



The Daily Dish

June CPI Inflation

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The Bureau of Labor Statistics yesterday released its [report](#) on consumer price index (CPI) inflation in June and it was dismal. Eakinomics has long stipulated that economists are that breed of human who finds the dark cloud for any silver lining. In this report there is no silver lining.

The greatest hits are that top-line inflation was 9.1 percent (year-over-year), up from 8.6 percent in May and (as usual) at a four-decade high. Core (non-food, non-energy) inflation checked in at 5.9 percent, down a disappointing 0.1 percentage points from a month prior. The bundle of necessities – food, energy, and shelter – that comprise one-half of the CPI rose at an 11.3 percent rate, while shelter rose from 5.5 percent to 5.6 percent. Shelter alone is one-third of the CPI, has uninterrupted inflation acceleration since January 2021, and (because of rental contracts) operates with a bit of a lag. It will be an upset victory if it peaks at 6 percent or below.

Now for the fun numbers! Gasoline is up 59.9 percent since June 2021, but fuel oil trumps that with a 98.5 percent inflation rate. But don't grit your teeth, "dental services increased 1.9 percent in June, the largest monthly change ever recorded for that series." 1.9 percent in a month translates to 25.3 percent annually, which can take a bite out of your budget. Interestingly, health spending – which is a notorious cost problem – is much more moderate: Hospital services were up at a 3.7 percent annual rate, physicians' services increased by 1.2 percent, and prescription drugs rose at a 1.2 percent rate. Finally, believe it or not, airline fares declined 1.8 percent (23.8 percent annual rate) in June.

From a policy perspective, the report locks in another 75 basis point rise in the Fed's policy rate at its next meeting (with a 50/50 chance it goes for a full 100 basis points). The White House was out in advance of the report arguing that it would not reflect recent declines in global oil and gasoline prices. True enough, but that is an argument that the July top-line will be lower. It does not hold out any promise for moderating inflation in shelter and other services that would give the Fed reason to pause.