



July 13, 2023

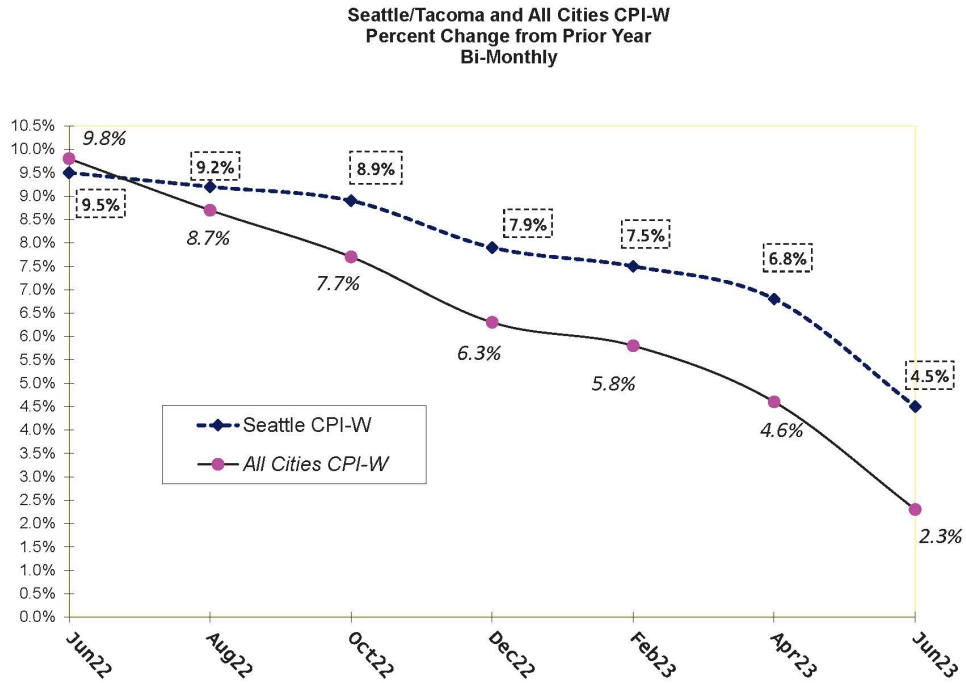
In this Week's NewsFlash - Today's CPI Report and June impact of CPI numbers

Yesterday's CPI Report: Significant Drop in CPI although Seattle Numbers Still Far Outpace the National Numbers

The Bureau of Labor Statistics yesterday morning released the June CPI Numbers. We had been expecting a drop in the inflation numbers and they came in at or a bit below what we had expected. We had anticipated a number between 5 to 5.5 for the All-Cities numbers.

The Seattle numbers also dropped, as expected. But those numbers remain high, and significantly above the All-Cities numbers. This graph shows the relative numbers over the past

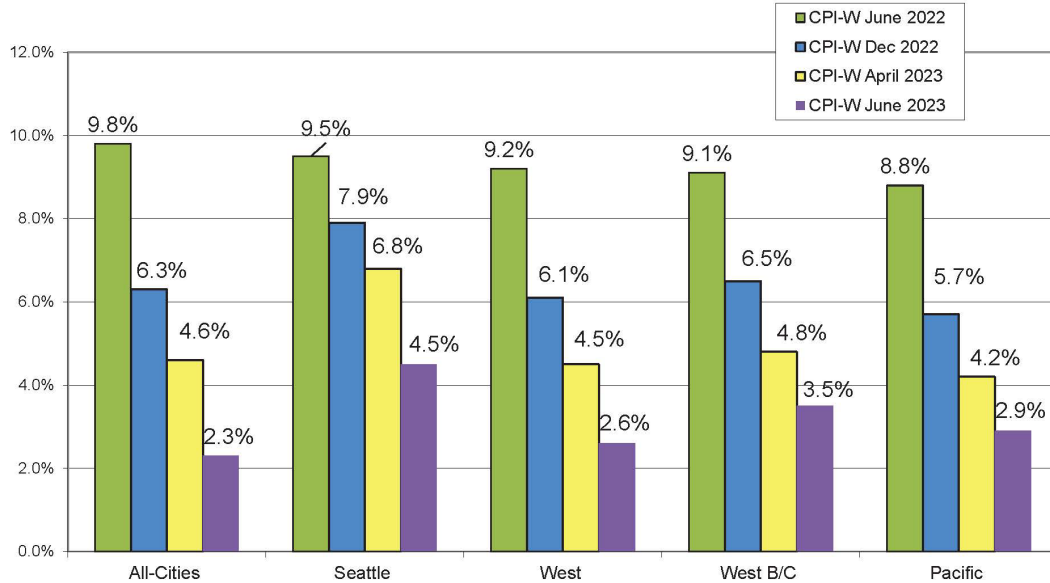
12 months and to date for the “W” index:



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The CPI-W numbers for February, as you can see, were 7.5 and 5.8% so these new bimonthly numbers represent a considerable drop over the past 4 months. Declining numbers are also seen for the other BLS numbers of inflation indices of note:

Recent Comparisons
CPI-W Statistics for June 2022, December 2022, April 2023 and June 2023



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The June report is particularly significant in contract negotiations, especially as to interest arbitration eligible groups that by statute have a July 1 start date. To the extent Washington public safety labor contracts reference a particular CPI formula, it is by far most frequently the June number.

Impact of June CPI Numbers on Contract Negotiations

We will have some further newsletter articles over the next couple of weeks reporting on how these CPI numbers impact statewide settlement trends and upcoming contract negotiations. As indicated above, a wide number of contracts in place for 2024 already use a CPI formula. Over the next few days, we'll be plugging these CPI numbers into our database to run an updated report to show what these formula-based contracts will receive for 2024. Because contracts often use a "floor and ceiling" or percentage-based limits on the CPI number, the final 2024

number needs to be calculated.

We are anticipating producing a statewide settlement report on public safety contracts following these calculations. We will be running a series of newsletter articles discussing the 2023 and 2024 trends (so far) along with a discussion of how we anticipate these CPI developments to impact contract settlements.

In general, a reduction in inflation trends would correlate with a reduction in contract settlement trends. While we expect that correlation to materialize here, there are also a number of other variables that we expect to come into play. Among the positive aspects of reduced inflation (besides the ability of your members to keep up with the cost of living) is that the Fed is expected to temper future interest rate increases which, in turn, would suggest a decreased likelihood of any recession in favor of the sought economic "soft landing."

Premium Website Access

Just another reminder – you need individual log-in credentials to access the Premium Website and the materials we're posting, such as Webcasts and statewide wage surveys for you and your board. Contact calcombrack@clinelawfirm.com to get access. With all the recent fast-paced developments, you'll want access to all available resources.

"We're here to help"

Thank you and take care!





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