Reaction

PEZCO economic & financial analysis

August 12, 2026

United States – CPI

Inflation Is Not Rising, but Remains High and Far from Target

- **The Consumer Price Index (CPI) rose 0.1% in July (seasonally adjusted), after falling 0.4% in June, and decelerated to 3.4% over 12 months (from 3.5%). The core index — which excludes food and energy — advanced 0.2% on the month and eased to 2.5% over 12 months, extending the disinflation trend (See Chart 1).**

- **The composition, however, shows opposing forces: core services (ex energy) slowed to 3.0% over 12 months — down from more than 5% at the end of 2023 — while core goods have turned from deflation to a 0.8% increase, reflecting the pass-through of import tariffs (See Chart 2).**

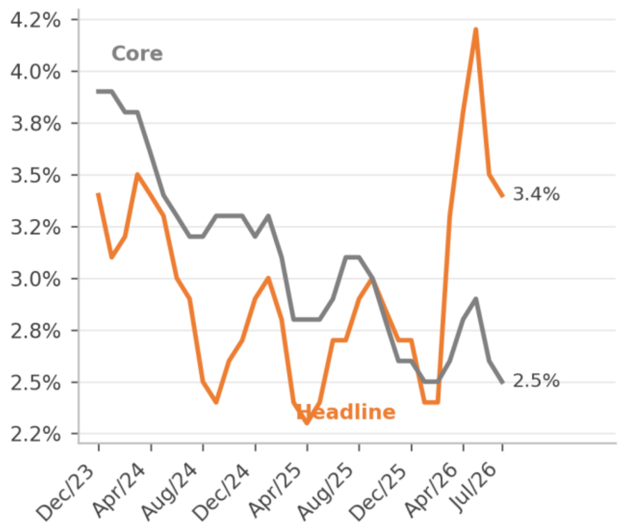
- Shelter rose just 0.1% on the month (accounting for roughly two-thirds of the index's monthly increase) and is up 3.2% over 12 months. The gradual cooling in rents remains the main anchor of core disinflation.

- Energy fell 1.5% on the month, with gasoline down 2.9%, still cushioning the headline index — though it is up 14.7% over 12 months. Food rose 0.1% on the month (3.0% over the year). Airline fares stood out, jumping 2.2% on the month and 25.5% over 12 months.

- The reflation in goods is the point to watch: items that were in deflation through 2024 have returned to positive territory, a counterweight to services disinflation and a sign that tariff effects keep working their way through the price chain.

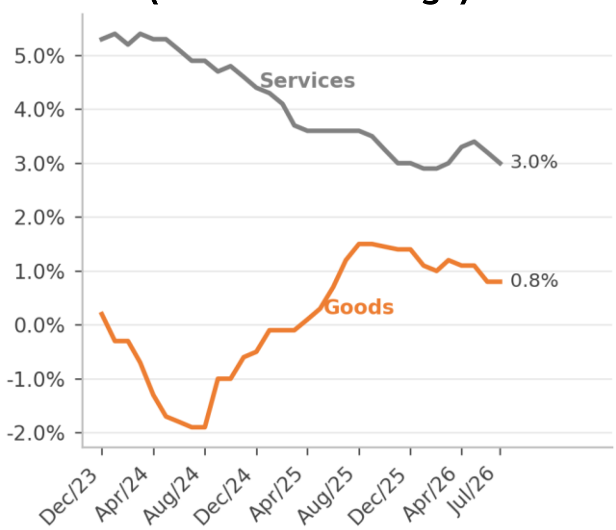
- **For monetary policy, the picture was not bad: the indicators show no acceleration. But markets should keep pricing in rate increases to the extent that inflation persists far from the target.**

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



Source: Bureau of Labor Statistics

Chart 2: Core – Goods (ex Food & Energy) and Services (ex Energy) (% 12-month change)



Source: Bureau of Labor Statistics