



## The Daily Dish

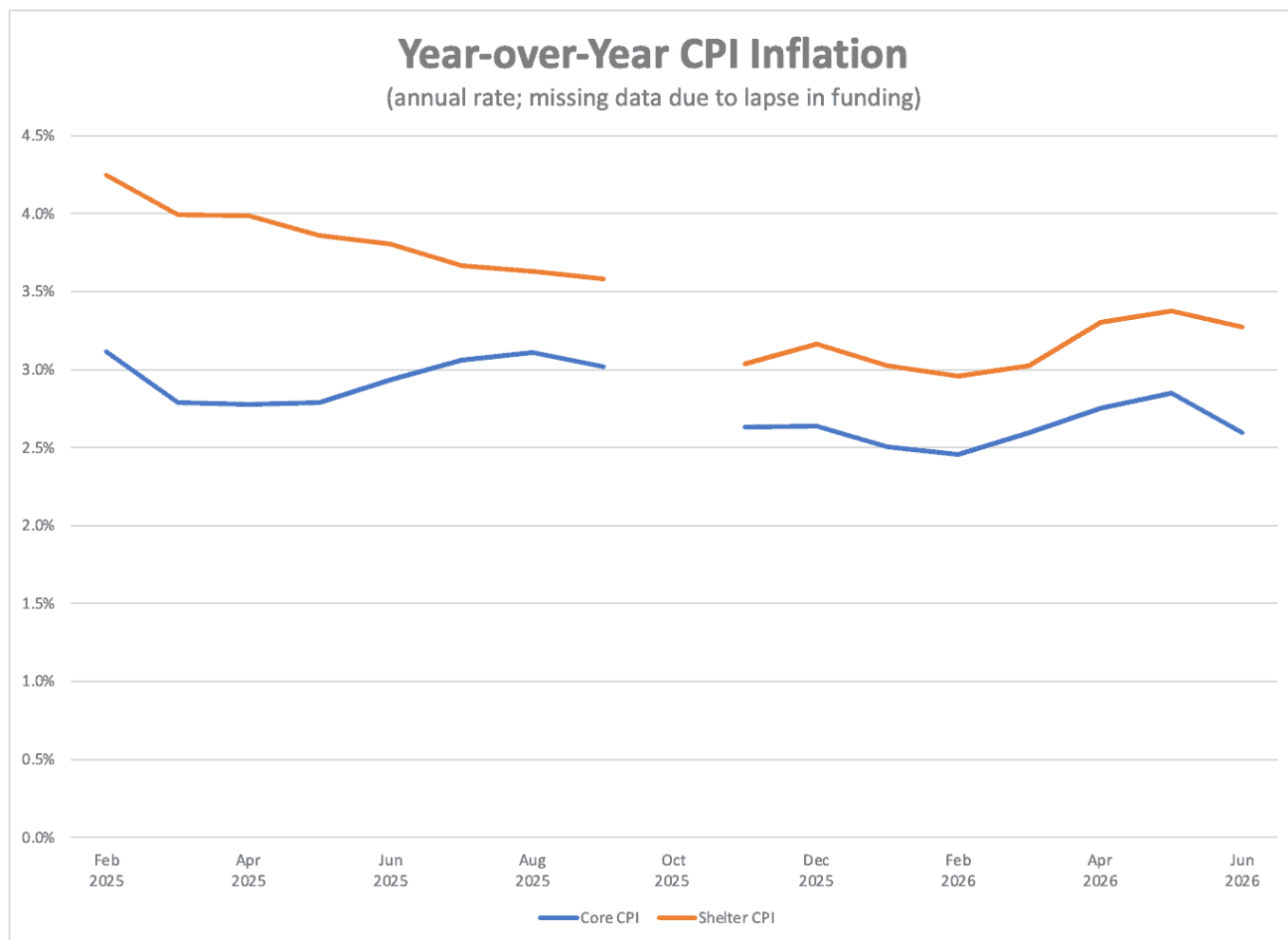
# Where Did the Inflation Go?

DOUGLAS HOLTZ-EAKIN | JULY 15, 2026

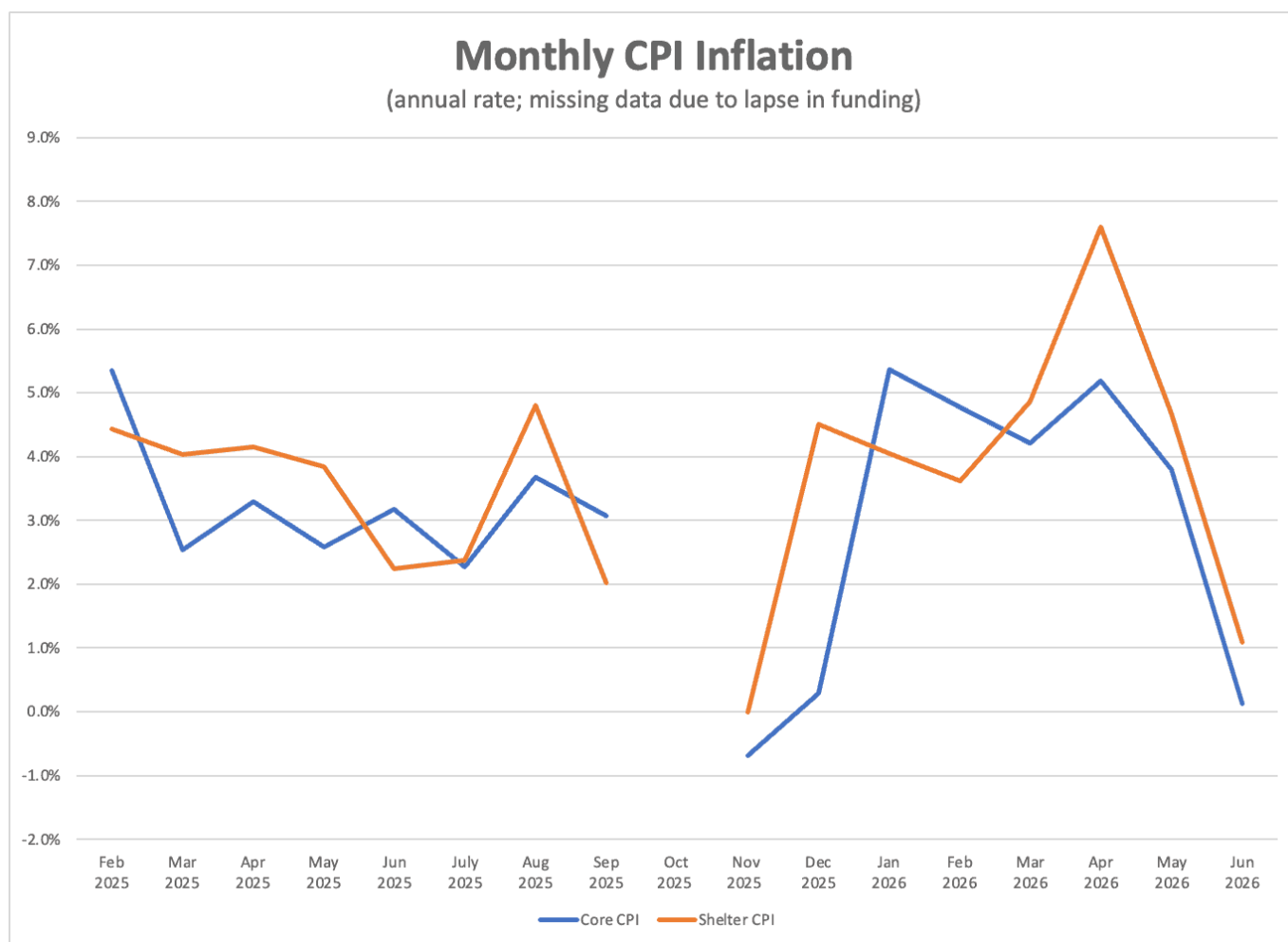
The Bureau of Labor Statistics yesterday released the Consumer Price Index (CPI) data [for June](#) and it was quite a surprise. Top-line inflation for June (annualized) was -4.1 percent. That's right, negative four point one, which brought year-over-year inflation down to 3.5 percent. But that's not the surprise. With the — by now ancient history overcome by recent events — cessation of hostilities with Iran, energy prices are down sharply (-45.5 percent at an annual rate). There was no way that top-line CPI would be anything but mild.

The major surprise was that core CPI (non-food, non-energy CPI) inflation was essentially flat for the month, with the result that year-over-year core CPI inflation fell to 2.6 percent (see chart, below). Genuine moderation in core inflation would be a welcome development. But is the decline real and durable?

A quick inspection of the data singles out shelter — house and apartment — inflation as the key contributor to the modest core number. Shelter alone is about one-third of the CPI, so a soft shelter number has a big impact.



And the shelter inflation was certainly soft. Very, very suspiciously soft. It was 1.1 percent at an annual rate in June. If one looks at the chart (below), two very soft numbers are obvious in the recent data. Clearly something odd was happening around the break in the data created by the government shutdown last fall. After the restart, however, shelter inflation averaged 4.9 percent (annual rate) until it suddenly dropped off the table to 1.1 percent in June.



So, do you believe there has been a sharp shift in underlying shelter inflation? If so, Eakinomics will sell you a Kamala Harris deficit reduction plan at a great price. More likely, this is just standard sampling noise in the data that will disappear in future months and in other measures of inflation.

So, yesterday's report was good. But not as good as it seemed at first blush.