

U.S. Data Review

- CPI: travel-related expenses ease; most other areas remain under pressure

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Consumer Prices

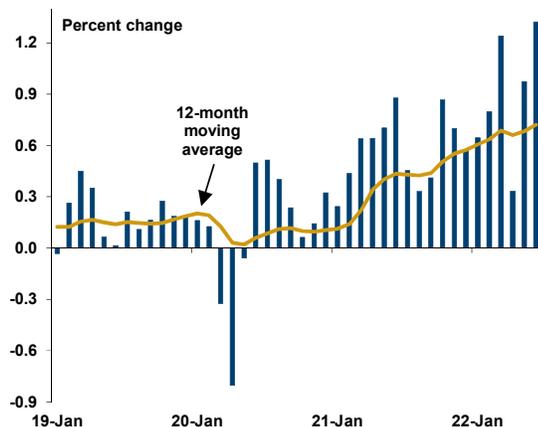
The consumer price index jumped 1.3 percent in June, exceeding the expected increase of 1.1 percent and leaving the year-over-year change at 9.1 percent versus 8.6 percent in May. The food and energy categories accounted for much of the increase in the headline index with jumps of 1.0 percent and 7.5 percent, respectively. Excluding food and energy, prices rose 0.7 percent, exceeding the expected increase of 0.5 percent and leaving a year-over-year advance of 5.9 percent, down one tick from the reading in May.

Rental rates stood out in the core component, as rent of primary residence jumped 0.8 percent, the sharpest increase since rapid advances first became apparent last fall. Owners' equivalent rent rose 0.7 percent, also the sharpest change in the current cycle. Some areas that showed hints of easing in recent months resumed upward marches in June. Tickets to sporting events, for example, rose 2.9 percent after declining in the prior three months, and prices of used motor vehicles rose for the second consecutive month after declining in the prior three. Prices of new vehicles seemed to be stabilizing late last year and in the early months of this year, but they have resumed their climb in the past three months. The cost of medical care was generally quiet during the worst of the pandemic, but expenses have been climbing since late last year.

Interestingly, travel-related expenses eased during June, as fares fell 1.8 percent and charges for renting a motor vehicle fell 2.2 percent. The cost of a hotel stay fell 3.3 percent. These areas, however, had room to decline, as they had climbed to sky-high levels in prior months. The absolute costs of these services in June remained well above pre-pandemic levels.

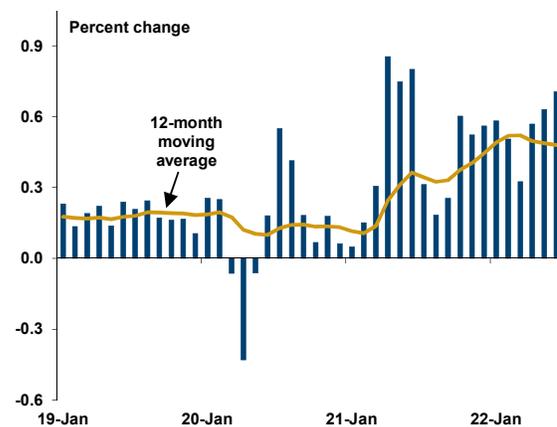
The CPI for June leaves little doubt about the outcome of the July 27 meeting of the Federal Open Market Committee. Fed Officials will most likely adopt another 75 basis point increase in the federal funds rate.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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