

# U.S. Data Review

- Consumer prices: moderate increases in both headline and core
- Moderating inflation data raise prospect of FOMC “skip” in September

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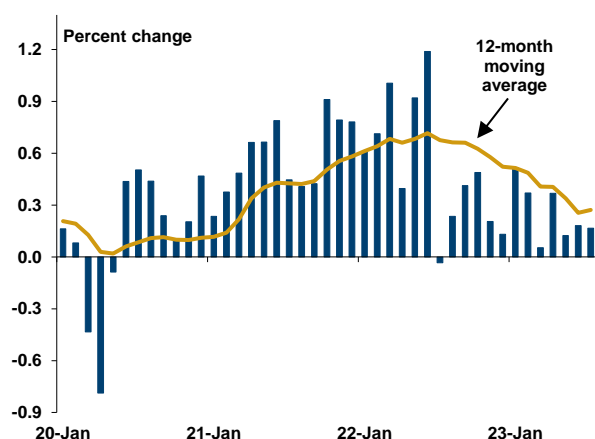
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## July CPI

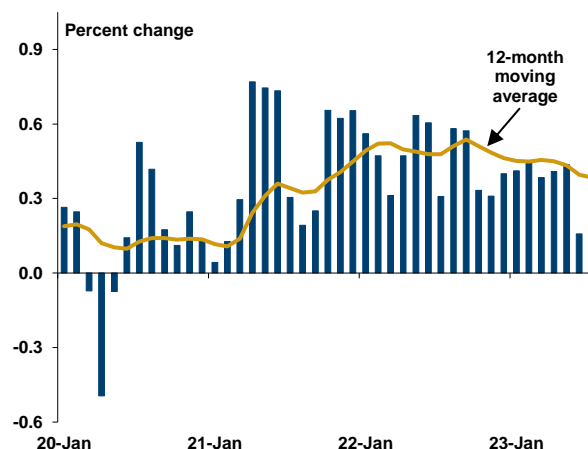
- Both the headline and core CPI rose 0.2 percent in July (0.167 percent and 0.160 percent, respectively, with less rounding), matching the consensus view. The latest shifts were close to observations in June but below the longer-term averages (charts, below). On a year-over-year basis, the headline CPI rose 3.3 percent versus 3.0 percent in June. The advance in the core index slowed to 4.7 in July from 4.8 percent in the prior month.
- The energy component rose 0.1 percent in July (-12.5 percent, year-over-year; chart, next page). Prices of energy commodities increased 0.3 percent, led by an advance of 1.4 percent in the price of fuel oil after sharp declines in the prior seven months. Prices of energy services slipped 0.1 percent, the fifth decline in the past six months, as a decline in the costs of electricity (-0.7 percent) offset an increase of 2.0 percent in the cost of utility gas service.
- The food component advanced 0.2 percent in July (+4.9 percent, year-over-year, versus +5.7 percent in June), with costs of food at home increasing 0.3 percent after a marginal decline in June and the prices of restaurant meals rising 0.2 percent. Broadly speaking, the trend in food prices has decelerated sharply after brisk increases in the second half of 2021 and most of 2022 (chart, next page).
- The pickup of 0.160 percent in the core component nearly matched the reading of 0.158 percent in June and was well below the average of 0.419 percent in the six months ending May.
- In the core component, costs of goods excluding food and energy fell 0.3 percent month-to-month, the second consecutive decline (+0.8 percent, year-over-year). Price increases in core goods have slowed substantially from a peak increase of 12.3 percent, year-over-year, in February 2022. The moderation largely reflects healing in supply-chains post-pandemic and restrictive monetary policy weighing on demand. Prices of core services rose 0.4 percent in July versus an average of 0.5 percent in the previous 12 months (+6.1 percent, year-over-year). In the service area, rents rose 0.4 percent while owners' equivalent rent rose 0.5 percent, both were down from monthly increases ranging from 0.6 to 0.8 percent from mid-2022 thru early 2023 but still firm. Additional deceleration in growth of shelter costs is anticipated in coming months as suggested by various measures of rents and home prices, but we anticipate the moderation to occur slowly.

## Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

## Core CPI

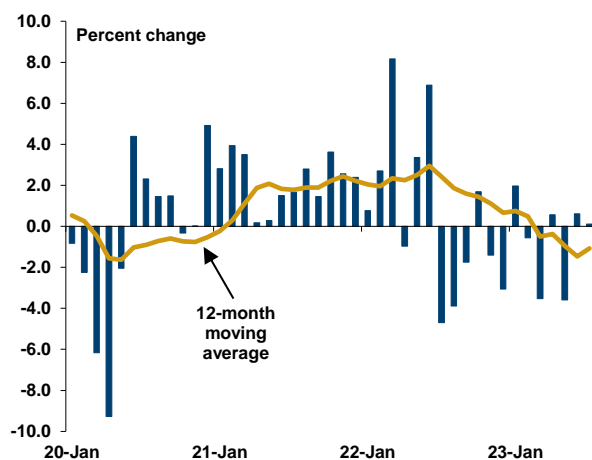


Source: Bureau of Labor Statistics via Haver Analytics

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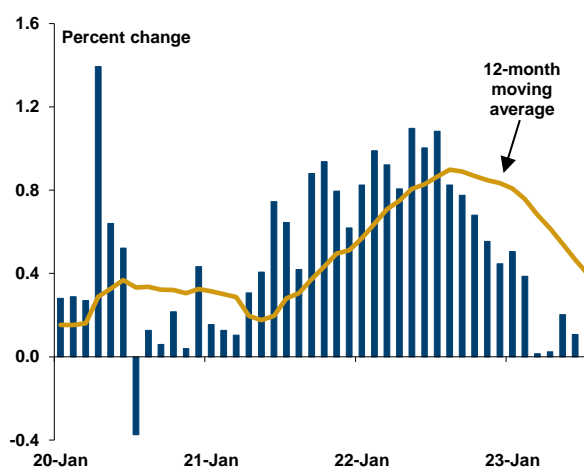
- Core service prices excluding housing services, a measure monitored closely by Fed officials, rose 0.2 percent in July after a flat reading in June (chart, below left). The latest change translated to a year-over-year increase of 4.1 percent, up from 4.0 percent in June but off a recent high of 6.5 percent in September of last year. The latest reading suggests more ground must be covered before an eventual return to the Fed's 2.0 percent inflation target (chart, below right).
- Back-to-back tame readings on the CPI raise the possibility of Fed officials maintaining the target range for the federal funds rate at 5.25 percent to 5.50 percent at the September meeting, although labor market data for July were firm and officials will receive an additional CPI report (August) which could shift views towards hiking.

### CPI: Energy



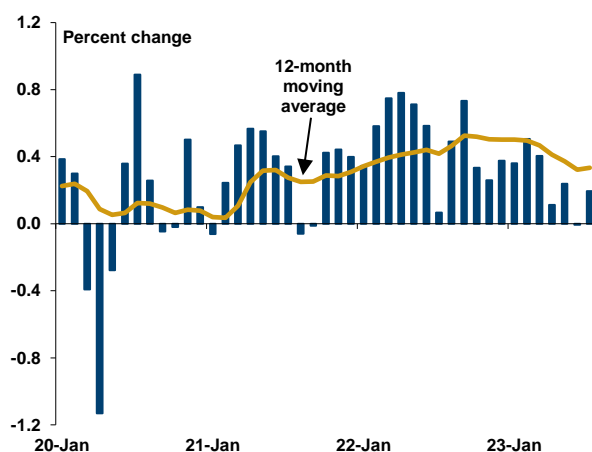
Source: Bureau of Labor Statistics via Haver Analytics

### CPI: Food



Source: Bureau of Labor Statistics via Haver Analytics

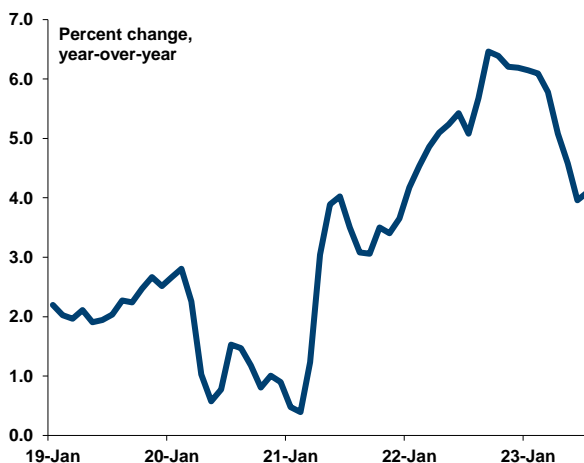
### CPI: Core Services Ex. Housing\*



\* Service prices excluding energy services and housing services.

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

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