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U.S. producer prices drop 0.3% from May to June

ECO

Note

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WASHINGTON · U.S. wholesale inflation fell from May to June on plunging energy prices, but intensifying hostilities with Iran are clouding the outlook.

The Labor Department reported Wednesday that its producer price index — which captures inflation before it reaches consumers — dropped 0.3% from May, the biggest decline since April 2025 and a reversal from a 0.6% uptick the month before. Compared to a year earlier, wholesale prices were up 5.5% in June, decelerating from a 6% increase the month before. Gasoline prices plunged 12% in June but are still up nearly 43% from June 2025, pushed higher by the Iran war. Food prices also dipped in June.

Excluding volatile food and energy prices, so-called core wholesale prices were up 4.7% from June 2025 and 0.2% from May.

The producer price report came out a day after the Labor Department said consumer prices dropped 0.4% from

May to June, the biggest monthly drop in four years. Compared to a year earlier, they were up 3.5% last month, down from 4.2% in May. The June inflation numbers were much cooler than forecasters had expected, reducing pressure on the Federal Reserve to raise interest rates this year. Still, inflation is running above the Fed's 2% target.

In his first appearance before Congress since becoming Fed chair May 22, Kevin Warsh said Tuesday that the central bank has "no tolerance for persistently elevated inflation."

Energy prices have ratcheted higher since President Donald Trump on Monday announced a new blockade in the Strait of Hormuz, through which a fifth of the world's oil and natural gas passes.

"There's no near-term pressure on the Fed, but oil is in the driver's seat over the longer term," said David Russell, global head of market strategy at the online brokerage TradeStation. "Energy saved the day in June, but that might become ancient history if the Strait of Hormuz doesn't open soon."

Wholesale prices can offer an early look at where consumer inflation might be headed. Economists also watch it because some of its components, notably health care and financial services, flow into the Fed's preferred inflation gauge — the personal consumption expenditures, or PCE, index.