

## U.S. Consumer Price Index — July

# Core Inflation Pushing Decade Highs

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The total CPI increased 0.2% in July, keeping the annual change at 2.9% y/y, which still matches the fastest pace in more than 6½ years. Energy prices slipped 0.5% (lower gasoline, electricity and natural gas prices) while food prices inched up 0.1% (about the average pace over the past year owing to intense retail competition). The core CPI also increased 0.2%, but it nudged the annual change up a tenth to 2.4% y/y.

This is now the **fastest core inflation rate in almost a decade** (it was 2.5% in September 2008). For the core, the 3-month trend has turned up again – its prior slippage was becoming a concern – it's now 2.3% annualized, up from 1.7% last month and 1.8% three months ago. Among the major components, nothing stood out too much, which suggests the core pressure was broad based. Core goods inched up 0.1%, but importantly the annual change is now zero, the first non-negative print in almost 2½ years and despite a strong greenback – perhaps tariffs and other trade restrictions are starting to bite? Core services increased 0.3% keeping the annual change at 3.1% y/y, which still matches the fastest pace in almost two years. Labour costs are an important driver here.

**Bottom line:** Inflation is slowly, but surely, drifting up. And, in consequence, so too will Fed policy rates toward neutral levels.



### Consumer Price Index

United States (month/month % change : s.a.)	(% change : a.r.)				
	Jul	Jun	May	6-month	12-month
All Items	0.2	0.1	0.2	1.6	2.9
Ex. Food and Energy	0.2	0.2	0.2	2.1	2.4
Food	0.1	0.2	0.0	1.5	1.4
Energy	-0.5	-0.3	0.9	-2.4	12.1
Clothing	-0.3	-0.9	0.0	-0.2	0.3
Transportation	0.3	0.4	0.4	0.3	7.3
New Vehicles	0.3	0.4	0.3	0.3	0.2
Gasoline	-0.6	0.5	1.7	-2.6	25.4
Medical Care	-0.2	0.4	0.2	1.6	1.9
Recreation	0.2	0.2	0.0	0.0	0.3
Education	0.3	0.2	0.4	2.4	2.1
Owners' Equivalent Rent	0.3	0.3	0.3	3.3	3.4