

# U.S. Data Review

- Consumer prices: deceleration in both headline and core

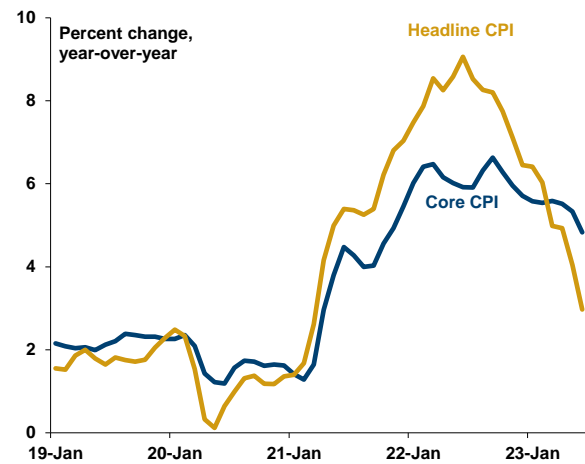
**Lawrence Werther**

Daiwa Capital Markets America  
 212-612-6393  
 lawrence.werther@us.daiwacm.com

## June CPI

- Both the headline and core CPI rose 0.2 percent in June (0.180 percent and 0.158 percent, respectively, with less rounding), slower than the consensus view of increases of 0.3 percent. The year-over-year increase in the headline index eased to 3.0 percent from 4.0 percent in May. The advance was well below the recent high of 9.1 percent last June and the slowest since the increase of 2.6 percent in March 2021 (chart, right). The year-over-year change in the core decelerated to 4.8 percent from 5.3 percent, down from a recent high of 6.5 percent last March (chart, right).
- The energy component rose 0.6 percent in June (-16.7 percent year-over-year). The prices of energy commodities rose 0.8 percent, supported by an increase of 1.0 percent in the gasoline component. The energy services component rose 0.4 percent after sharp declines in the prior four months (average drop of 1.8 percent in the February-to-May period).
- The food component rose 0.1 percent (5.7 percent year-over-year). The trend in food prices has decelerated notably after surging in the second half of 2021 and much of 2022 (average monthly increase of 0.2 percent in 2023 thus far versus 0.8 percent in 2022). In the latest month, the costs of food at home declined marginally (-0.05 percent), while costs of restaurant meals rose 0.4 percent.
- The increase of 0.158 percent in the core index contrasted to the average of 0.419 percent in the prior six months (chart, next page, left).
- In the core component, costs of goods excluding food and energy declined 0.1 percent. The latest reading cooled from high-side readings averaging 0.6 percent in the prior two months and was more so in line with the soft underlying trend in the 12 months ended March (average increase of 0.1 percent). Prices of core services rose 0.3 percent in June versus an average of 0.6 percent in the previous 12 months. In the service area, rents rose 0.5 percent while owners' equivalent rent rose 0.4 percent, both slowing modestly from the average of 0.6 percent in the prior six months. Additional deceleration in growth of shelter costs is expected in coming months as the stock of leases continues to turn over.
- Core service prices excluding housing services, a measure monitored closely by Fed officials, was unchanged in June (down slightly with less rounding -0.005 percent; chart, next page, right). The latest change translated to a year-over-year increase of 4.0 percent, down from 4.6 percent in May and a recent high of 6.5 percent in September of last year.

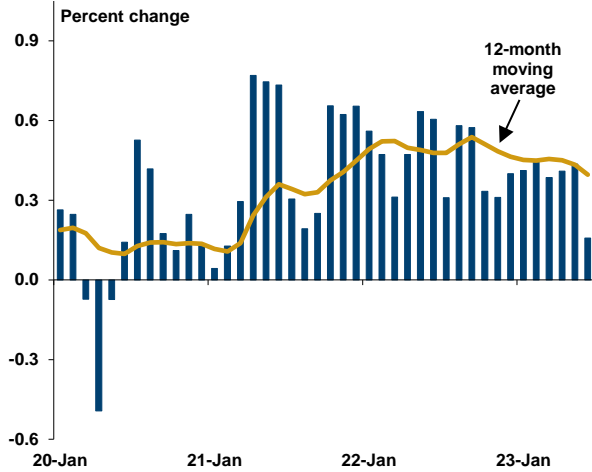
### CPI: Headline vs. Core



Source: Bureau of Labor Statistics via Haver Analytics

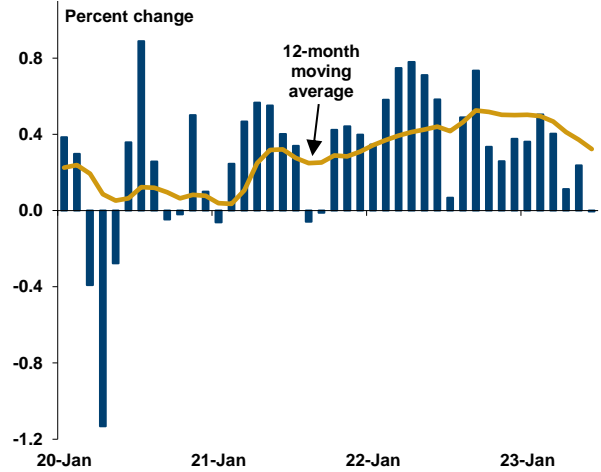
- While the CPI report for June, in our view, showed improvement in underlying inflation, we still expect the FOMC to hike the federal funds rate by 25 basis points at its upcoming meeting (July 25-26). Additional slowing in inflation could change the calculus at upcoming meetings beyond July, although comments by Fed officials show continued unease with the current trajectory of inflation relative to the two-percent target.

**Core CPI**



Source: Bureau of Labor Statistics via Haver Analytics

**CPI: Core Services Ex. Housing\***



\* Service prices excluding energy services and housing services.

Sources: Bureau of Labor Statistics via Haver Analytics; Daiwa Capital Markets America