

U.S. Data Review

- CPI: volatile items fuel high-side reading

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

Consumer Prices

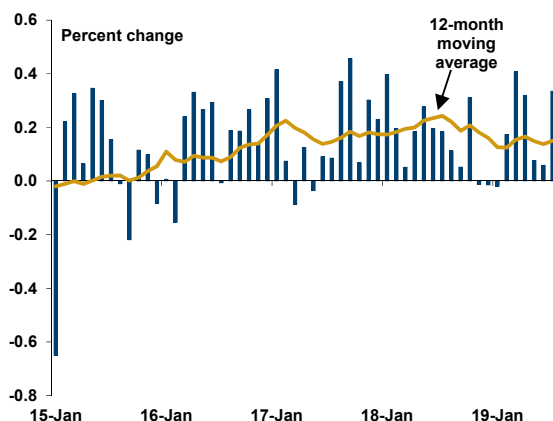
The headline CPI rose 0.3 percent in July, firmer than the average increase of 0.1 percent in the prior 12 months but in line with the consensus estimate. Energy prices contributed importantly to the pickup in the headline index, as they rose 1.3 percent in July after declining 0.3 percent on average in the prior 12 months. Core prices also contributed with an increase of 0.3 percent, firmer than the expected increase of 0.2 percent and the second consecutive change of 0.3 percent. Both the June and July readings rounded up to the published change, but the amount of rounding was modest (0.291 percent in July and 0.294 percent in June). Food prices rose less than 0.1 percent for the second consecutive month, a break from the average of 0.2 percent in the first five months of the year.

Back-to-back increases of 0.3 percent in the core index were not deeply troubling, as the increases followed changes of 0.1 percent in the prior four months. In addition, much of the upward pressure came in volatile areas that had drifted to low levels. Airfares, for example jumped 2.3 percent, but they were flat on balance in the prior six months and the level of the index remained within the recent range of observations (albeit the upper end of the range). Similarly, prices of apparel rose 0.4 percent after an increase of 1.1 percent in June, but this index had moved to a multi-year low in May and the latest level was comfortably within range. Hotel fees jumped 1.0 percent, but this increase followed a combined decline of about the same amount in the prior two months. Used vehicle prices rose 0.9 percent, but this area often follows a cycle tied to the number of cars coming off lease rather than the macroeconomic environment. Prices of computers and smart-home assistant devices provided a surprise with increase of 2.8 percent. This area usually declines in price, but increases occur occasionally. Still, the latest jump was the largest since this category was broken out in 2005.

Some areas were calm in July. Rent of primary residences and owners' equivalent rent both rose less than the norm of 0.3 percent (primary rounded up to 0.3 while OER rounded down to 0.2 percent). College tuition and fees fell for the second consecutive month. Prices of new motor vehicles fell 0.2 percent after modest increases in the prior three months.

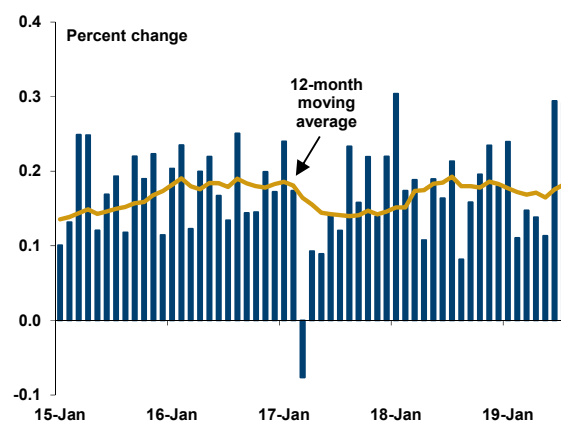
The latest changes left the year-over-year increase in the headline index at 1.8 percent, up from 1.6 percent in June, but within the recent range. The year-over-year change in the core index totaled 2.2 percent, up from 2.1 percent in June and matching the firmest reading of the year but still below the 2.4 percent registered last July.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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