.5
Motor vehicle parts & equipment	14.5			1.2	0.42	0.06	0.01	0.2	1.1	13.5	0.9	2.2	6.3
<b>Medical comm.</b>	<b>2.1</b>			<b>0.1</b>	<b>1.50</b>	<b>0.03</b>	<b>0.00</b>	<b>2.1</b>	<b>1.7</b>	<b>0.0</b>	<b>2.3</b>	<b>1.5</b>	<b>-0.1</b>
Medicinal Drugs	2.1			0.0	1.55	0.03	0.00	2.2	1.8	-0.1	2.3	1.6	-0.1
Medical equipment & supplies	3.9			0.3	0.10	0.00	0.00	0.4	1.2	2.8	0.3	1.2	3.0
<b>Recreation comm.</b>	<b>4.0</b>			<b>0.5</b>	<b>2.03</b>	<b>0.08</b>	<b>0.01</b>	<b>-2.6</b>	<b>1.1</b>	<b>6.2</b>	<b>-2.3</b>	<b>0.9</b>	<b>7.0</b>
Video & audio products	-4.1			-0.7	0.28	-0.01	0.00	-10.1	2.4	2.5	-9.2	2.2	2.3
Pets & pet products	7.2			0.8	0.55	0.04	0.00	0.4	1.5	4.6	0.5	1.5	4.6
Sporting goods	7.5			0.9	0.56	0.04	0.01	-0.7	1.5	5.3	-0.6	1.2	6.7
Photographic Equipment & supplies	2.6			-1.4	0.02	0.00	0.00	-1.7	4.6	0.9	-3.0	4.0	1.4
Recreational reading materials	2.1			2.0	0.10	0.00	0.00	1.6	1.9	0.3	1.5	1.8	0.3
Other recreational goods	0.8			0.3	0.38	0.00	0.00	-6.5	1.3	5.5	-5.2	1.7	3.4
<b>Educ. &amp; communication comm.</b>	<b>-4.0</b>			<b>-2.6</b>	<b>0.53</b>	<b>-0.02</b>	<b>-0.01</b>	<b>-3.7</b>	<b>1.0</b>	<b>-0.3</b>	<b>-3.5</b>	<b>0.9</b>	<b>-0.6</b>
Educational books & supplies	2.2			-0.1	0.09	0.00	0.00	2.2	3.0	0.0	3.6	2.7	-0.5
IT commodities	-4.7			-2.9	0.42	-0.02	-0.01	-6.1	1.9	0.7	-6.8	1.8	1.1
<b>Alcohol</b>	<b>3.9</b>			<b>0.4</b>	<b>0.88</b>	<b>0.03</b>	<b>0.00</b>	<b>1.3</b>	<b>0.3</b>	<b>7.7</b>	<b>1.4</b>	<b>0.4</b>	<b>6.9</b>
Alcoholic beverages at home	2.8			0.3	0.59	0.02	0.00	0.8	0.6	3.3	0.8	0.5	3.8
Alcoholic beverages away from home	5.1			0.5	0.29	0.01	0.00	1.9	0.5	6.9	2.2	0.7	4.4
<b>Other goods</b>	<b>5.2</b>			<b>0.3</b>	<b>1.49</b>	<b>0.08</b>	<b>0.00</b>	<b>1.4</b>	<b>0.9</b>	<b>4.5</b>	<b>1.4</b>	<b>0.7</b>	<b>5.3</b>
Tobacco & smoking products	7.2			0.4	0.52	0.04	0.00	4.3	1.5	1.9	4.4	3.8	0.7
Personal care products	2.1			0.3	0.64	0.01	0.00	-0.3	0.6	4.2	-0.1	0.8	2.7
Miscellaneous personal goods	8.8			0.2	0.19	0.02	0.00	-2.4	3.1	3.6	-1.7	2.4	4.4

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<b>Services less energy services</b>	<b>4.9</b>			<b>0.7</b>	<b>56.83</b>	<b>2.78</b>	<b>0.40</b>	<b>2.8</b>	<b>0.2</b>	<b>9.0</b>	<b>2.4</b>	<b>0.6</b>	<b>4.0</b>
<b>Shelter</b>	<b>5.1</b>			<b>0.5</b>	<b>32.45</b>	<b>1.66</b>	<b>0.16</b>	<b>3.3</b>	<b>0.2</b>	<b>10.8</b>	<b>2.5</b>	<b>1.2</b>	<b>2.3</b>
Rent of shelter	5.2			0.5	32.08	1.67	0.16	3.3	0.2	10.3	2.5	1.2	2.3
<i>Rent of primary residence</i>	<u>4.8</u>			<u>0.6</u>	<u>7.28</u>	<u>0.35</u>	<u>0.04</u>	<u>3.7</u>	<u>0.1</u>	<u>8.3</u>	<u>2.9</u>	<u>1.1</u>	<u>1.7</u>
<i>Lodging away from home</i>	<u>19.7</u>			<u>1.7</u>	<u>0.99</u>	<u>0.19</u>	<u>0.02</u>	<u>2.3</u>	<u>2.0</u>	<u>8.6</u>	<u>2.2</u>	<u>2.2</u>	<u>8.0</u>
<i>OER of residences</i>	<u>4.8</u>			<u>0.5</u>	<u>23.82</u>	<u>1.14</u>	<u>0.12</u>	<u>3.2</u>	<u>0.2</u>	<u>7.8</u>	<u>2.4</u>	<u>1.1</u>	<u>2.2</u>
Tenants' & household insurance	-0.4			0.0	0.37	0.00	0.00	1.4	1.2	-1.5	2.3	1.5	-1.7
<b>Water, sewer, trash collection</b>	<b>4.2</b>			<b>0.3</b>	<b>1.10</b>	<b>0.05</b>	<b>0.00</b>	<b>3.6</b>	<b>0.6</b>	<b>1.0</b>	<b>4.3</b>	<b>1.0</b>	<b>-0.1</b>
Water & sewage maintenance	4.0			0.3	0.79	0.03	0.00	4.0	0.8	0.1	4.8	1.4	-0.6
Garbage & trash collection	4.6			0.3	0.31	0.01	0.00	2.5	1.5	1.4	2.5	1.1	1.9
<b>Household ops.</b>	<b>6.4</b>			<b>1.1</b>	<b>0.84</b>	<b>0.05</b>	<b>0.01</b>	<b>3.8</b>	<b>1.3</b>	<b>2.1</b>	<b>2.6</b>	<b>1.6</b>	<b>2.3</b>
Domestic services	7.3			-1.2	0.24	0.02	0.00	2.0	1.1	5.0	1.6	1.0	5.5
Gardening & lawncare	4.1			0.2	0.30	0.01	0.00	4.3	2.7	-0.1	2.8	2.6	0.5
Moving, storage, freight	7.1			2.1	0.10	0.01	0.00	5.6	3.9	0.4	3.3	3.9	1.0
Repair of household items	5.4			0.1	0.12	0.01	0.00	4.8	2.1	0.3	4.2	2.0	0.6
<b>Medical serv.</b>	<b>3.5</b>			<b>0.5</b>	<b>6.88</b>	<b>0.24</b>	<b>0.03</b>	<b>2.9</b>	<b>1.0</b>	<b>0.6</b>	<b>3.0</b>	<b>0.8</b>	<b>0.6</b>
Professional Services	1.8			0.0	3.51	0.06	0.00	1.5	0.9	0.3	1.8	0.8	0.0
Hospital & related services	3.6			0.5	2.54	0.09	0.01	3.8	1.1	-0.2	4.5	1.3	-0.7
Health insurance	10.4			2.0	0.84	0.09	0.02	5.0	5.8	0.9	3.6	6.0	1.1
<b>Transportation serv.</b>	<b>8.5</b>			<b>3.1</b>	<b>5.67</b>	<b>0.48</b>	<b>0.18</b>	<b>2.6</b>	<b>1.1</b>	<b>5.3</b>	<b>2.6</b>	<b>1.0</b>	<b>6.1</b>
Leased cars & trucks	-3.6			-3.6	0.63	-0.02	-0.02	0.5	3.0	-1.4	-1.6	3.2	-0.6
Motor vehicle maintenance & repair	5.3			0.5	1.02	0.05	0.01	2.2	0.7	4.5	2.0	0.6	5.8
Motor vehicle insurance	4.4			0.8	2.40	0.11	0.02	5.5	2.6	-0.4	4.8	2.0	-0.2
Motor vehicle fees	1.2			-0.1	0.51	0.01	0.00	1.8	0.7	-0.9	2.2	1.9	-0.5
Public transportation	21.8			12.1	0.84	0.18	0.10	-1.2	1.5	15.2	1.0	3.6	5.8
<b>Recreation serv.</b>	<b>4.4</b>			<b>0.4</b>	<b>3.80</b>	<b>0.17</b>	<b>0.02</b>	<b>2.6</b>	<b>0.7</b>	<b>2.8</b>	<b>2.3</b>	<b>0.7</b>	<b>2.8</b>
Video & audio services	4.4			0.8	1.25	0.06	0.01	2.7	1.4	1.2	2.6	1.3	1.3
Pet services	9.0			1.1	0.52	0.05	0.01	3.1	0.8	7.7	3.3	0.9	6.2
Photo services	5.2			1.8	0.03	0.00	0.00	-0.2	2.0	2.7	0.8	1.8	2.4
Other recreation services	2.8			-0.3	1.45	0.04	0.00	2.4	0.6	0.7	1.7	1.1	1.0
<b>Educ. &amp; communication serv.</b>	<b>1.7</b>			<b>0.2</b>	<b>6.24</b>	<b>0.11</b>	<b>0.01</b>	<b>0.4</b>	<b>1.3</b>	<b>1.0</b>	<b>1.1</b>	<b>1.3</b>	<b>0.5</b>
Tuition, school fees, child care	2.5			0.2	2.51	0.06	0.01	2.8	0.6	-0.5	3.3	0.8	-1.1
Postage & delivery	4.1			0.7	0.08	0.00	0.00	2.3	2.0	0.9	3.3	2.0	0.4
Telephone services	0.5			0.2	1.84	0.01	0.00	-2.4	3.0	1.0	-1.3	2.4	0.7
Internet services	1.7			0.2	0.94	0.02	0.00	-0.2	1.5	1.3	0.1	1.3	1.2
<b>Other personal serv.</b>	<b>6.2</b>			<b>0.5</b>	<b>1.66</b>	<b>0.10</b>	<b>0.01</b>	<b>2.7</b>	<b>0.7</b>	<b>5.2</b>	<b>2.4</b>	<b>0.6</b>	<b>6.0</b>
Personal care services	5.1			0.4	0.54	0.03	0.00	2.3	0.7	4.0	1.8	0.8	4.0
Miscellaneous personal services	7.0			0.6	0.83	0.06	0.00	2.9	0.9	4.4	2.7	0.7	5.9

\*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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