

## JEC Fact Sheet on Recent Progress on Inflation

### Recent reports show that inflation is slowing

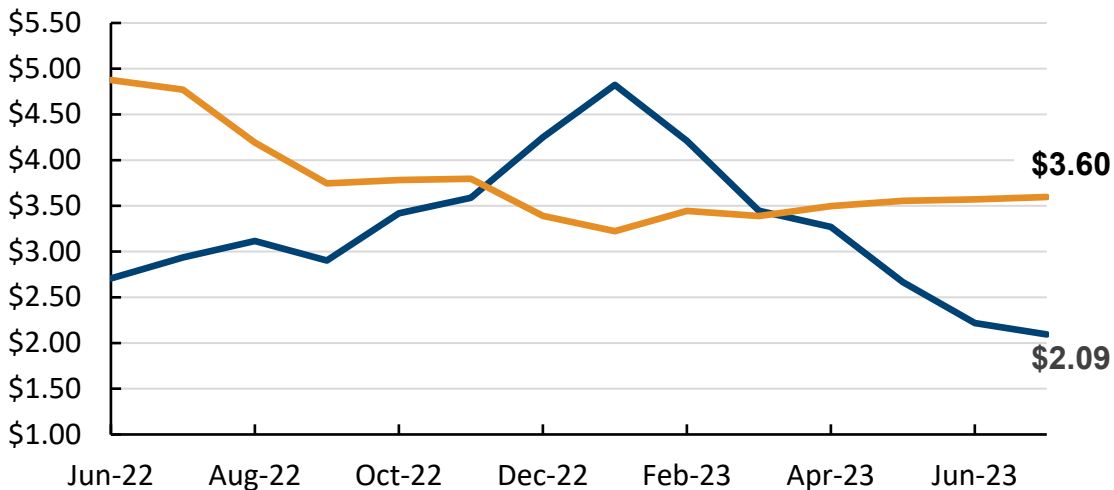
- Data showed that the overall Consumer Price Index (CPI) increased by 0.2% in July for the second month in a row, a rate that is nearly consistent with the Federal Reserve’s long-run target of 2% annual inflation.
- July data show prices increasing 3.2% over the past year—continuing an overall downward trend and well below the recent peak of 9.1% in June 2022.
- The Personal Consumption Expenditures (PCE) inflation data for June showed much slower inflation, with monthly readings for headline and core PCE inflation consistent with the Fed’s 2% target on an annualized basis.
- This slowdown in both CPI and PCE shows that inflation is subsiding.

### Prices for gas and key grocery items are down in recent months

- The cost of groceries and food at restaurants is growing slower than earlier this year.
- The price of a dozen eggs is down \$2.73 since January.
- Average gas prices are down \$1.28 compared to last summer.
- In one of the many examples of how climate change harms the economy, the ongoing heat wave is reducing capacity at U.S. refineries and will put upward pressure on prices at the pump.

### The Prices of Gas and Eggs Have Fallen

Average National Price



Source: Bureau of Labor Statistics and Energy Information

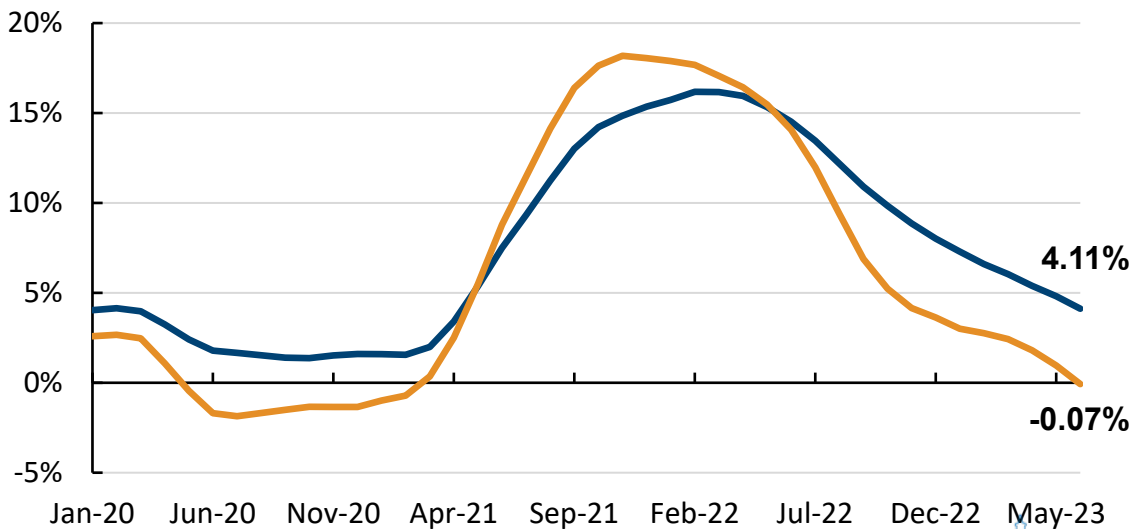
— One Dozen Eggs — Gallon of Gasoline

## We should expect the housing component of CPI to fall for the remainder of 2023

- Shelter price increases have accounted for two-thirds of core inflation over the past year. However, monthly increases largely reflect a lagged response to rent increases that occurred last year based on how the CPI's housing component is calculated.
  - Forecasts based on more current rents show shelter inflation is likely to decrease throughout the rest of 2023 and may even go negative in 2024
- Too many Americans still struggle to afford a place to live, but real-time listing data from Zillow and Apartment List shown in the graph below highlight that nationwide rents are either flat compared to a year ago or are growing much slower than before.
- In addition, there are a [record number](#) of new apartment buildings under construction. This will add much-needed supply to help bring down rents.
- Congressional action to make housing more affordable for low- and middle-income families is critical and will build on these signs of progress on housing inflation.

### Rents Are Stabilizing

Year-Over-Year Percentage Change in Rent Indices



Source: Zillow and Apartment List



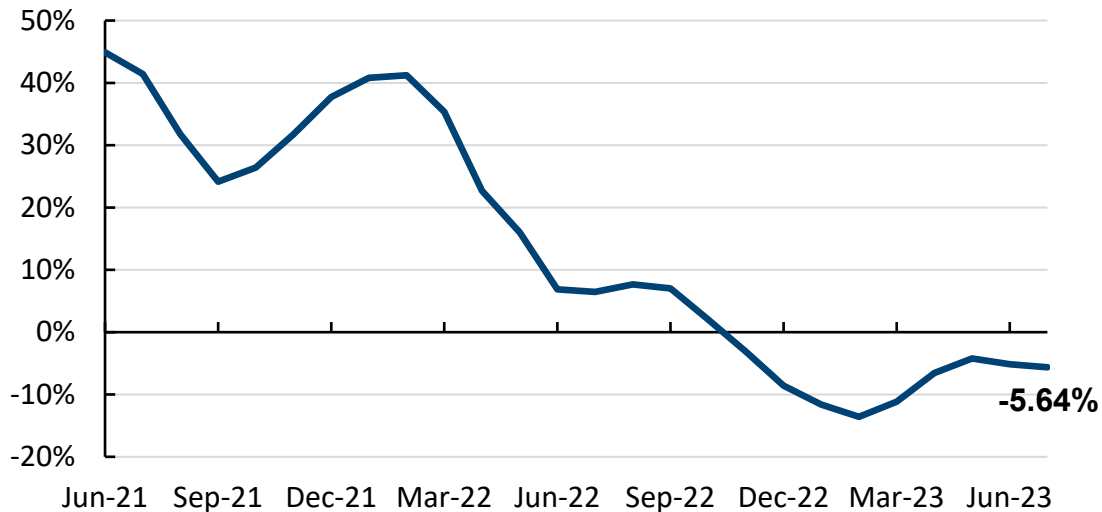
### Challenges remain in the market for new and used cars, but there is notable progress in both markets.

- As of June, the price of used cars in CPI was down over 5% compared to a year ago. This decline is a welcome break from the rapid price increases earlier in the pandemic.
- These recent declines point to an ease in the overall car market that has appeared in [wholesalers'](#) data and a general [oversupply](#) of vehicles.

- The prolonged chip shortage means that while current production is returning to normal, the United States is still trying to make up for a three-year [shortfall](#) in car production.

## The Price of Used Cars Is Coming Down

Year-Over-Year Percentage Change in the Price of Used Cars and Trucks



Source: Bureau of Labor Statistics



### Challenges remain in the market for new and used cars, but there is notable progress in both markets.

- July PCE data will be released on August 31<sup>st</sup>, which will give us more information on the Fed's preferred inflation gauge.
- If the promising trends in shelter and used cars continue, both inflation measures should continue to fall on an annual basis.
- Challenges with gasoline supply due to recent heatwaves presents could temporarily put upward pressure on monthly inflation data this summer.