Consumer prices surge 5% annually, most since August 2008

U.S. consumer prices increased in May at the fastest annual rate in nearly 13 years as the economic comeback from COVID-19 lockdowns continues to build momentum.

The Labor Department said Thursday that the consumer price index in May rose 5% year over year, hotter than the 4.7% increase that was anticipated. The reading was above last month's 4.2% print.

Prices jumped 0.6% month over month, quicker than the 0.4% increase that was expected by analysts surveyed by Refinitiv.

The annual data has a "base effects" skew due to the decline in prices that occurred at the start of the pandemic.

USED CAR PRICES HIT RECORD HIGH ON MANHEIM WHOLESALE INDEX

Used car and truck prices surged 7.3%, accounting for about one-third of the index's gain. Food prices, meanwhile, rose 0.4% matching April's increase. Energy prices were unchanged from April as a decline in gasoline prices was offset by an increase in natural gas and electricity costs.

Core CPI, which excludes food and energy, in May rose 3.8% annually, the most since June 1992. Core prices increased 0.7% month over month, outpacing the 0.4% increase that was expected. The index rose 0.9% in April.

Upward pressure on prices has appeared in wide swaths of the economy as businesses struggle to find materials due to supply chain bottlenecks that occurred as a result of the pandemic. Some businesses are also struggling to fill jobs because supplemental unemployment benefits have encouraged workers to stay home.

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The hot inflation reading comes with the Federal Reserve next week set to hold its

June policy meeting. Investors will be paying close attention to the central bank's comments on when it may start tapering its asset purchase program and begin raising rates.

Federal Reserve Chairman Jerome Powell has said he expects upward pressure on prices to be temporary.

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