

Current Economic News

The Federal Reserve Predicts Increased Inflation

June 18, 2026, by Laura Neis

Yesterday, the Federal Open Market Committee (FOMC) met, and determined to [maintain](#) the target rate of 3.5-3.75 for the Federal Funds Rate (FFR). However, this was not the only thing that they released. Some people do not know that as well as determining the range for the FFR, the FOMC makes [projections](#) for several variables.

These projections are made by each member of the Federal Reserve Board, and Federal Reserve Bank presidents. They predict the annual percentage change in real GDP, the unemployment rate, PCE inflation, and core PCE inflation. The range of the predictions is published, as well as the central tendency (excluding the three highest and lowest projections), and the median of the projections.

The median projection of PCE inflation (measuring percentage change from the fourth quarter of the previous year to the fourth quarter of the year indicated) jumped significantly between the March projection and the June projection. It followed an upward trend from the projections made in December of 2025.

PCE Inflation			
Projection Date	2026	2027	2028
December 2025	2.4	2.1	2.0
March 2026	2.7	2.2	2.0
June 2026	3.6	2.3	2.0

The reason for the sharp increase in projected inflation is clear: the high cost of gasoline stemming from the conflict in the Middle East. The FOMC predicts that this will cause inflation to spike to 3.6% over the course of 2026. This is a jump of almost 1% from their prediction only three months ago.

Fortunately, the FOMC predicts that this inflation will be short-lived. They see inflation dropping down to 2.3% in 2027, when gasoline prices decline.

However, the projection for core PCE inflation tells of a more painful, long-term inflation.

Core PCE Inflation			
Projection Date	2026	2027	2028
December 2025	2.5	2.1	2.0
March 2026	2.7	2.2	2.0
June 2026	3.3	2.5	2.1

Core PCE inflation excludes food and energy, and is therefore unaffected by the spike in gasoline prices. However, it shows the trickle-down effect that the increase in gasoline prices might have. With the rise in gasoline prices, the cost of raw materials will increase. This will lead to higher inflation of 2.5% even after gasoline prices begin to return to baseline in 2027. Furthermore, the FOMC predicts a 2.1% for core PCE in 2028, which is something they seek to avoid. As the Federal Reserve’s goal is to achieve an inflation of 2.0% over time, they usually pursue policies that allow them to predict a long-term inflation rate of 2.0. The rise in gasoline prices and subsequent increase in prices across many industries will likely continue to impact inflation for the next two years.