

# U.S. Data Review

- CPI: firmer than expected, but not troublesome
- Core CPI: above-average increase after four slow months; partly transitory

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## Consumer Prices

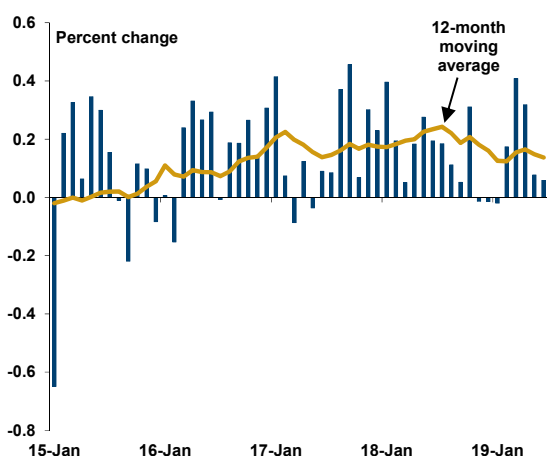
The increase of 0.1 percent in the headline CPI exceeded the consensus estimate of no change, but the measure almost rounded down to a flat reading (0.059 percent; chart, left). Both the energy and core components contributed to the high-side surprise: energy prices fell by less than expected (off 2.3 percent versus our expectation of -3.0 percent) and the increase of 0.3 percent core component exceeded the expected increase of 0.2 percent (and rounding was not much of an issue: 0.294 percent; chart, right). The food component, in contrast, was tame with a reported reading of no change (0.041 percent).

The increase in the core component was less than alarming given increases of only 0.1 percent in the prior four months. The cumulative change in the first half of the year totaled 2.1 percent (annual rate), the same as the change in the past 12 months. In addition, some of the pressure in June could be viewed as random volatility. Apparel prices, for example, jumped 1.1 percent in June, which represented only a partial offset to declines in the prior three months. Such movements are common in the apparel category. Similarly, prices of used cars and trucks rose 1.6 percent after declines in five of the prior six months. This area tends to follow its own cycle related to the number of vehicles coming off lease; its correlation with the macroeconomic environment is loose.

Some of the pressure points cannot be easily explained away. Rental rates for primary residences jumped 0.4 percent for the third time in the past four months, firmer than the typical change of 0.3 percent. Medical care services might be stirring, as costs rose 0.4 percent in June after a jump of 0.5 percent in May, up from an average of 0.2 percent in the 12 months before these jumps. Other areas provided offsets to these pressure points. Airfares tumbled 0.9 percent (although this drop was within the normal range of variation). The costs of recreation fell 0.2 percent, and the miscellaneous category eased 0.1 percent.

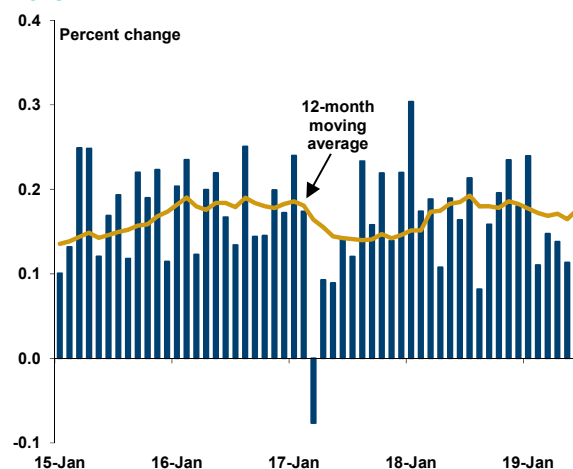
All told, a firm reading on the CPI for June, but not an alarming report.

### Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

### Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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