

The LRC Economist

Inflation: June 2025 to June 2026



Definitions:

Seasonality

The tendency for economic activity to follow recurring patterns throughout the year, resulting in predictable fluctuations in production, demand, or prices.

Consumer Demand

The quantity of a good or service that consumers are willing and able to purchase at various prices; demand can shift due to factors such as weather, income, and seasonal activities.

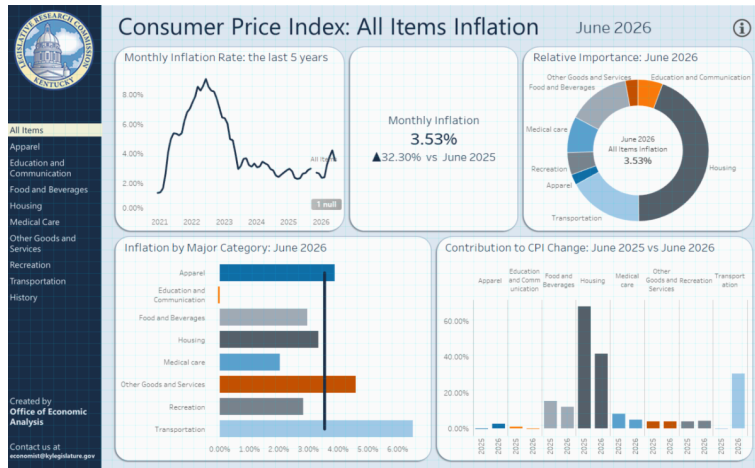
Overall Inflation

Another term for the CPI-U All Items Inflation. This measures the average change over time in prices paid by urban consumers for a "market basket" of goods and services.

Seasonally Adjusted Inflation

A measure of inflation that has removed predictable, recurring, annual fluctuations from price data. It is used to identify the underlying, non-seasonal trend in inflation by adjusting for expected monthly variations.

The Summer Budget Squeeze



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Summer often brings changes to more than just weather. Rising temperatures can influence household spending as air conditioners run longer, grocery carts fill with seasonal foods, and outdoor activities become more common. These seasonal spending patterns occur alongside inflation, with the **overall Consumer Price Index (CPI) increasing 3.5%** from June 2025 to June 2026. While overall inflation provides a broad measure of price changes across the economy, individual categories often follow different patterns throughout the year. Some price movements reflect underlying inflationary pressures, while others are driven by recurring seasonal factors such as weather, agricultural production, holidays, and shifts in consumer demand. This issue examines how seasonal factors affect household budgets and why economists account for these predictable patterns when interpreting inflation data.

Seasonality and Inflation

Seasonality refers to the predictable patterns in economic activity that occur at roughly the same time each year due to recurring factors such as weather, holidays, or **consumer demand**. As temperatures rise during the summer, households tend to use more electricity, purchase seasonal foods, and spend differently than they do during other times of the year. Because these changes occur regularly, economists recognize them as recurring, seasonal patterns instead of underlying changes in the economy.

To account for these recurring fluctuations, the Bureau of Labor Statistics (BLS) publishes many CPI series in both seasonally adjusted and non-seasonally adjusted forms. Seasonal adjustment uses statistical techniques to remove the effect of predictable seasonal patterns, allowing month-to-month changes to better reflect underlying price movements. In contrast, non-seasonally adjusted data include these expected fluctuations and are often used for year-over-year inflation comparisons.

Keeping Cool

Homeowners and renters alike are no strangers to higher energy bills during the summer. As temperatures rise, air conditioners work harder, increasing household electricity use and monthly utility costs. In addition to higher seasonal consumption, electricity prices have also changed over the past year. According to the Consumer Price Index (CPI), electricity prices increased 4.0% from June 2025 to June 2026, on an unadjusted basis.

Electricity provides a practical example of how seasonality influences the economy. Each summer, higher temperatures lead to increased demand for cooling, creating a predictable pattern in household electricity consumption. Because electricity prices follow predictable seasonal patterns, the Bureau of Labor Statistics seasonally adjusts the monthly CPI electricity index to remove these recurring effects. The seasonally adjusted electricity index fell 0.7% from May to June, indicating that electricity prices declined after accounting for normal seasonal patterns. Separately, on an unadjusted basis, electricity prices remained 4.0% higher than they were a year earlier.

Although consumers often experience higher electricity bills during the summer, those increases are not always the result of accelerating inflation. Monthly utility costs reflect both the price of electricity and the amount consumed. Understanding this distinction helps place seasonal increases in context and illustrates why economists look beyond individual price movements when assessing overall inflation.

Backyard BBQs

Summer also often means gathering outdoors with family and friends, making backyard barbecues a seasonal staple. As demand shifts toward grilling favorites and fresh produce, prices for these items can fluctuate throughout the year. While **overall inflation** influences food prices, seasonal factors such as harvest cycles and changing consumer demand also helps shape the cost of a summer cookout. Below summarizes inflation trends for common cookout items from June 2025 to June 2026, on an **unadjusted basis**:

Uncooked ground beef: 12.4%

Frankfurters (hot dogs): 7.2%

Fresh fruits: 2.0%

Fresh vegetables: 9.9%

Unlike electricity, which tend to change gradually through utility rate adjustments, seasonal food prices are influenced more directly by consumer demand and agricultural production. Fresh fruits and vegetables naturally experience seasonal changes in availability, while demand for grilling staples often increases during the summer months. These recurring patterns illustrate why economists distinguish between temporary seasonal fluctuations and broader inflation trends when evaluating price changes.

Fuel costs can also affect food prices. Because transportation is an important input in the food supply chain, changes in gasoline and diesel prices can influence distribution costs, which may, in turn, affect the prices consumers pay at the grocery store.

Putting Prices into Perspective

While summer often brings higher electricity bills and changing food prices, these shifts are not always signs of changing economic conditions. Many are the result of predictable seasonal patterns that occur year after year. By considering both seasonally adjusted and unadjusted data, economists can distinguish temporary seasonal fluctuations from underlying inflation trends, providing a clearer picture of how prices are changing over time.

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