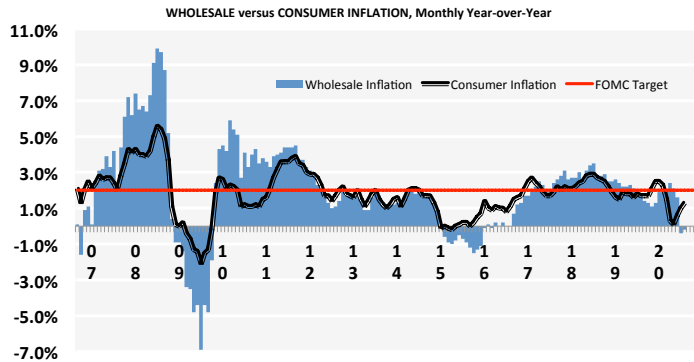


INFLATION ENVIRONMENT

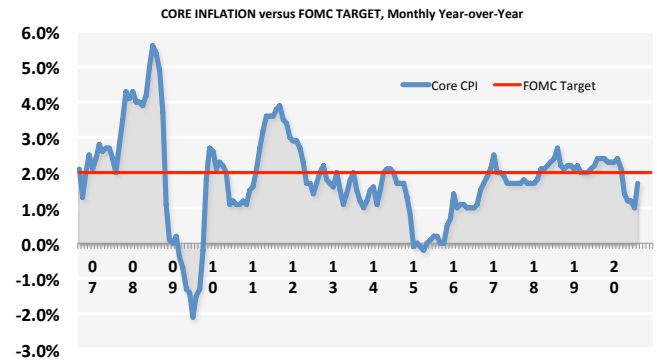
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INFLATION PROFILE



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CORE CONSUMER INFLATION



	Monthly Year-over-Year								Annual Rates				
	Feb	Mar	Apr	May	Jun	Jul	Aug		2015	2016	2017	2018	2019
Wholesale Inflation													
Overall Wholesale Inflation	1.1%	0.3%	-1.5%	-0.8%	-0.8%	-0.4%	-0.2%		0.4%	1.7%	2.6%	2.2%	2.2%
Core Wholesale Inflation	1.4%	1.0%	-0.1%	-0.4%	-0.1%	0.1%	0.3%		-1.0%	1.8%	2.3%	2.2%	2.2%
Consumer Inflation													
Overall Consumer Inflation	2.3%	1.5%	0.3%	0.1%	0.6%	1.0%	1.3%		0.7%	2.1%	2.1%	1.9%	1.9%
Food	1.8%	1.9%	3.5%	4.0%	4.5%	4.1%	4.1%		0.8%	-0.2%	1.6%	1.6%	1.6%
- Food at Home	0.8%	1.1%	4.1%	4.8%	5.6%	4.6%	4.6%		-0.4%	-2.0%	0.9%	0.6%	0.6%
- Food Away from Home	3.0%	3.0%	2.8%	2.9%	3.1%	3.4%	3.5%		2.6%	2.3%	2.5%	2.8%	2.8%
Energy	2.8%	-5.7%	-17.7%	-18.9%	-12.6%	-11.2%	-9.0%		-12.6%	5.4%	6.9%	-0.3%	-0.3%
- Gasoline	5.6%	-10.2%	-31.4%	-33.2%	-23.4%	-20.2%	-16.8%		-19.7%	9.1%	10.7%	-2.1%	-2.1%
Core Consumer Inflation	2.4%	2.1%	1.4%	1.2%	1.2%	1.6%	1.7%		2.1%	2.2%	1.8%	2.2%	2.2%
- New Vehicles	0.4%	-0.4%	-0.6%	-0.3%	-0.2%	0.5%	0.7%		0.2%	0.3%	-0.5%	-0.3%	-0.3%
- Used Vehicles	-1.3%	0.1%	-0.7%	-0.4%	-2.8%	-0.9%	5.0%		0.4%	-3.5%	-1.0%	1.4%	1.4%
- Apparel	-0.9%	-1.6%	-5.7%	-7.9%	-7.3%	-6.5%	-5.9%		-0.9%	-0.1%	-1.6%	-0.1%	-0.1%
- Medical care	1.8%	1.3%	0.7%	0.8%	1.3%	1.1%	0.8%		1.5%	4.7%	2.3%	-0.5%	-0.5%

(September 2020) ... U.S. consumer prices are increasing at a 1.3 percent annualized pace while core consumer inflation, which excludes commodity driven food and energy prices, increasing 1.7 percent. Overall inflation was impacted by a 4.1 percent increase in food costs, fueled by a 4.6 percent increase in food at home prices. Wholesale inflation declined -0.2 percent pace reflecting both the lagging effect and oftentimes inability, for producers to pass higher costs to the consumer to avoid adversely impacting the current pace of consumer demand.

A certain level of inflation is needed in a growing economy to increase the value of goods and services produced - contributing to the nation's GDP growth profile.

Strategically... During this rate cycle, the current pace of inflation, dominated by the pandemic, is also putting downward pressure on long-term treasury rates - benchmarks to real estate and long-term capital investment financing. In conjunction with the Federal Reserve's prevailing monetary policy, this could either help drag short-term rates or, depending on consumer spending behavior, flatten the yield curve. Competitive loan rates have been compromised by larger credit unions. As a result, market pricing spreads have widened both in terms of mortgage and consumer A-paper rates.

INFLATION REPORT AND CU STRATEGY

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