

Contributors

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Chart 1

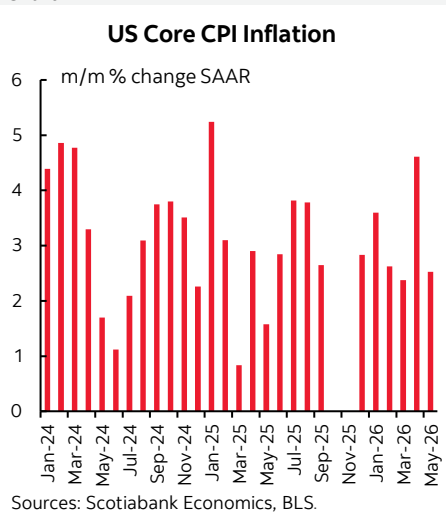
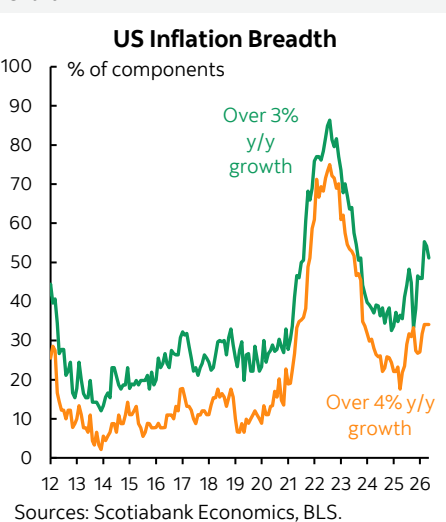


Chart 2



The Inflation Report that Warsh Was Dreaming About

- Core CPI came in light
- Core goods prices slipped...
- ...while core services inflation ebbed a touch
- Breadth signals more of a relative price shock this time...
- ...versus the pandemic's generalized inflation
- A record-low core CPI seasonal adjustment factor kinda smells
- Treasury yields fell...
- ...but escalating tensions in the Middle East restrained the reaction

US CPI / core CPI, m/m %, SA, May:

Actual: 0.47 / 0.21
 Scotia: 0.4 / 0.3
 Consensus: 0.5 / 0.3
 Prior: unrevised from 0.6 / 0.4

This was the inflation report that Chair Warsh was dreaming about. Soft underlying inflation and details motivated a slightly lower US 2-year Treasury yield. Markets may be holding back in their reaction perhaps because escalating tensions in the Middle East are overshadowing data with conflict and supply chain challenges likely to persist.

Core CPI inflation at 0.21% m/m SA climbed down from a gain of about double that the prior month, indicating little to no sustained pass through of the energy shock into underlying inflation. Chart 1 shows the annualized m/m changes.

Breadth improved ever-so-slightly with a touch less widespread price pressures (chart 2). With about one-third of the CPI basket rising by over 4% and about half over 3% y/y, Chair Warsh may be inclined to view pressures as more contained and much less widespread than coming out of the pandemic. That augurs well for him viewing today's circumstances as more about a relative price shock than widespread generalized inflation.

Little pass through is particularly evident in core goods prices (ex-food and energy) that remain very tame. They slipped by -0.1% m/m SA in May and have been basically flat for four months now (chart 3).

Chart 3

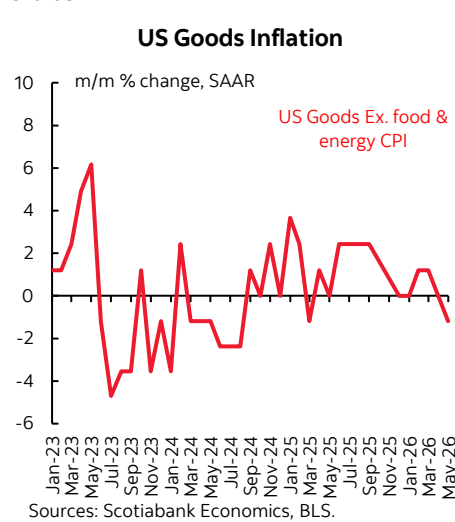
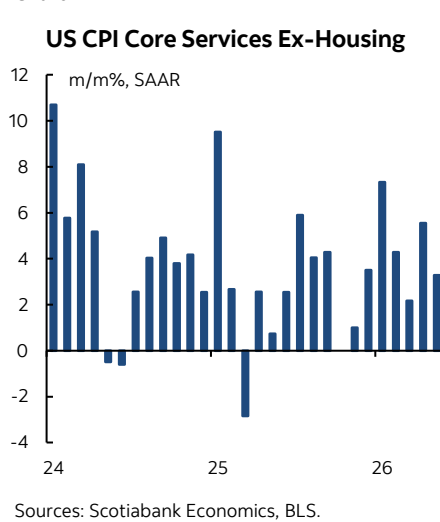


Chart 4



Core services prices (ex-shelter and energy prices) were also a bit tamer than the prior month at 0.26% m/m SA. They have been all over the map this year but the three month moving average of 0.26% m/m SA is reasonably contained relative to some of the months (chart 4).

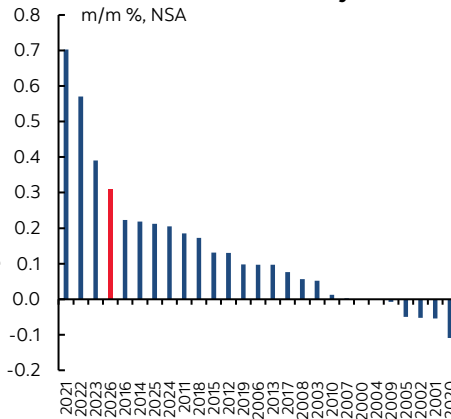
While the seasonally unadjusted core price gain was relatively high compared to like months of May in history (chart 5), this was tamped down by a low seasonal adjustment factor (chart 6). In fact, it's the lowest SA factor in modern times and the second lowest in history behind only May 1969. That carries with it a bit of the scent of a public washroom. Have I mentioned lately how little trust I have for US data on jobs and inflation? There, just did.

Charts 7–19 offer further breakdowns.

Please also see the accompanying table for further details including micro charts.

Chart 5

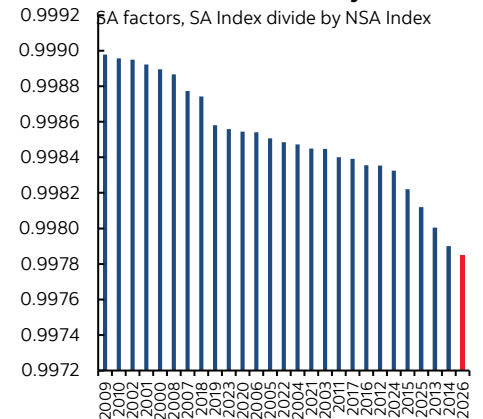
Comparing US Core CPI for All Months of May



Sources: Scotiabank Economics, BLS

Chart 6

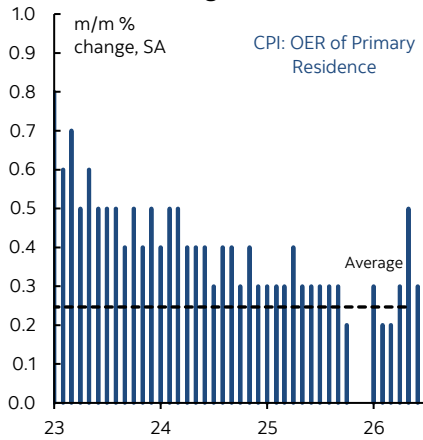
Comparing US Core CPI SA Factors for All Months of May



Sources: Scotiabank Economics, BLS

Chart 7

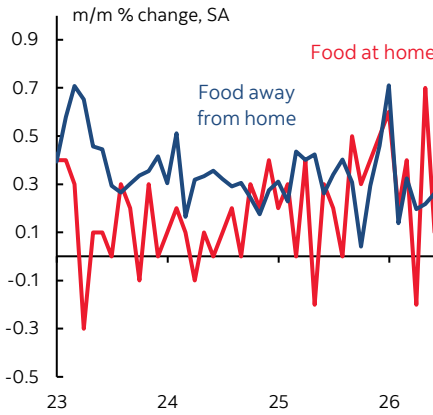
Housing Inflation



Sources: Scotiabank Economics, BLS.

Chart 8

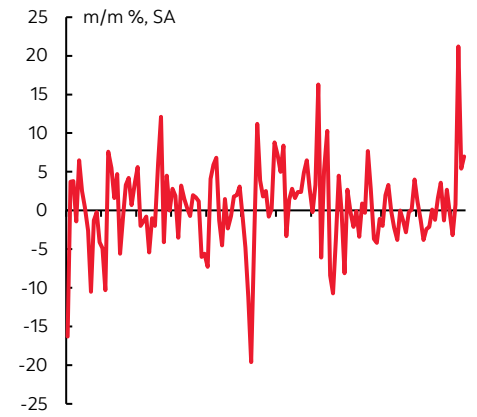
US Food Prices



Sources: Scotiabank Economics, BLS, Haver.

Chart 9

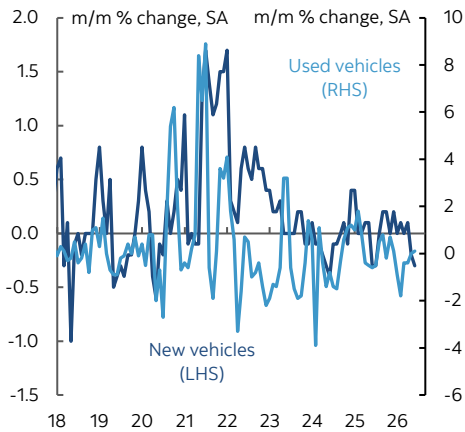
US CPI: Gasoline



Sources: Scotiabank Economics, BLS

Chart 10

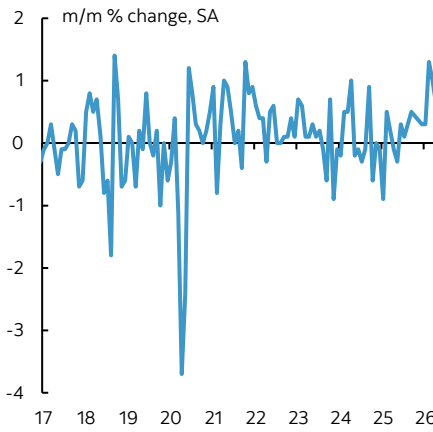
New vs Used Vehicle Inflation



Sources: Scotiabank Economics, BLS.

Chart 11

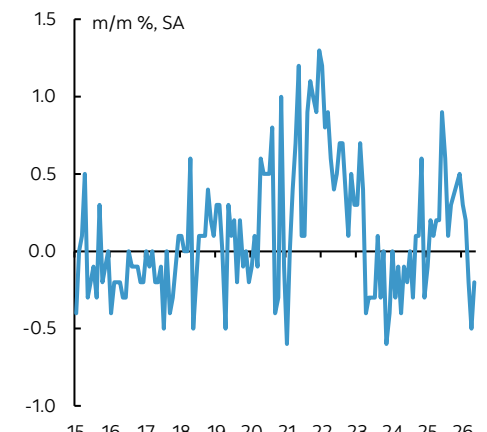
US Apparel



Sources: Scotiabank Economics, BLS.

Chart 12

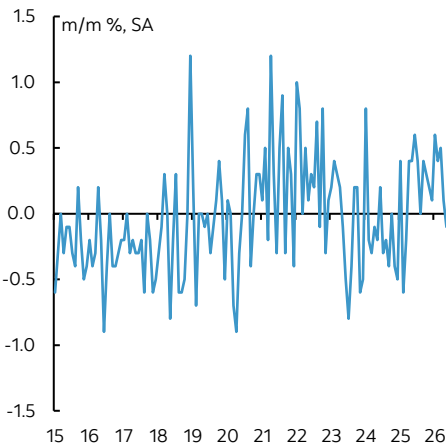
US CPI: Household Furnishings



Sources: Scotiabank Economics, BLS.

Chart 13

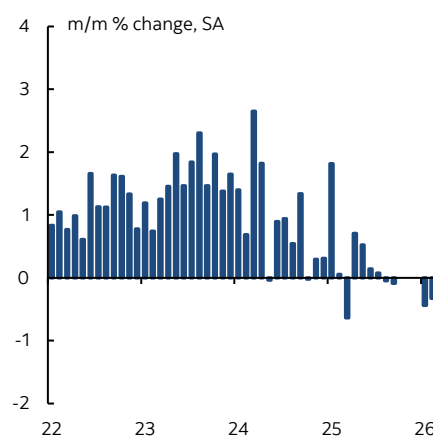
US CPI: Recreation Goods



Sources: Scotiabank Economics, BLS.

Chart 14

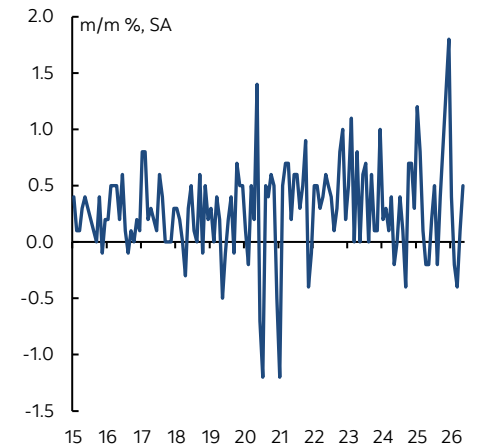
US Motor Vehicle Insurance



Sources: Scotiabank Economics, BLS.

Chart 15

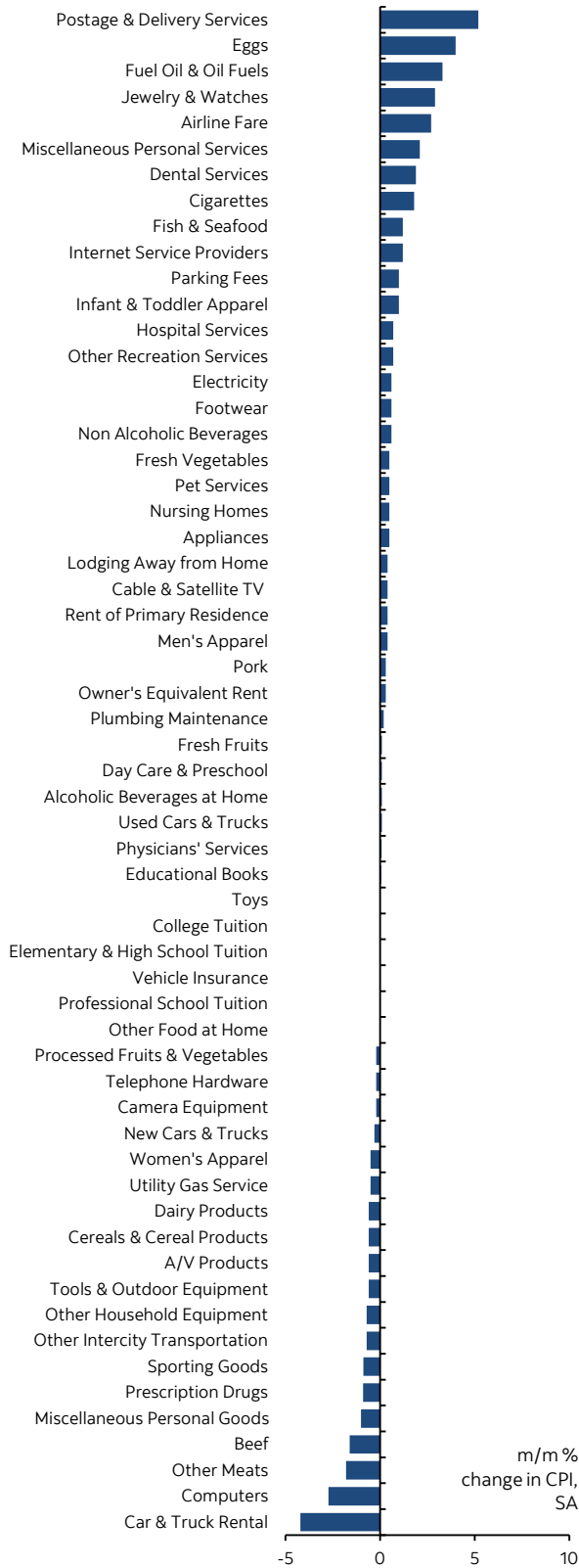
US CPI: Recreation Services



Sources: Scotiabank Economics, BLS.

Chart 16

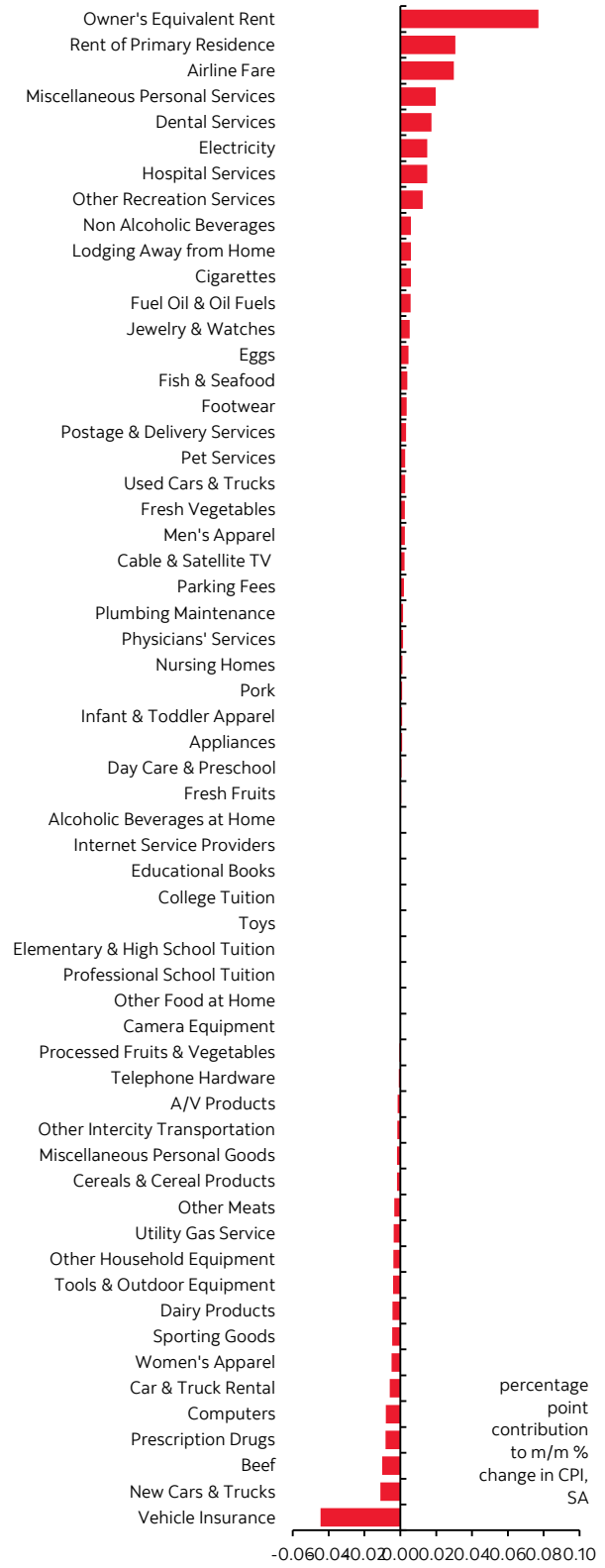
May Changes in US Headline CPI Categories ex Gasoline



Sources: Scotiabank Economics, US BLS.

Chart 17

May Weighted Contributions to Monthly Change in US Headline CPI ex Gasoline



Sources: Scotiabank Economics, US BLS.

Chart 18

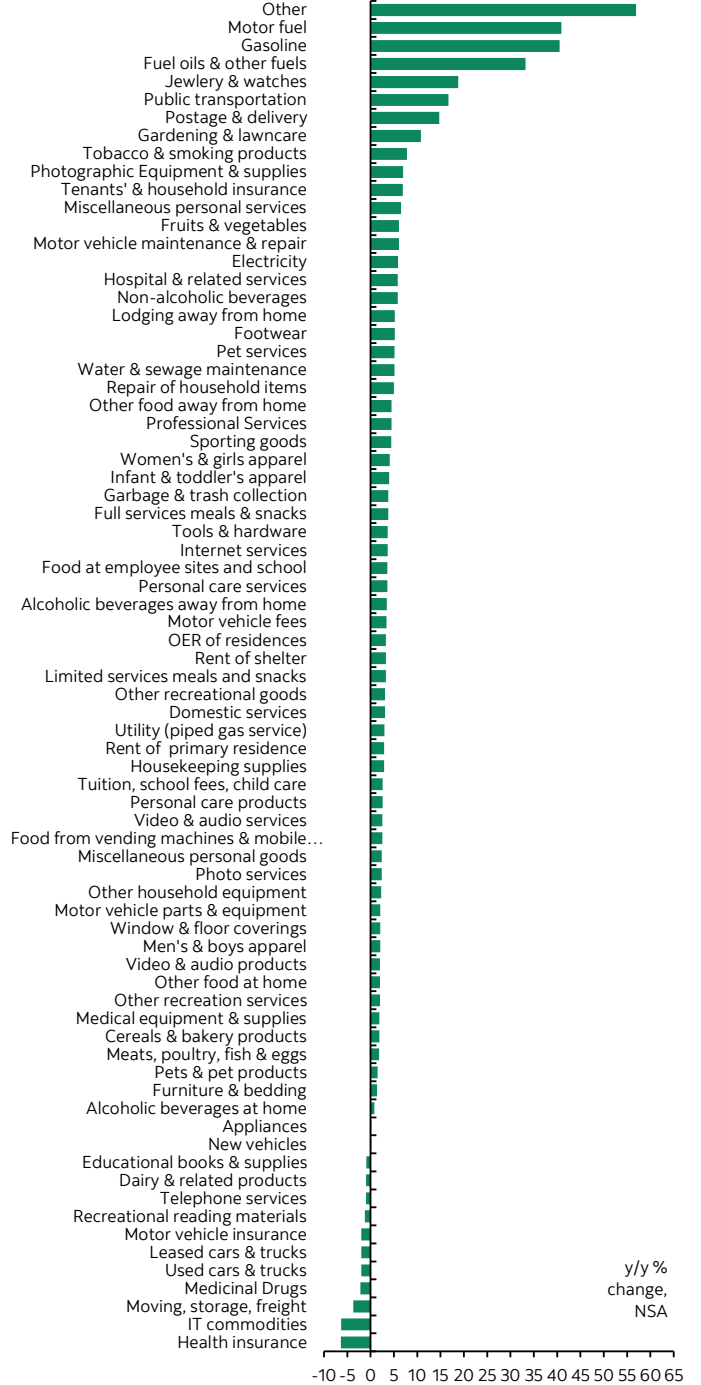
May Weighted Contributions to the 12-Month Change in US Headline CPI



Source: Scotiabank Economics, BLS.

Chart 19

May 12-Month Changes in US Headline CPI Categories



Sources: Scotiabank Economics, BLS.

June 10, 2026

May 2026					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
Food	3.1			0.2	13.512	0.42	0.03	1.3	0.8	2.4	1.7	1.1	1.2
Food, home	2.7			0.1	8.235	0.22	0.01	0.2	1.1	2.2	1.2	1.9	0.8
Cereals & bakery products	1.9			0.4	1.017	0.02	0.00	0.4	0.9	1.7	0.9	1.7	0.6
Meats, poultry, fish & eggs	1.8			-0.2	1.959	0.03	0.00	-0.2	3.2	0.6	2.1	3.9	-0.1
Dairy & related products	-1.0			-0.6	0.740	-0.01	0.00	-0.6	1.6	-0.3	1.1	3.1	-0.7
Fruits & vegetables	6.1			0.2	1.288	0.08	0.00	0.4	1.7	3.3	1.0	2.0	2.5
Non-alcoholic beverages	5.8			0.6	0.999	0.05	0.01	0.6	1.0	5.0	0.5	1.6	3.4
Other food at home	2.0			0.0	2.231	0.05	0.00	0.5	0.6	2.4	1.0	1.6	0.6
Food, away	3.5			0.3	5.277	0.20	0.02	2.7	0.3	2.7	2.5	0.5	2.0
Full services meals & snacks	3.8			0.3	2.337	0.09	0.01	2.6	0.4	3.3	2.4	0.5	2.8
Limited services meals and snacks	3.3			0.3	2.642	0.09	0.01	2.8	0.3	1.5	2.5	0.7	1.2
Food at employee sites and school	3.6			0.0	0.063	0.00	0.00	2.8	2.4	0.3	2.8	1.9	0.4
Food from vending machines & mobile vendors	2.5			0.4	0.052	0.00	0.00	3.1	1.0	-0.6	2.5	1.3	0.0
Other food away from home	4.5			0.2	0.182	0.01	0.00	2.5	1.3	1.5	2.3	1.0	2.2
Energy	23.5			3.9	7.474	1.50	0.29	-1.9	10.0	2.6	1.6	9.6	2.3
Energy comm.	40.6			6.7	4.238	1.29	0.28	-2.8	17.0	2.6	3.0	17.1	2.2
Fuel oils & other fuels	33.2			3.3	0.174	0.04	0.01	-2.3	15.8	2.2	2.7	14.4	2.1
Motor fuel	40.9			6.8	4.064	1.25	0.28	-2.8	17.1	2.6	3.0	17.3	2.2
<u>Gasoline</u>	<u>40.5</u>			<u>7</u>	<u>3.937</u>	<u>1.20</u>	<u>0.28</u>	<u>-2.8</u>	<u>17.1</u>	<u>2.5</u>	<u>3.0</u>	<u>17.4</u>	<u>2.2</u>
<u>Other</u>	<u>56.9</u>			<u>0.8</u>	<u>0.127</u>	<u>0.05</u>	<u>0.00</u>	<u>-2.3</u>	<u>19.5</u>	<u>3.0</u>	<u>3.6</u>	<u>17.9</u>	<u>3.0</u>
Energy serv.	5.3			0.4	3.237	0.17	0.01	0.0	2.4	2.1	0.5	2.7	1.8
Electricity	5.9			0.6	2.495	0.14	0.01	0.5	1.5	3.7	1.0	1.7	2.9
Utility (piped gas service)	3.0			-0.5	0.741	0.02	0.00	-1.4	7.5	0.6	-0.9	7.3	0.5
All items less food and energy	2.9			0.2	79.014	2.32	0.16	2.0	0.2	3.9	1.8	0.4	2.6
Commodities less food and energy	1.1			-0.1	18.856	0.21	-0.02	-0.3	0.4	3.7	0.2	0.9	1.0
Household furnishings	2.4			-0.2	3.454	0.08	-0.01	-0.8	1.2	2.7	-0.9	1.2	2.8
Window & floor coverings	2.1			-1.4	0.237	0.01	0.00	-2.3	1.7	2.6	-2.8	1.8	2.8
Furniture & bedding	1.4			-0.7	0.860	0.01	-0.01	-0.3	1.7	1.0	-0.9	2.1	1.1
Appliances	0.2			0.5	0.197	0.00	0.00	-1.2	3.1	0.4	-1.6	3.0	0.6
Other household equipment	2.3			-1.2	0.553	0.01	-0.01	-3.5	1.8	3.2	-3.7	1.5	4.0
Tools & hardware	3.7			-0.6	0.679	0.03	0.00	-0.1	1.0	3.6	-0.3	1.2	3.3
Housekeeping supplies	2.9			0.5	0.826	0.02	0.00	0.3	1.2	2.2	0.4	1.3	1.9

June 10, 2026

May 2026				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
Apparel	4.8			0.3	2.483	0.12	0.01	-0.5	1.0	5.4	0.3	1.7	2.6
Men's & boys apparel	2.1			0.4	0.614	0.01	0.00	-0.3	1.5	1.6	0.5	2.3	0.7
Women's & girls apparel	4.1			-0.5	0.998	0.04	0.00	-1.3	1.9	2.9	-0.1	2.5	1.7
Footwear	5.2			0.6	0.594	0.03	0.00	0.2	1.3	3.7	0.8	1.7	2.7
Infant & toddler's apparel	4.0			1.0	0.099	0.00	0.00	0.4	3.8	1.0	0.5	3.6	1.0
Jewelry & watches	18.8			2.9	0.178	0.03	0.01	1.0	3.4	5.3	1.5	3.8	4.6
Trans. less fuel	-0.6			-0.1	6.780	-0.04	-0.01	-0.3	0.9	-0.3	0.4	1.5	-0.7
New vehicles	0.2			-0.3	3.759	0.01	-0.01	0.1	0.7	0.2	0.8	1.2	-0.5
Used cars & trucks	-2.0			0.1	2.607	-0.05	0.00	-1.3	2.1	-0.4	1.1	4.8	-0.6
Motor vehicle parts & equipment	2.1			-0.7	0.341	0.01	0.00	0.2	1.1	1.8	0.9	2.2	0.6
Medical comm.	-1.8			-0.7	1.428	-0.03	-0.01	2.1	1.7	-2.3	2.3	1.5	-2.8
Medicinal Drugs	-2.2			-0.8	1.296	-0.03	-0.01	2.2	1.8	-2.5	2.3	1.6	-2.9
Medical equipment & supplies	1.9			0.0	0.132	0.00	0.00	0.4	1.2	1.2	0.3	1.2	1.3
Recreation comm.	2.6			-0.1	1.902	0.05	0.00	-2.6	1.1	4.9	-2.3	0.9	5.4
Video & audio products	2.0			-0.6	0.258	0.00	0.00	-10.1	2.4	5.0	-9.2	2.2	5.1
Pets & pet products	1.5			-0.7	0.605	0.01	0.00	0.4	1.5	0.7	0.5	1.5	0.7
Sporting goods	4.4			0.7	0.520	0.02	0.00	-0.7	1.5	3.3	-0.6	1.2	4.1
Photographic Equipment & supplies	7.0			-0.2	0.026	0.00	0.00	-1.7	4.6	1.9	-3.0	4.0	2.5
Recreational reading materials	-1.2			1.6	0.109	0.00	0.00	1.6	1.9	-1.5	1.5	1.8	-1.5
Other recreational goods	3.1			-0.2	0.384	0.01	0.00	-6.5	1.3	7.2	-5.2	1.7	4.7
Educ. & communication comm.	-6.1			0.0	0.782	-0.05	0.00	-3.7	1.0	-2.3	-3.5	0.9	-2.9
Educational books & supplies	-0.9			-0.2	0.042	0.00	0.00	2.2	3.0	-1.0	3.6	2.7	-1.7
IT commodities	-6.3			-0.1	0.746	-0.04	0.00	-6.1	1.9	-0.1	-6.8	1.8	0.3
Alcohol	2.1			0.1	0.825	0.02	0.00	1.3	0.3	2.4	1.4	0.4	2.0
Alcoholic beverages at home	0.8			0.1	0.388	0.00	0.00	0.8	0.6	-0.1	0.8	0.5	0.0
Alcoholic beverages away from home	3.5			0.1	0.436	0.01	0.00	1.9	0.5	3.5	2.2	0.7	1.9
Other goods	4.5			0.1	1.305	0.06	0.00	1.4	0.9	3.7	1.4	0.7	4.3
Tobacco & smoking products	7.8			1.0	0.445	0.04	0.00	4.3	1.5	2.3	4.4	3.8	0.9
Personal care products	2.6			-0.3	0.673	0.02	0.00	-0.3	0.6	5.0	-0.1	0.8	3.3
Miscellaneous personal goods	2.4			-1.4	0.187	0.00	0.00	-2.4	3.1	1.6	-1.7	2.4	1.7

June 10, 2026

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Services less energy services	3.4			0.3	60.158	2.06	0.18	2.8	0.2	2.5	2.4	0.6	1.6
Shelter	3.4			0.3	35.237	1.21	0.11	3.3	0.2	0.7	2.5	1.2	0.8
Rent of shelter	3.3			0.3	34.950	1.16	0.10	3.3	0.2	-0.1	2.5	1.2	0.7
<i>Rent of primary residence</i>	<u>2.9</u>			<u>0.4</u>	<u>7.705</u>	<u>0.22</u>	<u>0.03</u>	<u>3.7</u>	<u>0.1</u>	-6.0	<u>2.9</u>	<u>1.1</u>	<u>0.0</u>
<i>Lodging away from home</i>	<u>5.2</u>			<u>0.4</u>	<u>1.455</u>	<u>0.07</u>	<u>0.01</u>	<u>2.3</u>	<u>2.0</u>	<u>1.5</u>	<u>2.2</u>	<u>2.2</u>	<u>1.4</u>
<i>OER of residences</i>	<u>3.3</u>			<u>0.3</u>	<u>25.790</u>	<u>0.86</u>	<u>0.08</u>	<u>3.2</u>	<u>0.2</u>	<u>0.4</u>	<u>2.4</u>	<u>1.1</u>	<u>0.8</u>
Tenants' & household insurance	6.9			0.5	0.287	0.03	0.00	1.4	1.2	4.6	2.3	1.5	3.0
Water, sewer, trash collection	4.7			0.2	1.137	0.05	0.00	3.6	0.6	1.9	4.3	1.0	0.4
Water & sewage maintenance	5.1			0.2	0.780	0.04	0.00	4.0	0.8	1.4	4.8	1.4	0.2
Garbage & trash collection	3.8			0.2	0.357	0.01	0.00	2.5	1.5	0.9	2.5	1.1	1.2
Household ops.	5.7			-0.3	1.030	0.00	0.00	3.8	1.3	1.5	2.6	1.6	1.9
Domestic services	3.1			0.7	0.312	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawncare	10.8			-2.6	0.360	0.05	-0.01	4.3	2.7	2.4	2.8	2.6	3.1
Moving, storage, freight	-3.7			1.3	0.076	0.00	0.00	5.6	3.9	-2.4	3.3	3.9	-1.8
Repair of household items	5.0			1.7	0.172	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	3.6			0.5	6.832	0.24	0.03	2.9	1.0	0.7	3.0	0.8	0.7
Professional Services	4.5			0.5	3.404	0.16	0.02	1.5	0.9	3.2	1.8	0.8	3.3
Hospital & related services	5.8			0.6	2.595	0.13	0.02	3.8	1.1	1.8	4.5	1.3	0.9
Health insurance	-6.4			-0.1	0.833	-0.05	0.00	5.0	5.8	-2.0	3.6	6.0	-1.7
Transportation serv.	4.1			-0.6	6.400	0.26	-0.04	2.6	1.1	1.3	2.6	1.0	1.5
Leased cars & trucks	-2.0			0.0	0.384	-0.01	0.00	0.5	3.0	-0.8	-1.6	3.2	-0.1
Motor vehicle maintenance & repair	6.1			0.8	1.032	0.06	0.01	2.2	0.7	5.6	2.0	0.6	7.1
Motor vehicle insurance	-2.0			-1.7	2.684	-0.06	-0.05	5.5	2.6	-2.9	4.8	2.0	-3.3
Motor vehicle fees	3.4			0.2	0.512	0.02	0.00	1.8	0.7	2.3	2.2	1.9	0.6
Public transportation	16.7			0.3	1.640	0.24	0.00	-1.2	1.5	11.8	1.0	3.6	4.4
Recreation serv.	2.6			0.5	3.146	0.09	0.02	2.6	0.7	0.0	2.3	0.7	0.4
Video & audio services	2.5			-0.1	0.778	0.02	0.00	2.7	1.4	-0.2	2.6	1.3	-0.1
Pet services	5.1			0.5	0.541	0.03	0.00	3.1	0.8	2.6	3.3	0.9	2.0
Photo services	2.4			1.0	0.037	0.00	0.00	-0.2	2.0	1.3	0.8	1.8	0.9
Other recreation services	2.0			0.7	1.790	0.04	0.01	2.4	0.6	-0.6	1.7	1.1	0.2
Educ. & communication serv.	1.9			0.9	4.914	0.09	0.04	0.4	1.3	1.1	1.1	1.3	0.7
Tuition, school fees, child care	2.6			0.0	2.503	0.07	0.00	2.8	0.6	-0.3	3.3	0.8	-1.0
Postage & delivery	14.7			5.2	0.064	0.01	0.00	2.3	2.0	6.3	3.3	2.0	5.8
Telephone services	-1.0			2.0	1.432	-0.01	0.03	-2.4	3.0	0.5	-1.3	2.4	0.1
Internet services	3.7			1.2	0.904	0.03	0.01	-0.2	1.5	2.6	0.1	1.3	2.7
Other personal serv.	5.2			1.4	1.582	0.09	0.02	2.7	0.7	3.7	2.4	0.6	4.4
Personal care services	3.6			0.5	0.657	0.02	0.00	2.3	0.7	1.9	1.8	0.8	2.2
Miscellaneous personal services	6.5			2.1	0.925	0.06	0.02	2.9	0.9	3.9	2.7	0.7	5.2

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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