

Macro Roundup Article

Headline: [The Case for Cutting Rates \(or Not\) is the Same As It Was Last Year](#)

Article Link: <https://theovershoot.co/p/the-case-for-cutting-rates-or-not>

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Tweet: [.@M_C_Klein argues that the CPI increase of 0.1% between April and July overstates the extent of the disinflation, and that “CPI inflation is still running around 2.5%-3% a year, just as it has been since the end of 2022.”](#)

Summary: The 12-month change in the CPI from June 2022 to June 2023 was 3.1%, while the 12-month change from July 2023 to July 2024 was 2.9%. That modest slowdown is entirely attributable to the substantial deceleration in rental inflation based on signed leases—which are checked only once every six months. Measures based on listed rents for available units had long implied that this measure of inflation would eventually slow, and it has. Higher-frequency cuts of the CPI that strip out housing and other volatile or idiosyncratic components tell a similar story: underlying CPI inflation is still running around 2.5%-3% a year, just as it has been since the end of 2022. I do not know what would be gained by squeezing the last percentage point or so of inflation out of the economy, especially if that came at the cost of impoverishing consumers and reducing business investment.

Related Articles: [Markets Think Inflation Will Be Too High For The Next 20 Years](#) and [The Fed Should Not Cut Interest Rates Yet and Strong, But Not Too Hot: The U.S. Economy as of Mid-2024](#)

Primary Topic: Inflation

Topics: Business Cycle, GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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