



Insight

Which Way Prices?

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The Labor Department announced today that core consumer prices rose 0.2 percent in June. Including volatile food and energy, top-line prices fell by 0.1 percent.

The key implications of today's report:

- The housing component of CPI rose for the second straight month. This is consistent with the housing market having bottomed.
- The downward pressures on commodities continue to weaken the top line. This will dissipate with stronger global growth and the end of "flight-to-safety" firming of the dollar.
- The core CPI implies annual inflation of 2 percent or more.

The bottom line: Discount the chatter about a "double dip" and "deflation." These remain remote possibilities. Growth and inflation remain subdued, but a private-sector-driven recovery is underway and should be supported by better long-term, pro-growth policies.