Taking the Pulse of Healthcare Inflation

July healthcare prices, as measured by today's PPI report, slowed to a 0.12% MoM rate — the lowest since February 2026. ***PPI healthcare prices are critical because they are a direct input into PCE healthcare prices where this component accounts for 17% and 19% of the headline PCE and core PCE deflators.*** Consequently, the Fed's preferred inflation data are likely to be contained and possibly ease some inflation anxieties at the Fed and in markets. We are forecasting increases of 0.15% for the headline PCE deflator and 0.22% for the core PCE deflator.

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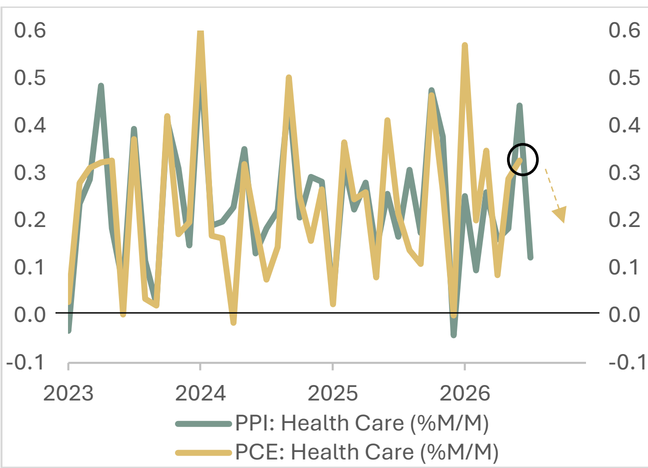

Source: BLS, BEA, Haver, SMBC Nikko

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