

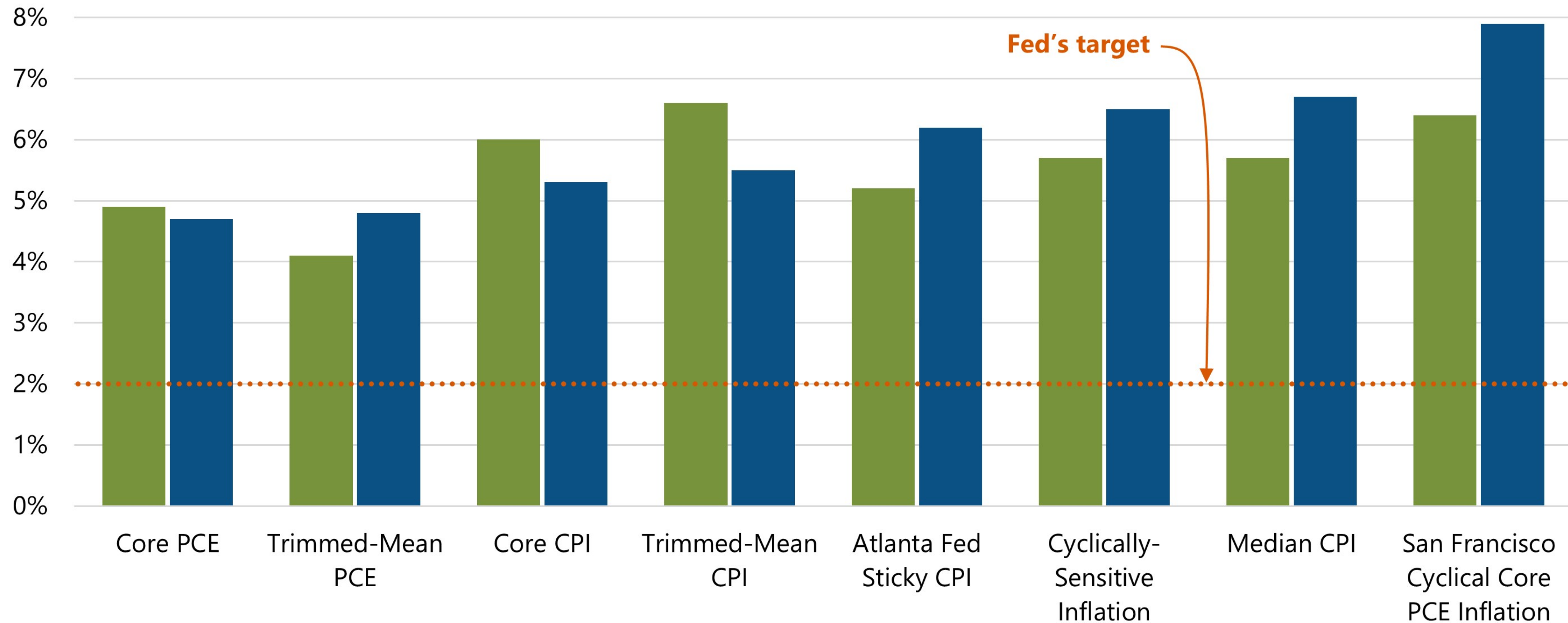
Too Soon

Measures Of U.S. Underlying Inflation*

For The Week Ending 06/16/2023

Percent Change Versus Year Ago

■ May 2022 ■ May 2023



Source: Federal Reserve Bank of Atlanta

*Measures of underlying inflation filter noise to help gauge future inflation

With the Fed "pausing" its rate hiking cycle after 500 bps at the June FOMC meeting this week, the debate over the next move is heating up. Some say the Fed has "done enough" and point to several price gauge permutations like "CPI, excluding goods, food, energy, and housing," to make the case. Well, if you exclude enough stuff, you will find a way to show disinflation. But according to researchers at the Atlanta Fed, there is *already* a better collection of indices to follow. "Measures of underlying inflation are useful in separating inflation signal from relative price noise, and in such a way that they are good predictors of future inflation." So, we'll leave it to you. Choose your own underlying inflation gauge. But whichever you choose, notice inflation remains well above the central bank's target—and on most measures, inflation is still worse now than a year ago! If these measures progress toward the Fed's target soon, the Fed may have "done enough." For now, we think it is far too soon to declare victory.