



NEWS RELEASE

OAKWORTH CAPITAL BANK INVESTMENT COMMITTEE

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OAKWORTH CONSUMER PRICE INDEX (OCPI)

May 2022

Month	Index Value	1-Month	3-Month	YTD	12-Month
May	109.76	-1.07%	1.03%	4.00%	N/A

The Oakworth Consumer Price Index (OCPI) decreased 1.07% in May. Over the past three months, the index has increased at a non-annualized 1.03% rate and is up 4.00% for the year to date through the end of May. This works out to a 9.87% annualized equivalent.

Prior to May's reading, the Cost of Living (CoL) sub-index had increased faster than the Cost of Living it Up (CoLU) sub-index. 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. However, "sales specials" for Gain detergent and Coca-Cola substantially skewed the CoL lower during the month. This should reverse in June, and the CoL will again rise faster than the CoLU.

The OCPI tracks absolute prices as of a specific date and does not make adjustments for specials. We feel this is a truer reflection of what an individual consumer might experience at a given time.

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 May, 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 has risen sharply thus far YTD. Conversely, the price of "choice" tenderloin has actually fallen. Further, butter has soared, but sour cream and liquid milk have either been stable or gone down in price. Finally, fresh Brussels sprouts have gone up close to 50% thus far this year, and asparagus is flat.

OCPI 1: LIVING IT UP (CoLU)

Month	Index Value	1-Month	3-Month	YTD	12-Month
May	209.28	0.06%	2.72%	4.10%	N/A

The OCPI – Cost of Living It Up (CoLU) basket was up 0.06% during May. Over the past three months, the index has increased at a non-annualized 2.72% rate and is up 4.10% for the year to date through the end of May. This works out to a 10.12% annualized equivalent.

Notably, as the table shows, the prices of some items in the CoLU haven't changed thus far in 2022, through May. Interesting, despite the sharp spike in wheat futures in 2022, the price of the ciabatta loaf hasn't changed. Also, 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. Regardless, 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 LESS at the end of May than it did at the start of the year.

Item	May 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	\$24.99	-7.41%	-7.41%	-7.41%	N/A
Ile de France Brie (13.2 oz)	\$14.49	0.00%	0.00%	7.41%	N/A
Salmon (Farm Raised) /lb	\$24.35	14.32%	14.32%	14.32%	N/A
Ciabatta Loaf	\$3.99	0.00%	0.00%	0.00%	N/A
Russet Potato /lb	\$1.49	15.50%	15.50%	67.42%	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	\$2.67	7.23%	7.23%	7.23%	N/A
Regular Lump Crab 8oz	\$16.99	0.00%	0.00%	0.00%	N/A
Ben & Jerry's Pint	\$5.69	9.63%	9.63%	9.63%	N/A
La Crema Sonoma Coast 2018 Pinot Noir	\$25.19	-6.67%	-6.67%	-6.67%	N/A
La Crema Sonoma Coast 2018 Chardonnay	\$22.99	0.00%	0.00%	0.00%	N/A
Stella Artois 6 pack	\$9.99	0.00%	11.12%	11.12%	N/A
O'Henry's Coffee – O'Henry's Blend (12 oz.)	\$10.99	0.00%	0.00%	0.00%	N/A

OCPI 2: LIVING (CoL)

Month	Index Value	1-Month	3-Month	YTD	12-Month
May	92.87	-2.51%	-1.09%	3.36%	N/A

The OCPI – Cost of Living (CoL) basket was down 2.51% during May. Over the past three months, the index has decreased at a non-annualized 1.09% rate and is up 3.36% for the year to date through the end of May. This works out to a 8.25% annualized equivalent.

Sales specials for Gain detergent and Coca-Cola skewed the CoL substantially lower during the month. With the exception of those two items, the sub-index would have showed little to no change for the month. Fortunate shoppers were able to take advantage of the specials on these higher priced items, as they have already gone back up in price to their previous levels. This will skew the CoL higher during June.

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 up with demand for some reason. The easiest explanation is a shortage of production workers in nondurable goods throughout 2021, which bled into 2022. Fortunately, U.S. manufacturers have increased numbers on their payrolls over the past three months. This should help increase supply, which will help drive down prices moving forward.

Perhaps the increased presence of specials and offers noticed in May will continue. This could suggest recent supply issues have abated somewhat, and retailers are trying to determine what the current clearing price could or should be.

Item	May 2022 Price	1-Month %	3-Month %	YTD %	12-Month %
Gain Laundry Detergent (Original 154 oz.)	\$11.99	-24.78%	-24.78%	-19.75%	N/A
Sparkle Paper Towels (2 ply - 6 pack)	\$6.83	0.00%	-14.30%	6.06%	N/A
Scott Toilet Paper (8 pack)	\$5.78	0.00%	0.00%	5.47%	N/A
Irish Spring Soap (8 pack)	\$13.74	-0.36%	25.25%	25.25%	N/A
Suave Shampoo (Ocean Breeze 30 oz.)	\$1.94	0.00%	0.00%	0.00%	N/A
Milk (gallon - store brand - whole)	\$3.65	6.73%	8.96%	-4.45%	N/A
Nature's Own Honey Wheat Bread (20 oz.)	\$3.18	0.00%	0.00%	1.92%	N/A
Peter Pan Peanut Butter (28 oz. creamy)	\$3.72	8.77%	8.14%	8.14%	N/A
Hellman's Mayonnaise (30 oz.)	\$4.88	0.00%	0.00%	17.87%	N/A
Kraft Mac & Cheese (7.25 oz. original)	\$1.00	0.00%	0.00%	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.)	\$4.78	0.00%	0.00%	0.00%	N/A
Coca-Cola (12 oz. - 24 pack)	\$9.68	-10.33%	-10.33%	-10.33%	N/A
Ground Chuck 1lb.	\$4.92	0.00%	14.73%	7.53%	N/A

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 and 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 people have to do, the cost of living, with no exceptions. Conversely, there are items we would like to purchase, in this instance at the grocery, that might not always fit into the monthly budget. This is the cost of living it up.

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

Methodology:

Members of Oakworth Capital's Investment Committee price two different baskets of groceries twice a month, as close to the middle and the end of the month as 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.

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