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3pc IN JUNE

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WASHINGTON: United States consumer inflation cooled last month to its lowest rate since early 2021, according to government data released on Wednesday — an encouraging sign for policymakers battling cost-of-living pressures.

The key inflation gauge, the Consumer Price Index (CPI), rose three per cent last month from a year ago, the smallest increase since March 2021 and down from four per cent in May, said the Labour Department.

While US Federal Reserve (Fed) officials have signalled that further rate hikes were likely needed to bring inflation back to their two per cent target, the CPI report will heighten market

doubts about the number of additional increases needed down the line.

"Today's report brings new and encouraging evidence that inflation is falling while our economy remains strong," said President Joe Biden in a statement, lauding the progress made while maintaining low unemployment.

In a further positive sign, Labour Department data showed

that the monthly "core" rate — excluding the volatile food and energy components — came to its lowest reading since late 2021, at 0.2 per cent.

Wall Street stocks surged after the report, closing higher on hopes that inflation can come down without the world's biggest economy tipping into a recession.

"The economy is defying predictions that inflation would not fall absent significant job destruction," said National Economic Council director Lael Brainard in remarks to the Economic Club of New York.

Key parts of inflation highlighted by Fed chair Jerome Powell have "slowed

to end the second quarter", said Rubeela Farooqi, chief US economist at High Frequency Economics.

"While inflation remains elevated, the deceleration will be welcome news to policymakers."

But these data were unlikely to change the outcome of a Fed meeting later this month, with a hike of 25 basis points the most likely outcome, she said. **AFP**

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JOE BIDEN
United States president