

U.S. Data Review

- CPI: lower energy prices; a hint of pressure on core prices

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Consumer Price Index

The CPI rose 0.2 percent in July, matching expectations, but the measure was not far from rounding down to 0.1 percent (0.171 percent; chart, left). The energy component helped to contain the headline index with a drop of 0.5 percent, led by lower prices of gasoline and reduced charges for electricity and natural gas services. Food prices remained contained, with the increase of 0.142 percent about matching the average in the prior 12 months.

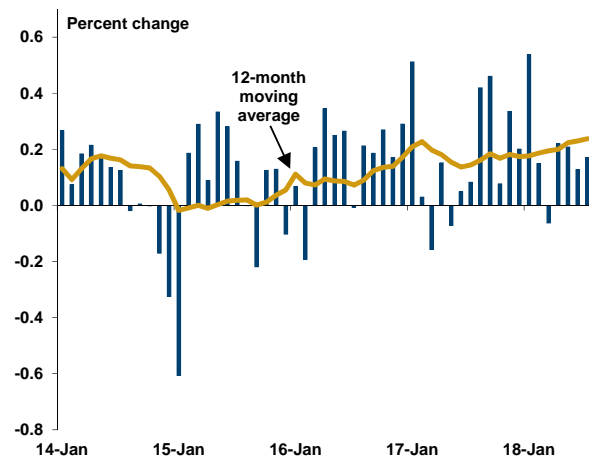
The core component rose 0.2 percent, matching expectations and the recent average, although the latest results were a bit on the firm side if calculated with more precision. The increase in July rounded down to 0.2 percent (0.243 percent), which marked the first increase above 0.2 percent since January (chart, right). The core CPI showed upward pressure around the turn of the year (average of 0.294 percent in December and January) before settling during the next five months (average of 0.158 percent from February to June).

Airfares contributed to the pickup in the core CPI with jump of 2.7 percent. The increase merely offset declines in the prior two months and did little damage to a downward trend that has been in place for the past four years. Prices of cars and trucks also rose (0.7 percent), especially the prices of used vehicles (1.3 percent), which seem to have shifted to an upward phase of their cycle. Communication fees rose 0.2 percent, an apparently benign increase but it marked the third consecutive advance and represented a shift from the slight net decline in the prior 12 months. Fees charged by internet service providers have been the source of the recent pressure.

Some areas were restrained in July. Apparel prices fell 0.3 percent, marking the second consecutive decline and moving prices from the upper portion to the middle of the recent range (wide swings in the apparel category are common). The cost of medical care also eased with a decline of 0.2 percent. This area has posted occasional declines in the past several years (seven since 2013), and the drop in July matched the largest of the recent retreats. Price declines in the health-care area had been rare before 2013; one has to go back to 1975 to observe a monthly drop.

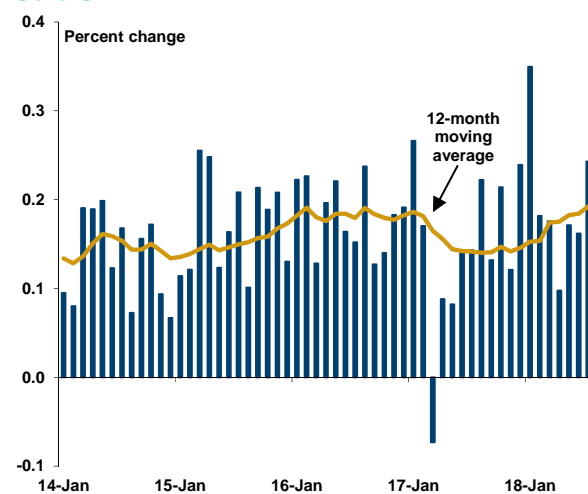
The latest changes left the year-over-year increase in the headline index at 3.0 percent (2.950 percent), up from 2.1 percent around the turn of the year. The core component has increased 2.4 percent in the past 12 months (2.354 percent), up from recent lows of 1.7 percent last summer and fall.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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