

Chart of the Moment: Another Sign of Tepid Inflation

The Federal Reserve (Fed) is set to meet later this week as investors speculate when the central bank could cut rates. We believe the Fed will decline to cut its policy rate at this meeting, but may begin easing as early as July. The advent of an easing cycle will remain data dependent, and this chart highlights why the Fed could make the case for cutting rates by Fall 2019. Unit labor costs have weakened in 2019 and may presage stagnant inflationary pressures. If inflation remains soft and job creation continues to decelerate, a potentially potent combination of weakening corporate profits and slower GDP growth could be the lynchpin for a Fed rate cut.

Core CPI & Business Sector: Unit Labor Cost

%Change YoY, SA, As of 10/31/2019



Source: Bureau of Labor Statistics / Haver Analytics

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