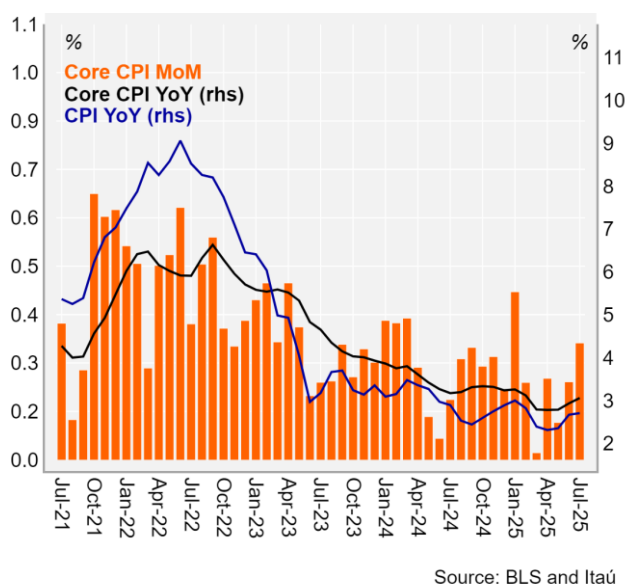


August 12, 2025

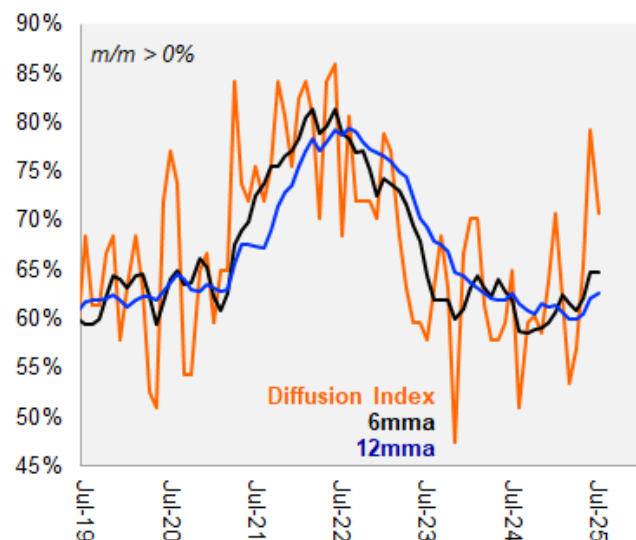
Core CPI increases 0.32% m/m in July

- ▶ US Core CPI came in at 0.32% m/m in July, close to both market consensus (0.3%) and our call (0.35%). In 12 months, Core CPI inflation was 3.1%, versus 2.9% in June. Headline CPI came in at 0.2% m/m, in line with market consensus (0.2%) and a bit below our call (0.25%). The headline rose 2.7% in annual terms, the same as in the previous month.
- ▶ **Breakdown (see table below):** Core Goods inflation increased compared to the previous month, led by used cars and trucks, but below expectations amid a downside surprise in Core Goods ex-cars, which shows less impact from tariffs than last month. Core Services inflation increased, driven up mostly by airline fares, which also led "Supercore" (Core Services ex-Housing) up to 0.48% (from 0.21% m/m). Our diffusion index decreased to 71% (from 79%).
- ▶ **Our view:** the Core CPI figure aligned closely with expectations, but the breakdown revealed a downside surprise in goods, indicating tariffs had less impact than anticipated. The upside surprise in services was driven by volatile airfares, which are less concerning going forward. Following the release, we estimate Core PCE at 0.28%, implying minimal revision to the September SEP and supporting a rate cut at this meeting. However, we still anticipate a cut later on, as the final decision will depend on the upcoming Payroll and CPI data in August.

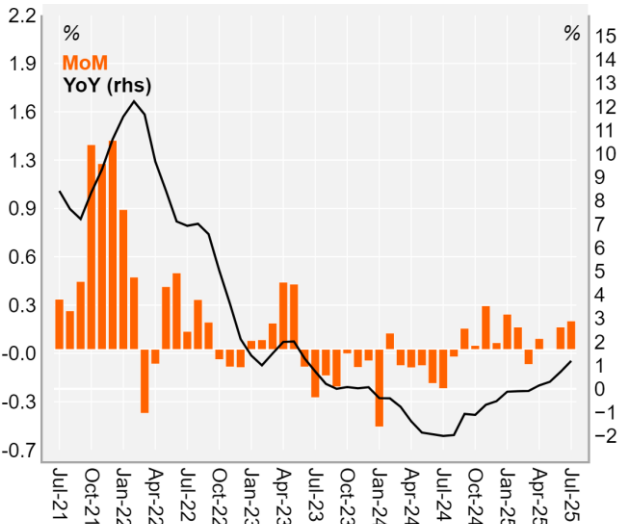
Headline and Core CPI



Diffusion

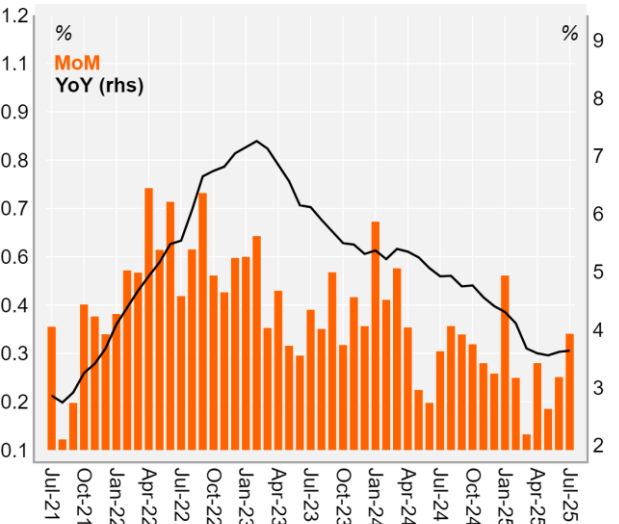


Core goods



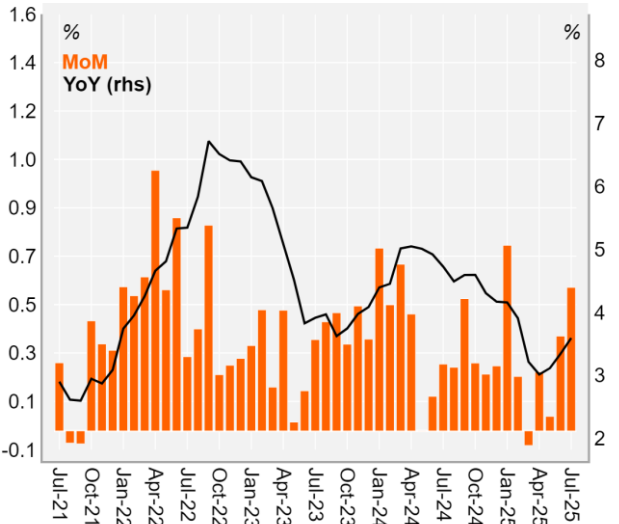
Source: BLS and Itaú

Core services



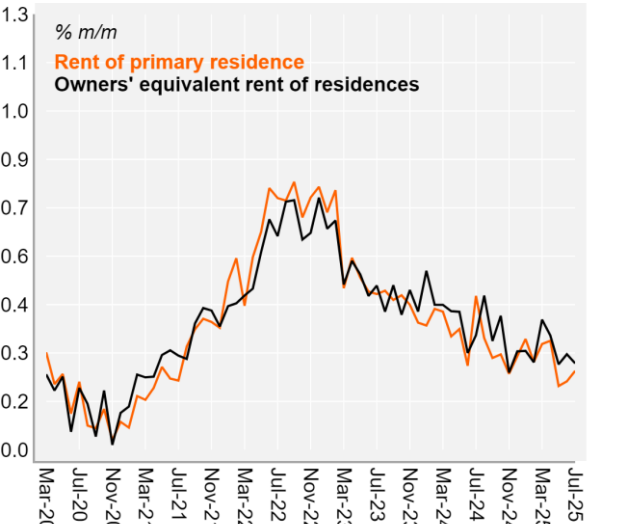
Source: BLS and Itaú

Itaú's core services ex-shelter



Source: BLS and Itaú

Shelter



Source: BLS and Itaú

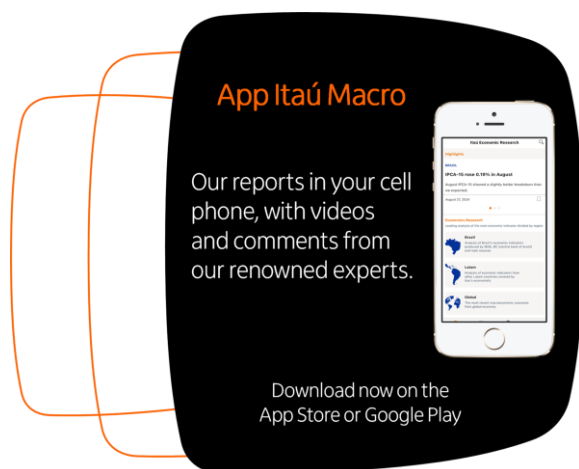
Component	Weight %	% MoM						% YoY		
		abr/25	mai/25	jun/25	jul/25	Fcst.	Surp (bps)	mai/25	jun/25	jul/25
CPI	100.0	0.22	0.08	0.29	0.20	0.25	-5	2.4	2.7	2.7
Food	13.6	-0.08	0.29	0.33	0.05	0.16	-2	2.9	3.0	2.9
Energy	6.4	0.67	-0.98	0.95	-1.07	-0.82	-2	-3.5	-0.8	-1.6
CPI ex-food&energy	79.9	0.24	0.13	0.23	0.32	0.35	-2	2.8	2.9	3.1
Core Goods	19.3	0.06	-0.04	0.20	0.21	0.47	-5	0.3	0.7	1.2
New Vehicles	4.3	-0.01	-0.29	-0.34	0.02	-0.10	1	0.4	0.2	0.4
Used Vehicles	2.4	-0.53	-0.54	-0.67	0.48	0.74	-1	1.8	2.8	4.8
Core Goods ex-Cars	12.5	0.20	0.14	0.55	0.22	0.62	-5	-0.0	0.5	0.8
Core Services	60.6	0.29	0.17	0.25	0.36	0.31	3	3.6	3.6	3.6
Shelter	35.4	0.33	0.25	0.18	0.23	0.25	-1	3.9	3.8	3.7
OER	26.2	0.36	0.27	0.30	0.28	0.30	-1	4.2	4.2	4.1
Rent of Primary Res	7.5	0.34	0.21	0.23	0.26	0.33	-1	3.8	3.8	3.5
Lodging Away	1.4	-0.10	-0.07	-2.89	-1.02	-1.00	-0	-0.9	-2.5	-3.5
Health Care	6.8	0.51	0.18	0.56	0.79	0.31	3	3.0	3.4	4.3
Transportation Svcs	6.3	0.14	-0.20	0.16	0.78	0.10	4	2.8	3.4	3.5
Airline Fare	0.8	-2.83	-2.74	-0.11	4.04	0.50	3	-7.3	-3.5	0.7
Car and Truck Rental	0.2	4.30	2.70	3.24	-2.91	-1.00	-0	1.3	3.8	0.7
Other Transp Svcs	5.3	0.54	0.15	0.11	0.36	0.06	2	4.3	4.3	4.1
Other Core Svcs	12.2	0.11	0.12	0.36	0.30	0.55	-3	3.3	3.3	3.2
Alternative Cores										
Core Services ex-OER&RPR (Powell Supercore)	27.0	0.21	0.06	0.21	0.48	0.30	5	2.9	3.0	3.2
Core Services ex-Shelter	25.2	0.23	0.06	0.36	0.55	0.37	5	3.1	3.3	3.6
Core Svcs ex-Shelter & Health	18.4	0.12	0.01	0.29	0.46	0.39	1	3.2	3.3	3.3

Source: BLS, Itaú

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