

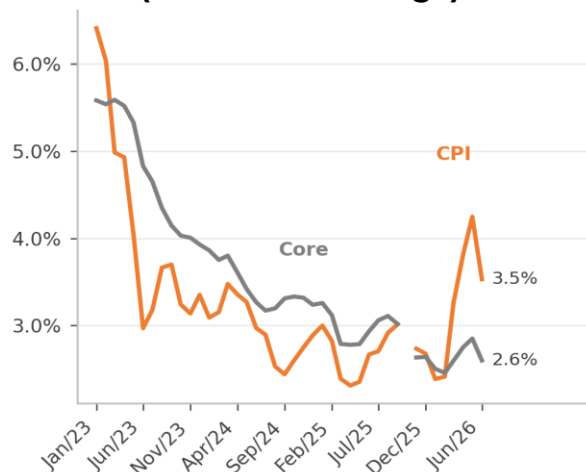


United States – Inflation

June CPI Shows Inflation Still Above Target, But Without an Upward Trend

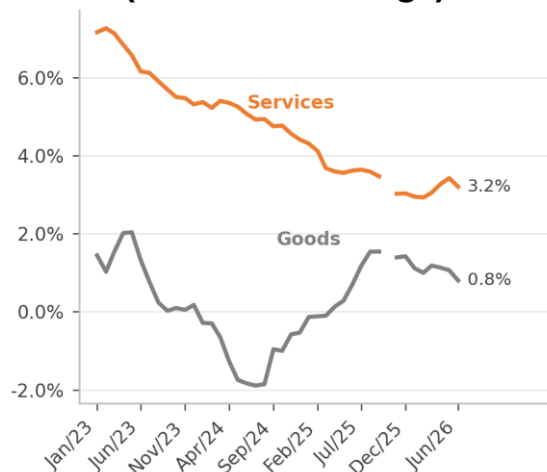
- We have consistently argued that the disinflation trend had already come to an end late last year (see "[US CPI: Now You See Me](#)"). For some time, relatively benign core inflation readings were largely driven by the owners' equivalent rent component, whose deceleration reflected methodological factors (lower interest rates) rather than genuine market dynamics.
- Our latest assessment is that the recent oil price shock has not been strong enough to generate a sustained upward inflation trend. We expect year-over-year core inflation to remain around 2.5% for the CPI and close to 3.0% for the PCE deflator for some time.
- Monetary policy decisions will depend much more on the Federal Reserve's willingness to bring inflation back to target than on concerns about renewed inflationary pressures. In our view, the most likely outcome is that the Fed will keep its policy rate unchanged, at least through the end of the year.
- The Consumer Price Index (CPI) declined 0.4% in June (seasonally adjusted), following a 0.5% increase in May. Core CPI (excluding food and energy) was unchanged during the month (0.0% vs. 0.2% in May). On a 12-month basis, headline inflation slowed from 4.2% in May to 3.5% in June, while core inflation eased from 2.9% to 2.6% (see Chart 1).
- The breakdown of core inflation is particularly noteworthy. Core services inflation (excluding energy) slowed to 3.2% year-over-year, while core goods inflation (excluding food and energy) continued to moderate, reaching 0.8% (see Chart 2). This composition reinforces the ongoing disinflation narrative, even though inflation remains above the Fed's target.
- The shelter index rose just 0.1% in June, its smallest monthly increase since January 2021. However, the 12-month increase remained elevated at 3.4%, suggesting that it will not be easy for core inflation to resume a sustained downward trend over the coming months.

**Chart 1: CPI – Headline and Core
(% 12-month change)**



Source: Bureau of Labor Statistics

**Chart 2: Core – Services and Goods
(% 12-month change)**



Source: Bureau of Labor Statistics

This report was prepared and published by the team of partners and consultants of Pezco Consultoria, Editora e Desenvolvimento Ltda ("Pezco Economics"), exclusively for its clients and partners. This document is intended to serve as a basis for discussion of elements of the economic and sectoral environment, through the compilation of information and the presentation of analyses and viewpoints. Every effort has been made to ensure the reliability of the information and its sources; however, the accuracy of such information or of the analyses derived therefrom cannot be guaranteed. All information contained herein that is characterized as a "projection" or "forecast" is based on elements and trends available at the time the analysis was produced, the underlying assumptions of which may change significantly over time. This document is not intended to offer or solicit the purchase or sale of any goods or services. Pezco Economics and the professionals who participated in the preparation of this report accept no responsibility for decisions taken on the basis of this document. Both Pezco Economics and the partners and consultants named in this report may hold positions in assets mentioned herein, and may be participating or may have participated in consulting or advisory projects related to the organizations mentioned. In such cases, the analyses presented disregard any non-public information protected by confidentiality agreements. This report may not be reproduced or redistributed, in whole or in part, for any purpose whatsoever, without the prior written consent of Pezco Economics.