

Inflation Posts Biggest Monthly Drop in Four Years

Consumer prices fell sharply in June, posting the largest monthly decline in four years, but economists and federal officials warned Tuesday that renewed U.S. military action in Iran could quickly reverse the progress.

The Labor Department reported that prices dropped 0.4% in June compared with May, according to the Associated Press via ABC News. Year-over-year inflation fell to 3.5%, down from 4.2% in May and below most economists' forecasts. It was the first monthly price decline in nearly four years.

Gas prices drove most of the improvement. Pump prices peaked in late May before falling nearly 20% through most of June. Lower fuel costs also pulled down airfares and shipping costs for groceries and other consumer goods. Used car prices and clothing costs also dropped.

"Prices fell 0.4% in June," the Labor Department confirmed in its Tuesday report.

The relief, however, may be short-lived. On Monday, oil prices jumped 9.6% after President Donald Trump announced a new naval blockade of Iranian ports and U.S. military strikes resumed against Iranian air defense systems in the Strait of Hormuz. Brent crude, the international standard, settled at \$ a barrel. Gas averaged \$ a gallon nationwide as of Monday, already up 7 cents from the prior week.

Core inflation, which strips out food and energy, was flat in June on a monthly basis. Year-over-year, core prices rose 2.6%, down from 2.9% the month before. The Federal Reserve targets 2% inflation.



Order Jonathan Cahn's New Book, "The Altar of Pergamon" on !

The Fed's June policy minutes showed policymakers deeply divided. About half favor raising interest rates before year's end to stamp out remaining price pressures. The other half prefer to wait and see whether the June drop reflects a genuine cooling trend. Those minutes were written before the renewed Iran fighting began.

Fed Governor Christopher Waller said Monday he was concerned about the direction of core prices, noting they had climbed from 3.0% last December to 3.4% in May under the Fed's preferred measure. He warned that another elevated reading this week could force the central bank to tighten policy.

"If we get another hot reading on core inflation this week, then the Fed will need to consider tightening monetary policy in the near term," Waller said in a speech in New York.

Fed Chair Kevin Warsh, who took over in May, has said the central bank is "tightly focused" on returning inflation to its 2% target but has declined to signal whether rate hikes are coming.

Other price pressures are not easing. World Cup matches hosted across 11 U.S. cities in June likely lifted hotel prices. Restaurant meals, healthcare, and entertainment costs are all still rising faster than pre-pandemic norms. A New York Fed survey found that nearly half of regional businesses that have paid tariffs plan to raise prices further.

Walmart last week announced price rollbacks on thousands of items including ground beef, potato chips, and toys. Trump praised the move on social media, though Walmart's announcement did not credit the administration.

Gas prices remain well above their pre-Iran-war level of around \$ a gallon. With the Strait of Hormuz again contested, analysts expect oil prices to stay elevated through the

summer, which would push pump prices higher and likely reverse much of June's improvement in the August CPI reading.

This article originally appeared on American Faith and is reposted with permission.