

U.S. Data Review

- CPI: some easing, some signs of pressure

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Consumer Prices

The headline consumer price index matched the consensus estimate of 0.5 percent, although it was on the light side of expectations if rounded to more than one decimal point (0.474 percent; chart left). The core component rose 0.3 percent, lighter than the expected increase of 0.4 percent, although it was not far from rounding up to 0.4 percent (0.329 percent; chart, right). The changes represented a noticeable slowing from the average paces in the prior three months (0.773 percent headline and 0.844 percent core). The year-over-year change in the headline index totaled 5.4 percent, the same as in June, while the core index was up 4.3 percent versus 4.5 percent in June.

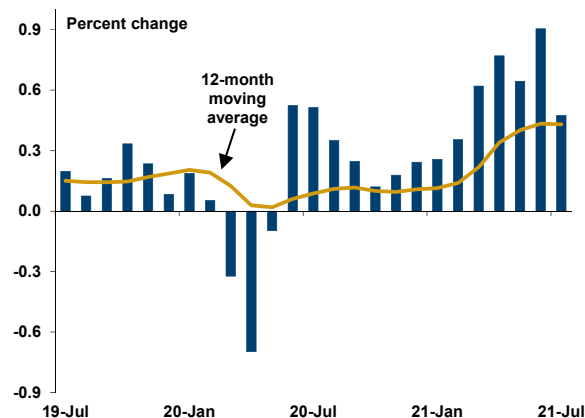
The easing in inflation during July to a large degree reflected smaller increases or declines in items that had surged with the recovery in the economy. Vehicle rental rates, for example fell 4.6 percent, a mere dent in the cumulative increase of 64 percent in the prior five months, but helpful nonetheless. Airfares and prices of sporting goods both eased 0.1 percent after average increases of 6.6 percent and 0.9 percent, respectively, in the prior three months. Apparel prices were flat after an average increase of 0.7 percent in the prior three months. Prices of used vehicles rose 0.2 percent, a sharp break from an average increase of 9.3 percent in the prior three months.

Some items continued to advance sharply. Hotel fees rose 6.8 percent in June, faster than the average of 5.7 percent in the prior three months. The cost of a hotel stay is now 8.8 percent above the pre-pandemic level in February 2020. Recreation costs rose 0.6 percent in June, a touch faster than the average of 0.4 percent in the prior three months. This component was influenced by higher prices for admissions to entertainment events (1.4 percent versus a three-month average of 1.2 percent). The cost of preschool and day care also saw slightly more pressure (0.5 percent versus a three-month average of 0.4 percent).

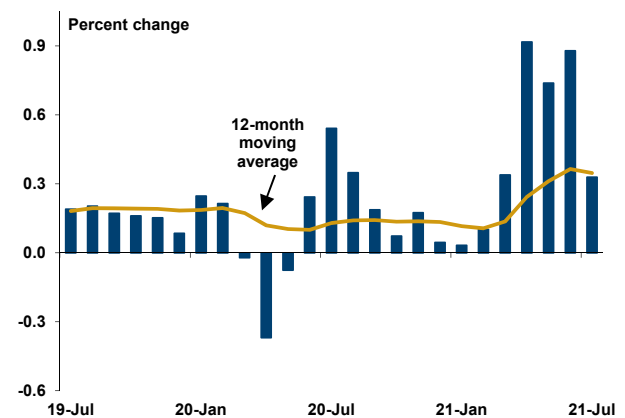
Food prices are stirring. After increases of 0.4 percent in April and May, this component rose 0.8 percent in June and 0.7 percent in July. Notable pressure on food prices also has been evident in the producer price index (up an average of 1.5 percent in the past six months; July released tomorrow).

All told, while transitory influences showed signs of easing in July, there is still good reason to remain on inflation alert.

Headline CPI



Core CPI



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