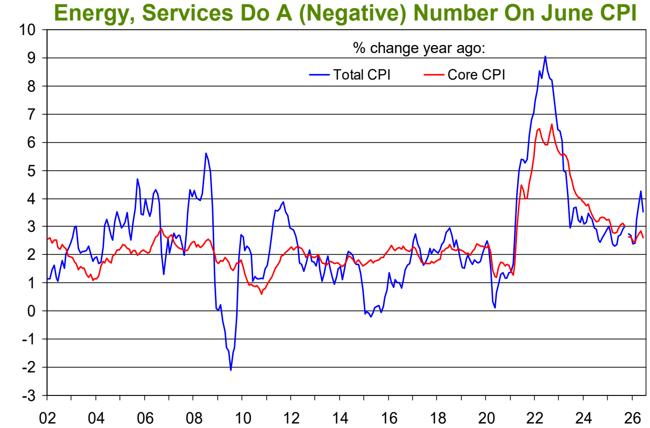
ECONOMIC UPDATE
REGIONS
July 14, 2026

June Consumer Price Index: Energy, Services Do A (Negative) Number On June CPI

- The total CPI fell by 0.4 percent in June (down 0.442 percent unrounded); the core CPI was unchanged (down 0.017 percent unrounded)
- On a year-over-year basis, the total CPI is up 3.5 percent and the core CPI is up 2.6 percent as of June

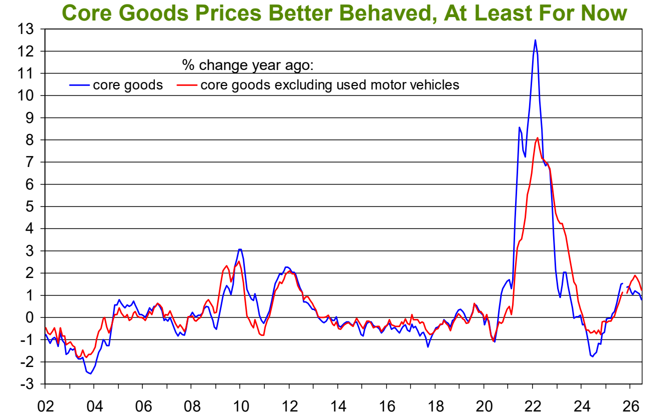
In a dive that even Breel Embolo would be envious of, the total CPI fell by 0.4 percent in June, double the 0.2 percent decline our forecast anticipated and further below the 0.1 percent decline the consensus expected. Perhaps the bigger surprise, though, is that the core CPI was unchanged, counter to the 0.2 percent we and the consensus expected, and was actually down slightly on an unrounded basis. That sharply lower energy prices would weigh on the total CPI was a given, but the extent to which they did so was a bit greater than our forecast anticipated. At the same time, services prices softened considerably in June while core goods prices fell for a second straight month. As for any impacts from the World Cup, prices for tickets to sporting events posted a solid advance and at least part of the jump in rental car rates might be tied to the event, but air fares and lodging rates fell on a not seasonally adjusted basis, with any increases related to the World Cup having come mostly in prior months. Though many are pointing to rising crude oil prices in the wake of renewed hostilities between the U.S. and Iran as grounds for headline inflation to again reverse course, this time heading back up, that isn't exactly clear-cut. As we noted in our preview of the June CPI data, the extent to which retail gasoline prices fell during the month meant they ended June far below the monthly average, and they fell over the first half of July. As we write this, gas prices are down by over six percent thus far in July, and even if they do turn higher over the back half of the month they are almost sure to be down on a monthly average basis, meaning they will be a drag on the total CPI in July, even if not nearly to the same extent as in June. As such, if gasoline prices do continue to rise, that won't be evident in the CPI until the August data. In the interim, it will bear watching whether, or to what extent, the softness in services prices seen in June will persist, which will shape the path ahead for the core CPI. Market participants are skeptical, as can be seen in futures pricing that still implies a Fed funds rate hike in September. While we'll concede the possibility, we still do not see that as being the most likely outcome.

Energy, Services Do A (Negative) Number On June CPI



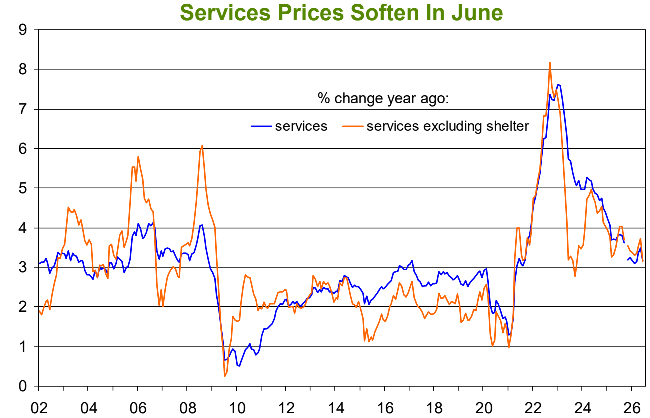
Retail gasoline prices were down by 9.7 percent in June, both not seasonally adjusted and seasonally adjusted – the June seasonal factor was neutral – which was bigger than the 9.2 percent increase we plugged into our forecast. That electricity rates fell by 1.0 percent also came as a surprise. The overall index of energy prices was down 5.7 percent for June, though this still yields a year-on-year increase of 15.7 precent. Prices for food consumed at home and prices for food consumed away from home were each up 0.2 percent in June.

Core Goods Prices Better Behaved, At Least For Now



Core goods prices posted a second straight 0.1 percent decline in June, with broadly based declines. Apparel prices were down by 0.6 percent, ending a run of hefty monthly increases that to some extent reflected tariff pass-through. More striking is that on a not seasonally adjusted basis, apparel prices were down by 1.2 percent, the largest June decline since 2018. Vehicle prices were flat, with new vehicle prices flat and used vehicle prices down slightly. Furniture and apparel prices also fell in June. One pocket of resistance was prices for recreational goods, particularly video and audio products and sporting goods, but June's advances in most components of recreational goods come after months of weakness, which makes it seem unlikely that June will mark the start of sustained price increases here.

Services Prices Soften In June



Core services prices were flat in June. Primary rents were up by just 0.1 percent while owners' equivalent rents were up 0.2 percent. Lodging rates, however, were down sharply, both not seasonally adjusted and seasonally adjusted. Air fares fell 1.8 percent on a not seasonally adjusted basis, which translated into a 0.2 percent increase on a seasonally adjusted basis. Prices for medical services were down 0.1 percent, with the 0.5 percent decline in health insurance premiums counter to our expectations. Motor vehicle insurance premiums were down 2.0 percent after having fallen 1.7 percent in May. Prices for cell phone service fell by 3.3 percent. The index of "supercore services" prices (i.e., non-energy services excluding shelter) was down by 0.1 percent, the weakest monthly performance since September 2021. It seems unlikely that this softness will persist, meaning core inflation will likely be firmer than the June CPI data suggest. How much firmer will be the key question, for the markets and for the FOMC.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com