



NEWS RELEASE

OAKWORTH CAPITAL BANK
INVESTMENT COMMITTEE



Date: May 23, 2022

Media Contact: Sara McPherson
sara.mcpherson@oakworth.com
(404) 245-9579

OAKWORTH CONSUMER PRICE INDEX (OCPI)

April 2022

Month	Index Value	1-Month	3-Month	YTD	12-Month
April	111.00	1.30%	5.03%	5.17%	N/A

The Oakworth Consumer Price Index (OCPI) increased 1.30% during April. Over the last 3 months, the index has increased at a non-annualized 5.03% rate, and is up 5.17% for the year to date through the end of April. This works out to be a 16.3% annualized equivalent.

Within the OCPI, the “Cost of Living” basket has increased at a more rapid rate than the “Cost of Living It Up.” This suggests price increases for essential, or inelastic, goods and services have had a greater impact on household budgets than non-essentials. Intuitively, this would hurt lower income earners more than higher income earners.

Both consumer baskets have shown great volatility this year, with little to no change in many items and strong double-digit price increases in others. As of the end of April, it is hard to determine a strong correlation or causation as to why certain products have gone up more significantly than others. This could suggest continued inefficiencies in the global supply and distribution networks are distorting prices in an uneven manner.

To support this contention, the price of “prime” tenderloin and ground chuck have risen sharply in price this month, whereas “choice” tenderloin hasn’t budged. Further, butter has soared, but sour cream and liquid milk have either been stable or gone down in price. Also, fresh Brussels sprouts have gone up close to 50% thus far this year, and asparagus is flat. Finally, canned tuna has posted a near double-digit increase in price, while farm-raised salmon and crab meat haven’t increased much, if any at all.

OCPI 1: LIVING IT UP (CoLU)

Month	Index Value	1-Month	3-Month	YTD	12-Month
April	209.15	0.43%	3.32%	4.04%	N/A

The OCPI – Cost of Living It Up (CoLU) basket was up 0.43% during April. Over the last 3 months, the index has increased at a non-annualized 3.32% rate, and is up 4.04% for the year to date through the end of April. This works out to be a 12.6% annualized equivalent.

Notably, as the table shows, the prices of many items in the CoLU haven't changed thus far in 2022, through April. Of particular interest is the price differential between "prime" and "choice" beef tenderloin, as well between the wine and the beer in the basket. In essence, some animal proteins and types of alcohol have gone up more rapidly than others. On the lower end of the CoLU, all fresh vegetables aren't created equal, as potatoes and Brussels sprouts have risen considerably and asparagus has not.

The reason for these price increases will ultimately always come back to supply and demand. However, at this time, it is hard to explain with certainty the bizarrely sharp differences in the table below. With that said, due to the construction of the basket, if the consumer has been willing to make a few changes to their grocery list, the cost of living it up has been within reason thus far in 2022. For instance, a meal of choice beef tenderloin, the 2018 pinot noir and asparagus would have cost you the same at the end of April as it did at the start of the year.

Item	April 2022 Price	1-Month %	3-Month %	YTD %	12-Month %
Prime Beef Tenderloin /lb	\$ 30.99	0.00%	10.72%	10.72%	N/A
Choice Beef Tenderloin /lb	\$ 26.99	0.00%	0.00%	0.00%	N/A
Ile de France Brie (13.2 oz)	\$ 14.49	0.00%	7.41%	7.41%	N/A
Salmon (Farm Raised) /lb	\$ 21.30	0.00%	0.00%	0.00%	N/A
Ciabatta Loaf	\$ 3.99	0.00%	0.00%	0.00%	N/A
Russet Potato /lb	\$ 1.29	-7.19%	30.30%	44.94%	N/A
Asparagus /lb	\$ 3.99	0.00%	0.00%	0.00%	N/A
Brussel Sprouts /lb	\$ 3.99	0.00%	0.00%	48.33%	N/A
Land O' Lakes Salted Butter Sticks 1lb	\$ 6.49	0.00%	28.01%	28.01%	N/A
Daisy Sour Cream 1lb	\$ 2.49	0.00%	0.00%	0.00%	N/A
Regular Lump Crab 8oz	\$ 16.99	0.00%	0.00%	0.00%	N/A
Ben & Jerry's Pint	\$ 5.19	0.00%	0.00%	0.00%	N/A
La Crema Sonoma Coast 2018 Pinot Noir	\$ 26.99	0.00%	0.00%	0.00%	N/A
La Crema Sonoma Coast 2018 Chardonnay	\$ 22.99	0.00%	0.00%	0.00%	N/A
Stella Artois 6 pack	\$ 9.99	11.12%	11.12%	11.12%	N/A

For methodology, please see below

OCPI 2: LIVING (CoL)

Month	Index Value	1-Month	3-Month	YTD	12-Month
April	92.26	1.95%	6.47%	6.02%	N/A

The OCPI – Cost of Living (CoL) basket was up 1.95% during April. Over the last 3 months, the index has increased at a non-annualized 6.47% rate, and is up 6.02% for the year to date through the end of April. This works out to be a 19.2% annualized equivalent.

Notably, as the table shows, most of items in the CoL have seen somewhat wild price changes through April. Of particular interest are the sharp price increases in basic necessities such as bar soap, mayonnaise, breakfast cereal and cleaning supplies. Arguably, these would be some of the more inelastic of the items in this “essentials” basket. As such, it suggests the recent inflation in the United States has hit the lower income brackets the hardest, since this group spends more on basic necessities than upper income earners.

The reason for these price increases will ultimately always come back to supply and demand. Given the inelasticity of many of the items in the table, it would suggest supply simply hasn't kept demand for some reason. The easiest explanation for this is a shortage of production workers in nondurable goods throughout 2021, which bled into 2022. Fortunately, U.S. manufacturers have been adding increased numbers to their payrolls over the last 3 months. This should help increase supply, which will help drive down prices moving forward.

Item	April 2022 Price	1-Month %	3-Month %	YTD %	12-Month %
Gain Laundry Detergent (Original 154 oz.)	\$ 15.94	0.00%	6.69%	6.69%	N/A
Sparkle Paper Towels (2 ply - 6 pack)	\$ 6.83	0.00%	6.06%	6.06%	N/A
Scott Toilet Paper (8 pack)	\$ 5.78	0.00%	5.47%	5.47%	N/A
Irish Spring Soap (8 pack)	\$ 13.79	25.71%	25.71%	25.71%	N/A
Suave Shampoo (Ocean Breeze 30 oz.)	\$ 1.94	0.00%	0.00%	0.00%	N/A
Milk (gallon - store brand - whole)	\$ 3.42	0.00%	5.56%	-10.47%	N/A
Nature's Own Honey Wheat Bread (20 oz.)	\$ 3.18	0.00%	1.92%	1.92%	N/A
Peter Pan Peanut Butter (28 oz. creamy)	\$ 3.42	0.00%	-0.58%	-0.58%	N/A
Hellman's Mayonnaise (30 oz.)	\$ 4.88	0.00%	17.87%	17.87%	N/A
Kraft Mac & Cheese (7.25 oz. original)	\$ 1.00	0.00%	2.04%	2.04%	N/A
StarKist Chuck Light Tuna (8 pack)	\$ 7.62	0.00%	9.17%	9.17%	N/A
Lucky Charms Cereal (29.1 oz.)	\$ 5.48	0.00%	0.00%	10.04%	N/A
Tropicana OJ (52 oz.)	\$ 3.68	0.00%	0.00%	0.00%	N/A
Lay's Original Potato Chip (party size - 13 oz.)	\$ 4.48	0.00%	0.00%	0.00%	N/A
Coca-Cola (12 oz. - 24 pack)	\$ 8.68	-10.33%	-10.33%	-10.33%	N/A
Ground Chuck 1lb.	\$ 5.14	0.00%	14.73%	7.53%	N/A

For methodology, please see below

TECHNICAL NOTE :

What it is:

The Oakworth Capital Price Index (OCPI) is a comparison between two separate baskets of groceries. One basket contains items one might use/consume when preparing a celebratory dinner at home. This is the cost of living it up basket. The other contains more common household necessities for which there might be more inelastic demand. This is the cost of living basket.

Why:

The government's official Consumer Price Index (CPI) contains a variety of different products of services, many of which might not be in every consumer's budget each month. For instance, most households don't purchase a major appliance, furniture, or a new car every month. Further, it uses variable costs for what are usually fixed expenses, such as cable television and ISP services. Essentially, while it is a useful tool, the CPI doesn't always tell the story consumers are actually experiencing.

However, everyone has to eat, do laundry, bathe, and clean. These are things which people have to do, the cost of living, with no exceptions. Conversely, there are items which we would like to purchase, in this instance at the grocery, which might not always fit into the monthly budget. This is the cost of living it up.

The purpose the OCPI is to try to determine which is hitting the US consumer's budget the hardest: the day to day necessities of life OR the simple luxuries.

Methodology:

Members of Oakworth Capital's Investment Committee will price two different baskets of groceries twice a month: as close to the middle and the end of the month as is possible. The table below lists the items in each basket, the amount measured, and the source of the pricing information. Each item is incorporated into the index as is, without any predetermined weightings.

The aggregate OCPI is a combination of the two baskets, each containing a 50% weighting within the larger index. Due to the nature of the products in each basket, the dollar amount in the Living it Up basket was roughly 228% that of the Cost of Living basket at inception. As a result, the 50/50 weighting reflects how the average consumer would spend more than double on essentials relative to "luxuries."

The inception date for the index was 9/15/2021 with a value of 100.00.

The Cost of Living it Up Basket <i>Publix Greenwise Market</i> 35223 zip code	The Cost of Living Basket <i>Walmart.com website</i> 35209 zip code
<ul style="list-style-type: none"> • Prime Beef Tenderloin /lb • Choice Beef Tenderloin /lb • Ile de France Brie (13.2 oz) • Salmon (Farm Raised) /lb • Ciabatta loaf • Russet Potato /lb • Asparagus /lb • Brussel Sprouts /lb • Land O' Lakes Salted Butter Sticks 1lb • Daisy Sour Cream 1lb • Regular Lump Crab 8oz • Ben & Jerry's Pint • La Crema Sonoma Coast 2018 Pinot Noir 750 ml • La Crema Sonoma Coast 2018 Chardonnay 750 ml • Stella Artois 6 pack • O'Henry's Coffee - O'Henry's Blend 12oz 	<ul style="list-style-type: none"> • Gain Laundry Detergent (Original 154 oz.) • Sparkle Paper Towels (2 ply - 6 pack) • Scott Toilet Paper (8 pack) • Irish Spring Soap (8 pack) • Suave Shampoo (Ocean Breeze 30 oz.) • Milk (gallon - store brand - whole) • Nature's Own Honey Wheat Bread (20 oz.) • Peter Pan Peanut Butter (28 oz. creamy) • Hellman's Mayonnaise (30 oz.) • Kraft Mac & Cheese (7.25 oz. original) • StarKist Chuck Light Tuna (8 pack) • Lucky Charms Cereal (29.1 oz.) • Tropicana OJ (52 oz.) • Lay's Original Potato Chip (party size - 13 oz.) • Coca-Cola (12 oz. - 24 pack) • Ground Chuck 1lb.

CONTACTS

John Norris	Chief Economist	john.norris@oakworth.com	(205) 263-4716
Sam Clement	Portfolio Manager	sam.clement@oakworth.com	(205) 278-2756
Sara McPherson	Thought Leadership Coordinator	sara.mcpherson@oakworth.com	(404) 245-9579
Sonia Blumstein	Director of Marketing	sonia.blumstein@oakworth.com	(205) 271-2017

ABOUT OAKWORTH CAPITAL BANK

Oakworth Capital Bank provides commercial and private banking, wealth management and advisory services to businesses, families and individuals. Oakworth serves its valued clients across the United States from its offices in Central Alabama, South Alabama and Middle Tennessee. For more information about Oakworth and its unique approach, please visit www.oakworth.com.

DISCLAIMER

Oakworth constructs and presents the OCPI in good faith from sources it deems to be accurate. It is intended to be for informational and entertainment use only. There is no guarantee the prices it reports will be the same as other consumers will experience at times other than when Oakworth collected them or in other stores. Prices can and will fluctuate based on local market and economic conditions.

Please note, nothing in this release should be considered or otherwise construed as an offer to buy or sell investment services or securities of any type. Any individual action you might take from reading this newsletter is at your own risk. Finally, the opinions expressed herein are not necessarily those of the rest of the associates and/or shareholders of Oakworth Capital Bank or the official position of the company itself, but are solely a description of the findings of our analysis.