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DECISION ECONOMICS, INC.
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New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

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CPI: Services Firmness

The July Consumer Price Index is tamer than expected, with the overall figure flat (Consensus: +0.2%; Decision Economics: +0.1%) and the core figure up only 0.1% (Consensus and Decision Economics: +0.2%).

The core result reflected absolutely steady core goods prices, where softness in vehicle prices, new (-0.1%) and used (-0.5%), offset a somewhat stiffer picture across nondurables categories, and, on the core services side, a very modest 0.1% firming.

The service-price picture was quite varied, with a bit of new sturdiness in rent (+0.3%) and owner equivalent rent (+0.2%), partly offset by big declines in lodging away from home (-2.3%) and public transportation (-1.5%). Meanwhile, the usual-suspect categories, where professional labor is a big cost component, showed solid rises--physicians services (+0.4%), hospital services (+0.4%), tuition (+0.5%), and miscellaneous personal services (+0.4%).

No decisive FOMC conclusion will be drawn from the results--with doves focusing on the overall core result (and a slowdown in the year-on-year core rise to +2.1% from +2.1%), and hawks not only on the upward goods-price experimentation evident in the PPI yesterday, but also on the new firmness in rents (reflecting diminishing slack capacity in the housing market) and the persistent rises in other major services categories.

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