

U.S. Consumer Price Index — June

Inflation Not Yet Tariff-ying

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Bottom Line: U.S. inflation continues to drift gradually higher in response to a nearly fully employed economy, with some nudging from tariffs. The Fed has every reason to pull the rate trigger again in September.

U.S. consumer prices rose 0.1% in June, held back by lower energy costs, a sharp decline in clothing prices (firmer greenback at play), and a record decline in hotel rates (Airbnb at play). Still, the **yearly rate rose to a 6½-year high of 2.9%**. Core prices rose an expected 0.2% (0.16%), lifting its **annual rate a notch to 2.3%**, the highest since early last year and matching the peak of the past decade. Rising medical care costs were compounded by another spike in laundry equipment prices (now up 20% in the past three months due to Trump's tariff on washing machines). The steel/aluminum tariffs are also starting to feed into new vehicle prices, which rose strongly for a second straight month, though they are still down modestly in the past year. Core prices, however, are showing tentative signs of softening, up 1.7% annualized in the past three months versus 2.3% in the past six months.

Still, with core PCE inflation also tracking the 2.0% target, this report should **keep the Fed on track to raise rates in September**. There's little doubt that tight labour markets are fanning a gradual upturn in underlying inflation, and markets look to have tightened further with initial jobless claims sinking 18K to 214k last week and the quits rate reaching cycle highs. The inflationary thrust from tariffs will be modest and temporary, but the pull from the labour market will be more material and permanent, suggesting no need for real policy rates to remain negative.



Consumer Price Index

United States (month/month % change : s.a.)	(% change : a.r.)				
	Jun	May	Apr	6-month	12-month
All Items	0.1	0.2	0.2	2.4	2.9
Ex. Food and Energy	0.2	0.2	0.1	2.3	2.3
Food	0.2	0.0	0.3	1.6	1.4
Energy	-0.3	0.9	1.4	4.6	12.0
Clothing	-0.9	0.0	0.3	3.8	0.6
Transportation	0.4	0.4	0.2	3.3	6.7
New Vehicles	0.4	0.3	-0.5	-0.6	-0.5
Gasoline	0.5	1.7	3.0	10.2	24.3
Medical Care	0.4	0.2	0.1	2.9	2.5
Recreation	0.2	0.0	-0.4	-0.4	0.5
Education	0.2	0.4	0.2	2.0	2.0
Owners' Equivalent Rent	0.3	0.3	0.3	3.3	3.4

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