# Fed Chairman Powell: Next six months critical for inflation

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Federal Reserve Chairman Jerome Powell on Wednesday downplayed the recent string of high readings of inflation, telling Congress that price pressures will still likely abate.

On Tuesday, figures from the Bureau of Labor Statistics showed the Consumer Price Index increasing by 5.4% on a year-over-year basis in June, the fastest pace since August 2008. A read on producers also showed prices accelerating to the largest annual increase in over a decade, testing the Fed on its commitment to only let inflation "moderately" overshoot its 2% inflation target.

"Right now of course inflation is not moderately above 2%, it is well above 2%. It's nothing like 'moderately,'" Powell told the House Financial Services Committee in testimony on Wednesday.

But Powell said the question is whether or not inflation will move down six months from now, which remains his expectation.

"It will depend on the path of the economy, it really will," he said.

Powell acknowledged that inflation data has come in higher than expected and did not rule out the possibility that those price pressures could be more persistent than expected.

But the Fed chief pointed to used car and truck prices as evidence of the "transitory" nature of higher inflation readings. The BLS noted that prices in that category increased by 10.5% just between May and June, which the government agency said accounted for more than one-third of the rise in the seasonally adjusted inflation figures.

“It’s just a perfect storm of high demand and low supply. And it should pass. Unless we think there's going to be a multi-year shortage of used cars in the United States, we should look at [high inflation] as temporary,” Powell said.

Powell’s testimony came alongside the Fed’s “Beige Book,” which details economic conditions across the country. The report noted that some business contacts described pricing pressures as temporary, but “the majority expected further increases in input costs and selling prices in the coming months.”

For the Fed, the next major policy question is when to begin slowing its pace of asset purchases. Since the depths of the pandemic, the Fed has been purchasing about $120 billion a month in U.S. Treasuries and agency mortgage-backed securities.

The Fed chairman said more details on when the Fed may slow the pace of so-called “quantitative easing” could come in the Fed’s next policy-setting meeting on July 27 and 28.

“We don’t want to surprise markets or the public, and we will provide lots of notice as we go forward on that,” Powell said.

The Fed chairman will return to Capitol Hill to testify in front of the Senate Banking Committee on Thursday morning.