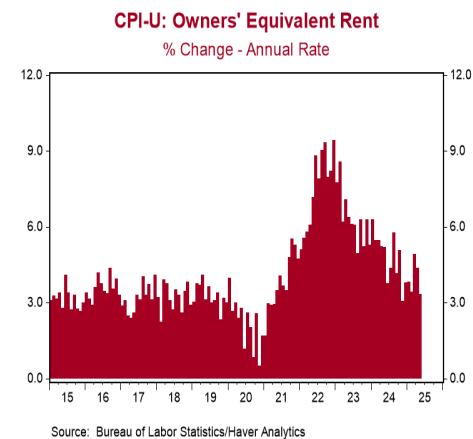
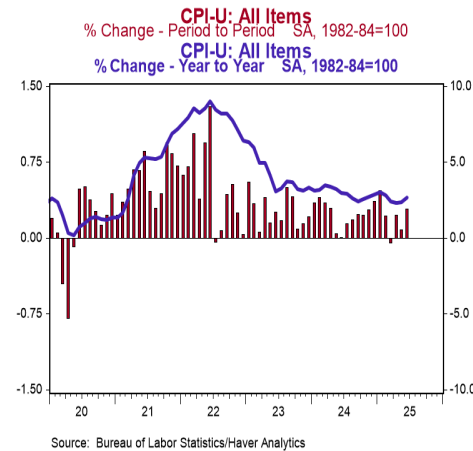


June CPI

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- The Consumer Price Index (CPI) rose 0.3% in June, matching consensus expectations. The CPI is up 2.7% from a year ago.
- Energy prices increased 0.9% in June, while food prices rose 0.3%. The “core” CPI, which excludes food and energy, increased 0.2% in June, below the consensus expected +0.3%. Core prices are up 2.9% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.1% in June, but are up 1.0% in the past year. Real average weekly earnings are up 0.7% in the past year.

Implications: Inflation came in as expected in June, with the Consumer Price Index rising 0.3%, and the year-ago comparison moving up to 2.7%. Although some analysts may interpret this as proof that tariffs are finally influencing inflation figures, we believe this connection is overstated. Yes, tariffs can raise prices for the tariffed items, but they leave less money left over for other goods and services. They shuffle the deckchairs on the inflation ship, not how high or low the ship sits in the water. That’s up to the money supply, which is up less than a percentage point since April 2022. We believe this relative monetary tightness is why inflation will resume its bumpy path downward in the months ahead. Notably, in the past five months, overall prices are up at only a 1.8% pace while “core” prices, which exclude food and energy, are up at a moderate 2.1% pace. Diving into the details, the volatile category for energy led the overall index higher in June, increasing 0.9%, while food prices rose 0.3%. “Core” prices, which strip out food and energy, rose 0.2% in June versus a consensus expected +0.3%, the fifth month in a row coming in below consensus expectations. The main driver of core inflation has been housing rents, which continue to outpace most categories (+0.3% in June), though not as much as in years prior. Notably, prices continue to fall for new and used autos (-0.3% and -0.7%, respectively), the third month in a row where both have declined. We also like to follow “Supercore” inflation – a subset category of prices that excludes food, energy, other goods, and housing rents. Fed Chair Jerome Powell said back in 2022 that they follow this category closely, though he stopped mentioning it when this measure stopped showing progress versus inflation. However, it appears that tide has also turned for the category, with supercore prices up at a 1.1% annualized pace in the last five months, while the year-ago comparison has fallen from 4.1% in January to 3.0% in June. Notable decliners this month within the supercore category were once again prices for hotels (-3.6%) and airline fare (-0.1%), now the fourth month in a row where both have declined: a potential sign of a slowing economy. Although inflation is still above the Fed’s 2.0% target, given the lags in monetary policy and slow growth in the M2 measure of the money supply, we believe it’s time for the Fed to consider reducing short-term rates slightly in the months ahead. In other recent news, new claims for unemployment insurance declined 5,000 two weeks ago to 227,000. Continuing claims rose 10,000 to 1.965 million. These figures are consistent with continued job growth but at a slower pace. On the manufacturing front, the Empire State Index – a measure of manufacturing sentiment in the New York region – rose to 5.5 in July from -16.0 in June.



CPI - U	Jun-25	May-25	Apr-25	3-mo % Ch.	6-mo % Ch.	Yr to Yr
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<i>annualized</i>	<i>annualized</i>	<i>% Change</i>
Consumer Price Index	0.3%	0.1%	0.2%	2.4%	2.5%	2.7%
Ex Food & Energy	0.2%	0.1%	0.2%	2.4%	2.7%	2.9%
Ex Energy	0.2%	0.2%	0.2%	2.4%	2.7%	2.9%
Energy	0.9%	-1.0%	0.7%	2.5%	-1.0%	-0.8%
Food	0.3%	0.3%	-0.1%	2.2%	3.0%	3.0%
Housing	0.3%	0.3%	0.5%	4.3%	4.2%	4.0%
Owners Equivalent Rent	0.3%	0.3%	0.4%	3.8%	3.9%	4.1%
New Vehicles	-0.3%	-0.3%	0.0%	-2.5%	-1.2%	0.2%
Medical Care	0.5%	0.3%	0.5%	5.0%	3.9%	2.8%
Services (Excluding Energy Services)	0.3%	0.2%	0.3%	2.9%	3.2%	3.6%
Real Average Hourly Earnings	-0.1%	0.4%	-0.1%	0.7%	1.1%	1.0%

Source: Bureau of Labor Statistics