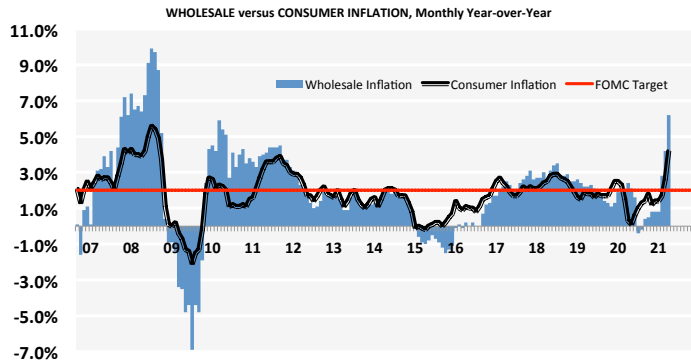


## INFLATION ENVIRONMENT

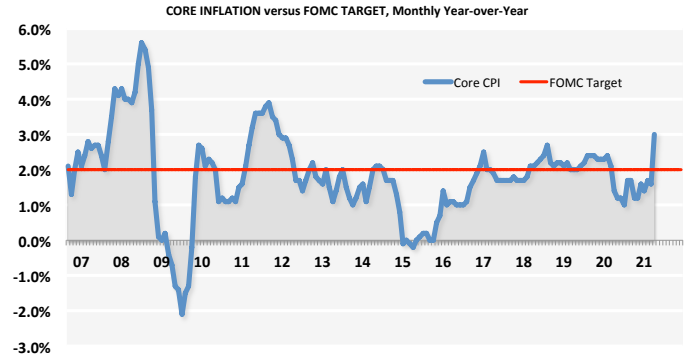
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### INFLATION PROFILE



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### CORE CONSUMER INFLATION



	Annual Rates					Monthly Year-over-Year						
	2015	2016	2017	2018	2019	Oct	Nov	Dec	Jan	Feb	Mar	Apr

#### Wholesale Inflation

Overall Wholesale Inflation	0.4%	1.7%	2.6%	2.2%	2.2%	0.5%	0.8%	0.8%	1.7%	2.8%	4.2%	6.2%
Core Wholesale Inflation	-1.0%	1.8%	2.3%	2.2%	2.2%	0.8%	0.9%	1.1%	2.0%	2.2%	3.1%	4.6%

#### Consumer Inflation

Overall Consumer Inflation	0.7%	2.1%	2.1%	1.9%	1.9%	1.2%	1.2%	1.4%	1.4%	1.7%	2.6%	4.2%
Food	0.8%	-0.2%	1.6%	1.6%	1.6%	3.9%	3.7%	3.9%	3.8%	3.6%	3.5%	2.4%
- Food at Home	-0.4%	-2.0%	0.9%	0.6%	0.6%	4.0%	3.6%	3.9%	3.7%	3.5%	3.3%	1.2%
- Food Away from Home	2.6%	2.3%	2.5%	2.8%	2.8%	3.9%	3.8%	3.9%	3.9%	3.7%	3.7%	3.8%
Energy	-12.6%	5.4%	6.9%	-0.3%	-0.3%	-9.2%	-9.4%	-7.0%	-3.6%	2.4%	13.2%	25.1%
- Gasoline	-19.7%	9.1%	10.7%	-2.1%	-2.1%	-18.0%	-19.3%	-15.2%	-8.6%	1.5%	22.5%	49.6%
Core Consumer Inflation	2.1%	2.2%	1.8%	2.2%	2.2%	1.6%	1.6%	1.6%	1.4%	1.3%	1.6%	3.0%
- New Vehicles	0.2%	0.3%	-0.5%	-0.3%	-0.3%	1.5%	1.6%	2.0%	1.4%	1.2%	1.5%	2.0%
- Used Vehicles	0.4%	-3.5%	-1.0%	1.4%	1.4%	11.5%	10.9%	10.0%	10.0%	9.3%	9.4%	21.0%
- Apparel	-0.9%	-0.1%	-1.6%	-0.1%	-0.1%	-5.5%	-5.2%	-3.9%	-2.5%	-3.6%	-2.5%	1.9%
- Medical care	1.5%	4.7%	2.3%	-0.5%	-0.5%	-0.8%	-1.1%	-2.5%	-2.3%	-2.5%	-2.4%	-1.7%

INFLATION REPORT AND CU STRATEGY

**(May 2021)** ... U.S. consumer prices are increasing at a 4.2 percent annualized pace while core consumer inflation, which excludes commodity driven food and energy prices, increasing 3.0 percent. Overall inflation was impacted by a 2.4 percent increase in food costs, fueled by a 3.8 percent increase in food away from home prices, but more greatly impacted by a 25.1 percent increase in energy prices, including a 49.6 percent increase in gasoline. Wholesale inflation increased 6.2 percent percent pace

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 upward pressure on long-term treasury rates - benchmarks to real estate and long-term capital investment financing.

The Federal Reserve will most likely monitor inflation - hoping that it is a short-term impact from trillions of dollars injected by the federal government. Competitive loan rates have been compromised by larger credit unions face historical high levels of loan P&I run-off each month.

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