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# Weekly Commentary

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## Consumers show strength amid softer inflation

Inflation data for June came in well below consensus, but will it last?

Last week, the Bureau of Labor Statistics revealed that the June US consumer price index (CPI) rose 3.5% on an annualized basis, down from a 4.2% growth rate in May. The core reading also declined, coming in at a 2.6% annualized rate compared to 2.9% in May, and slightly negative month-over-month. The decrease in the headline print was largely due to lower oil prices, while the core number saw services inflation flat and goods inflation negative month-over-month. While this slowing was welcomed, recent flare-ups in the US-Iran conflict may present an obstacle to further improvement.

That said, the consumer seems resilient as retail sales for June came in strong, yet again, with the control group – the most core component – rising 0.5% month-over-month. And University of Michigan Consumer Sentiment for July rose to 54.4, the highest since February, as lower gasoline prices helped to “fuel” optimism.