

# U.S. Data Review

- CPI: finally, a soft reading  
Lower energy prices, and help from some core items.

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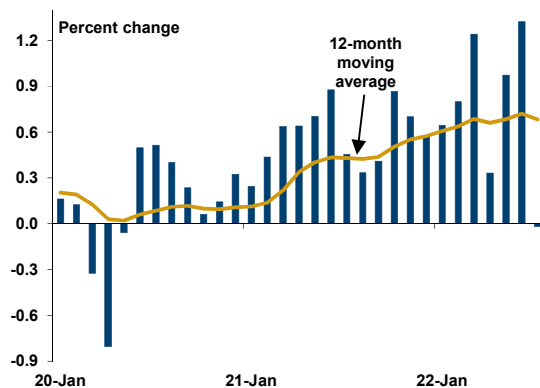
## Consumer Prices

The consumer price index was unchanged in July (down slightly if calculated with high precision, -0.019 percent), better than the consensus estimate of 0.2 percent. Analysts expected the energy component to restrain the headline index, and it did not disappoint with a drop of 4.6 percent. The surprise in the latest report occurred in the core component, which rose 0.3 percent versus an expectation of 0.5 percent. The July changes left a year-over-year increase of 8.5 percent in the headline index, down from 9.1 percent in June. The core component rose 5.9 percent in the past 12 months, the same as in June and down from the recent high of 6.5 percent in March

Several items outside of food and energy contributed to the restraint, as numerous goods or services that had surged in price in prior months reversed course in July. Airfares stood out in this regard with a decline of 7.8 percent, and the change in the cost of a hotel stay was notable as well (off 3.2 percent). Both items fell for the second consecutive month, and both might have further downside potential as charges remain high relative to pre-pandemic standards. Another travel-related service (car rental) tumbled 9.5 percent and moved to the low end of its recent range, which was still high and thus could move lower in coming months. Prices of apparel and household appliances also fell.

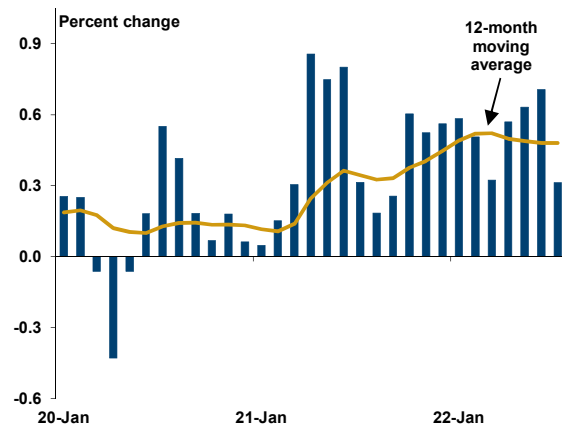
While the report surprised in the direction of restraint, it was not strong enough to signal “all-clear” on the inflation front, as some pressure points were still evident in July. Rents have surged in recent months, and they jumped again in July, with rent of primary residence increasing 0.7 percent and owners’ equivalent rent increasing 0.6 percent. Prices of new motor vehicles continued to climb (0.6 percent), and costs of recreation and medical care rose at uncomfortable paces (0.3 percent and 0.4 percent, respectively). Food prices remained a problem, jumping 1.1 percent. July marked the seventh consecutive month that food prices rose 0.9 percent or more.

### CPI: All Items



Source: Bureau of Labor Statistics via Haver Analytics

### CPI: Excluding Food and Energy



Source: Bureau of Labor Statistics via Haver Analytics

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