NEWS BRIEF

Inflation Rate Slows to 2.9% in July

The U.S. Bureau of Labor Statistics (BLS) reported that the consumer price index (CPI) rose 2.9% year over year in July, down from 3% in June. This is the first time the monthly reading has dipped below 3% since March 2021, an additional sign that the inflated pressures are waning and that the Federal Reserve (Fed) may start cutting interest rates.

The "core" CPI, which strips out the unpredictable food and energy components, increased 0.2% in July from June and 3.2% annually, meeting projections of 0.2% and 3%, respectively. Once again, this is the lowest the core CPI has been since April 2021.

Shelter costs, rising 0.4%, accounted for nearly 90% of the monthly increase, and motor vehicle insurance (1.2%) soared. Energy was flat, while food prices increased by 0.2%. Notably, child care prices continue to rise faster than overall prices even as inflation cools; the CPI for day care and preschool was up 5.1% in July compared to the same month a year earlier.

"Federal Reserve officials have reason to be increasingly concerned about softening of the job market, the other part of its dual mandate of stable prices and maximum employment."

- Mark Hamrick, Bankrate senior economic analyst

The Fed wants labor demand to drop faster to reduce the upward pressure on wages that contributes to high inflation. The unemployment rate ticked up to 4.3% in July from 4.1% in June, which was the highest level since October 2021. The real average hourly earnings increased 0.1% in July from June when adjusted for inflation. According to the latest BLS Job Openings and Labor Turnover Summary, the quits rate fell while hiring and layoffs slowed, signaling a gradual labor market cooldown.

What's Next?

Inflation readings have slowly been moving toward the Fed's 2% target; however, officials haven't committed to a specific timetable and have not speculated how quickly cuts might occur.

Consumers may have found mild relief during the summer, but inflation continues to apply financial pressures on most U.S. households. In fact, a recent Gallup poll revealed that 46% of Americans described the current economic conditions as "poor"—the leading response for the 29th consecutive month. Individuals should continue to monitor the economy and associated inflation trends, adjusting their financial habits accordingly. Employees should check with their managers for financial and mental wellness benefits and related resources.

We will keep you updated with any notable changes.