

PCE

Fed's Preferred Inflation Gauge Cools but Remains Elevated

The inflation gauge tracked by the Federal Reserve cooled in June but remains well above the central bank's 2% target, a challenge that has animated keen speculation about how the Fed is likely to respond under new Chairman Kevin Warsh.

The price index of personal- consumption expenditures declined by 0.1% last month as lower energy prices helped pull down the overall price level, the Commerce Department said Thursday.

That yielded a 12-month PCE inflation rate of 3.7%, a decline from 4.1% in May.

Setting aside volatile food and energy categories, a 0.1% price increase in June gave rise to a 12-month core PCE inflation rate of 3.3%, slightly cooler than the 3.4% recorded in May.

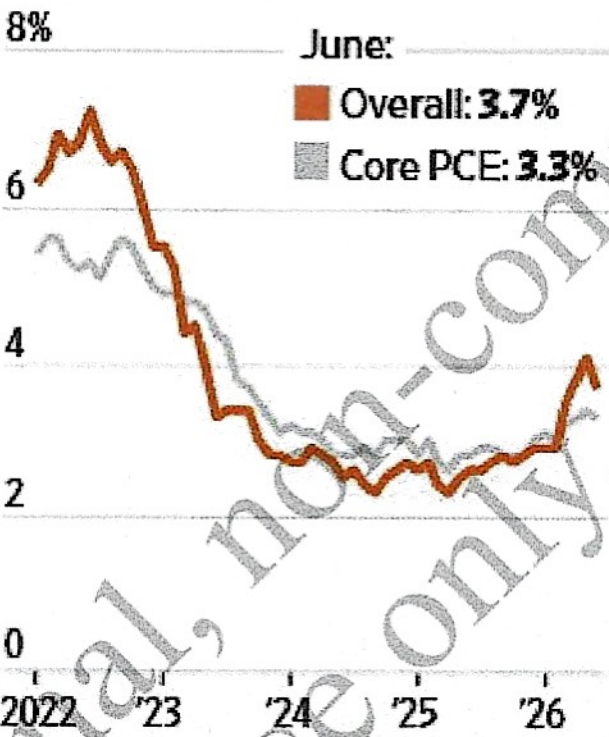
Thursday's report also showed that Americans' personal income rose by 0.2% month over month in June, a hair below the 0.3% that economists polled by The Wall Street Journal had anticipated.

Consumer spending climbed by 0.3% last month, in line with expectations.

—Matt Grossman

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PCE price index, change from a year earlier



Note: Seasonally adjusted. Core prices exclude food and energy.
Source: Commerce Department via St. Louis Fed

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