

12th August 2022

US inflation at 8.5%yy for Jul-22

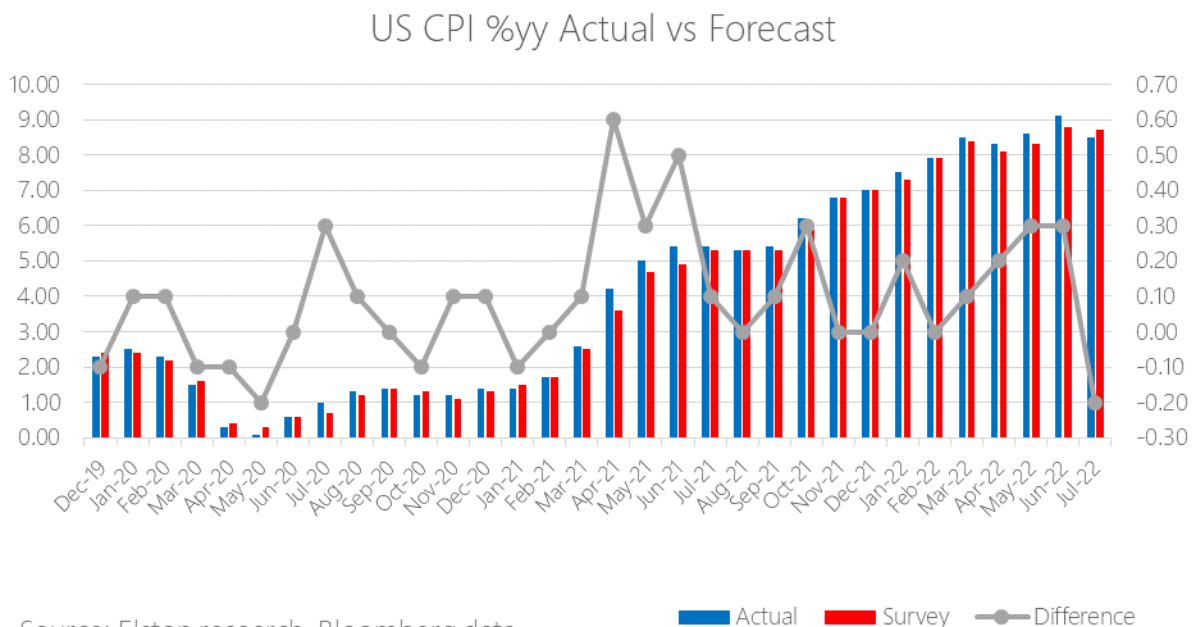
- This is lower than the survey estimate...
- ... and a decrease from 9.1%yy last month
- Represents the lower energy prices

Latest US inflation figures

The latest US inflation came in at 8.5%yy for July 2022, lower than survey estimate. This is down from 40-year high of 9.1%yy last month and is lower than expectations of 8.7%.

Gasoline prices fell by 7.7% in July, compared to an increase of 11.2%yy in June 2022. Food prices continued rising at a fast rate of 10.9%yy. Shelter cost moved higher by 0.5% from last month and went up by 5.7% from the same time last year.

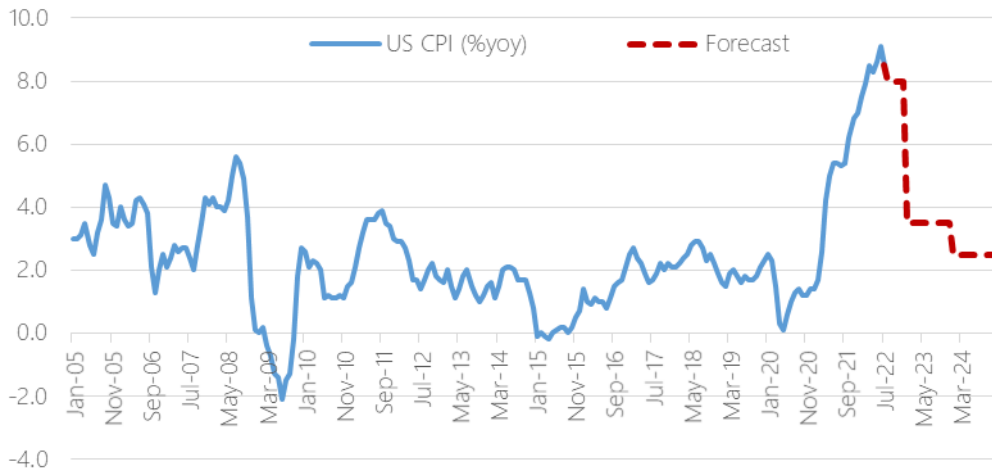
In the chart below we show how US inflation has fallen behind the forecast for the first time in six months.



Source: Elston research, Bloomberg data, as at report date

Long-term picture

Inflation rates cools down for the first time in six months and economists still see the rates to decline to the trend levels in the next few years. We see this as over-optimistic and prefer to focus on market-implied breakeven inflation rates.

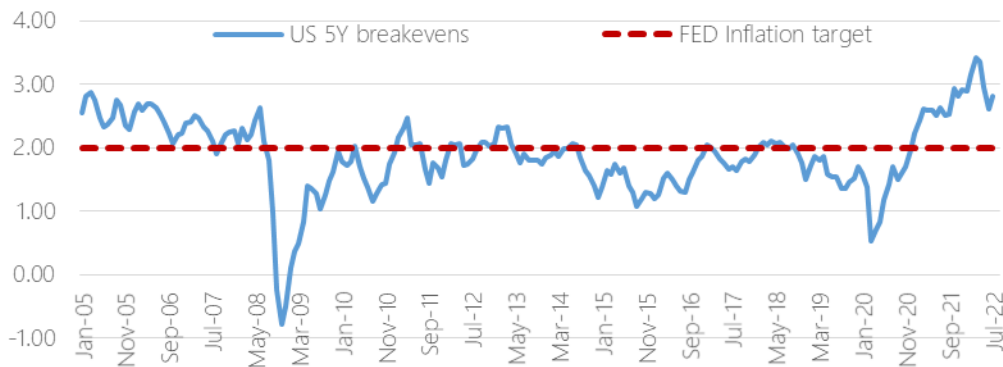


Source: Elston Research, Bloomberg data

Source: Elston research, Bloomberg data, as at report date

Where are breakeven rates

US 5-year breakeven rate are at 2.81%, vs 2.62% last month, representing a slight increase in inflation expectation.



Source: Elston Research, Bloomberg data

Source: Elston research, Bloomberg data, as at report date

Research Team, Elston Consulting



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