

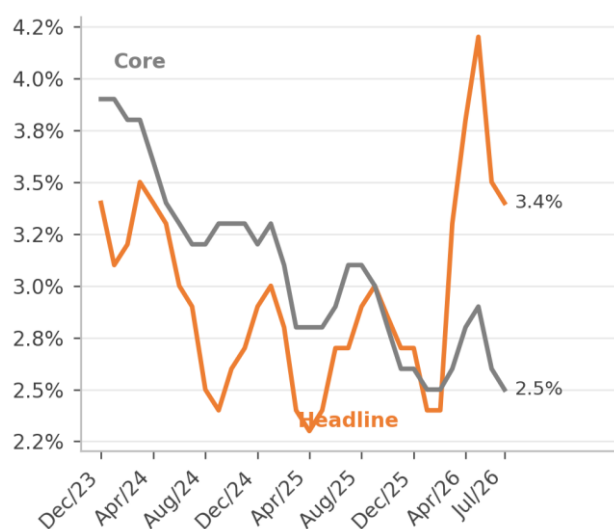


United States – CPI

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

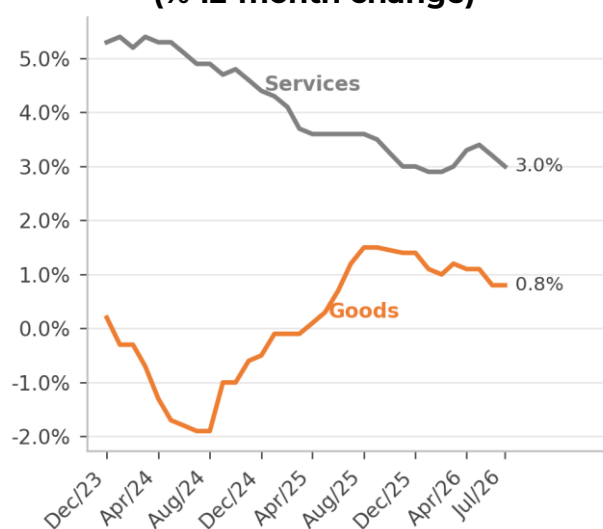
- **The Consumer Price Index (CPI) rose 0.1% in July (seasonally adjusted), after falling 0.4% in June, and decelerated to 3.4% over 12 months (from 3.5%). The core index — which excludes food and energy — advanced 0.2% on the month and eased to 2.5% over 12 months, extending the disinflation trend (See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

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 discussing elements of the economic and sectoral environment, through the compilation of information and the presentation of analyses and points of view. Every care has been taken with the reliability of the information and its sources, but their accuracy, or that of the analyses based on them, cannot be guaranteed. All information contained herein as a "projection" or "forecast" is based on elements and trends available when the analysis was produced, whose assumptions 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 contributed to this report are not responsible for decisions made on the basis of it. Both Pezco Economics and the partners and consultants named in this report may hold positions in assets mentioned in this document, and may be participating in or have participated in consulting/advisory projects related to organizations mentioned herein – in which case the resulting analyses disregard non-public information protected by confidentiality agreements. This report may not be reproduced or redistributed to any other person, in whole or in part, for any purpose whatsoever, without the prior written consent of Pezco Economics.