The Daily Dish

Thursday's Data Dump

DOUGLAS HOLTZ-EAKIN | JULY 31, 2026

Yesterday at 8:30 a.m., a flood – maybe not a tsunami, but a flood – of data was released by the statistical agencies. The warmup act was new claims for unemployment insurance (UI), which rose to 197,000 from 187,000 the week before. As it turns out, the 187,000 claims was the lowest number since September 1969. Eakinomics marvels at the consistently low number of new claims for UI.

Next up was the first read on gross domestic product (GDP) for the second quarter (April to June) of 2026. The top-line growth of the economy was 1.5 percent, which is a disappointing number. But personal consumption expenditures grew at a rapid annual rate of 3.2 percent, and showed strength across the board – durable goods, non-durable goods, and services. Meanwhile, non-residential fixed investment powered along at 8.4 percent (annual rate). In short, households and businesses were spending robustly.

What happened to produce 1.5 percent? A surge of imports attempting to beat the imposition of the president's new tariffs subtracted 1.5 percentage points from growth, while a (likely transitory) dip in inventories cut off another 0.7 percentage points. In short, real growth was quietly very solid.

A note of bad news in the GDP report was that the GDP price index rose at an annual rate of 5.7 percent. This bad news on the inflation front was the introduction to the final data release: Personal Income and Outlays for June, which contains the Federal Reserve's preferred measure of inflation, the personal consumption expenditures (PCE) price index.

At first glance, the inflation data would appear to be a cause for (modest) celebration. Top-line PCE inflation for the month was -0.1 percent and year-over-year inflation declined from 4.1 percent to 3.7 percent. This was expected because of the sharp decline in global oil prices, and energy prices more generally, in June. But core (non-food, non-energy) PCE inflation was only 0.1 percent, which translated into year-over-year core inflation falling from 3.4 percent to 3.3 percent.

But there are two observations that put this in perspective. Even at 3.3 percent, core inflation is still a long way from the 2.0-percent target. So, no popping of champagne corks just yet. Moreover, the decline in the core inflation is a bit mysterious.

Just as in the consumer price index (CPI) data for June released earlier this month, the slowdown in core inflation is heavily influenced by a sharp drop in shelter (housing) inflation. As shown in the chart below, over the past year shelter inflation has been 3.2 percent or 3.3 percent. Over shorter horizons, the past 9, 6, or 3 months, it is sharply higher. But in June, shelter inflation collapses to under 2 percent – nearly 1 percent in the CPI data.

Why? Eakinomics has no clue and no faith that it will last. Until there is a consistently lower read on core inflation, the jury remains out.

What is the upshot? The U.S. economy has an inflation problem. Period.