All Signal, No Noise

MARKET ANALYSIS

U.S. CPI Preview: Aug 2025

MNI View: High Early Bar To September Fed Hold

Aug 11, 2025 – By Chris Harrison and Tim Cooper

SUMMARY

- The CPI report for July is released on Tuesday Aug 12, at 0830ET. Consensus sees core CPI inflation at a seasonally adjusted 0.3% M/M in June and unrounded analyst estimates broadly echo this with a median 0.32% M/M.
- It would mark a further acceleration from 0.23% M/M in June and 0.13% M/M in May for its fastest pace since January, with the latest firming seen coming from core goods inflation doubling to 0.4% M/M.
- Headline CPI meanwhile is seen at 0.2% M/M (MNI median 0.24% M/M) with a gasoline drag.
- This should start to be a better month to assess tariff passthrough, with rough consensus of three months from tariff implementation to consumer price adjustments, but the fall months could see the largest impact.
- The July PPI report isn't until Thursday, with early tracking of core PCE estimates at 0.31% M/M implying little net impact from PPI details. That would be an acceleration from 0.26% M/M in June.
- Fed Funds futures currently price 22bp of cuts for the next FOMC meeting in September after the huge downward revisions in the July nonfarm payrolls report less than two weeks ago.
- We see more sensitivity to a downside surprise in July CPI, particularly in core goods components seen sensitive to tariffs. That would set up a replay of the 2024 episode in which after holding in July, the FOMC cut 50bp in Sept (a decision which was, going into the meeting, a "close call" vs 25bp) after a July jobs report saw the u/e rate rise by 0.2pp to 4.25%, even as core PCE appeared to stabilize at 2.6/2.7% Y/Y.
- There is however the August round for NFP and CPI reports before then, with both coming after Fed Chair Powell's Jackson Hole appearance. We also await Trump's new BLS commissioner pick.

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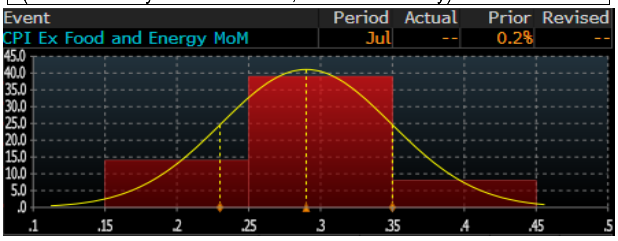
Core CPI Inflation Seen Accelerating Again To 0.32% M/M

	June *actual*	July *MNI consensus*
Core	0.23%	Median 0.32%
Headline	0.29%	Median 0.24%
Core Y/Y	2.93%	3.0%, av 3.02%
Headline Y/Y	2.67%	2.8%, av 2.77%
(M/M taken only from unrounded, Y/Y more broadly)		



- Consensus sees core CPI inflation at 0.3% M/M SA in July with analyst unrounded estimates marginally biased higher (median 0.32%) vs last month's firmer dovish skew.
- It follows 0.23% M/M in June, driven by core goods (analysts eyeing 0.4% after 0.20%, helped heavily by an awaited bounce in used cars) but also with some firming in core services (~0.3% after 0.25% M/M).
- This sequential firming in core services is expected to have come from volatile travel-related items with lodging away home stabilizing after a heavy decline and airfares potentially seeing their first increase in six months.
- Along with these component figures, we'll also watch the median of core goods CPI inflation after some weakness in heavily weighted items masked an underlying acceleration.
- Indeed, July should be the latest month with larger passthrough from tariffs, coming three months after the reciprocal tariff announcements. There should be larger impacts still to come in the fall but a lack of sizeable goods strength at this point will start to be indicative of softer underlying demand.
- Core CPI is seen firming a tenth to 3.0% Y/Y after 2.93% Y/Y in June and three months at 2.8% (lows since Mar 2021), broadly echoing other inflation metrics of stabilization at above-target rates.
- Headline CPI meanwhile is seen a little softer at 0.24% M/M owing to a gasoline-driven drag.

Summary of Analyst July Inflation Expectations

	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Supercore M/M	Core goods M/M	used cars M/M	apparel M/M	Core services M/M	OER M/M	rents M/M	lodging M/M	airfares M/M	auto ins. M/M	Food M/M	Energy M/M	gasoline M/M
June	322.561	2.67	2.93	0.29	0.228	0.21	0.20	-0.67	0.43	0.25	0.30	0.23	-2.9	-0.1	0.1	0.33	0.95	1.01
Jul (median)	323.274	2.77	3.00	0.22	0.30	0.31	0.39	0.30	0.50	0.29	0.28	0.25	0.06	1.50	0.10	0.27	-0.65	-2.2
Jul (mean)	323.252	2.76	3.02	0.23	0.30	0.30	0.38	0.24	0.44	0.29	0.28	0.26	-0.03	1.46	0.20	0.25	-0.60	-2.2
Bbg consensus	323.286	2.8	3.0	0.2	0.3													

Analyst Expectations Of Key Sequential Drivers: Used Cars and Travel Services To Lead Firming

Core CPI sequential drivers in July are expected to come from used cars increasing modestly after a weak run plus travel-related services with lodging away from home pausing after declining and airfares increasing after broadly pausing.

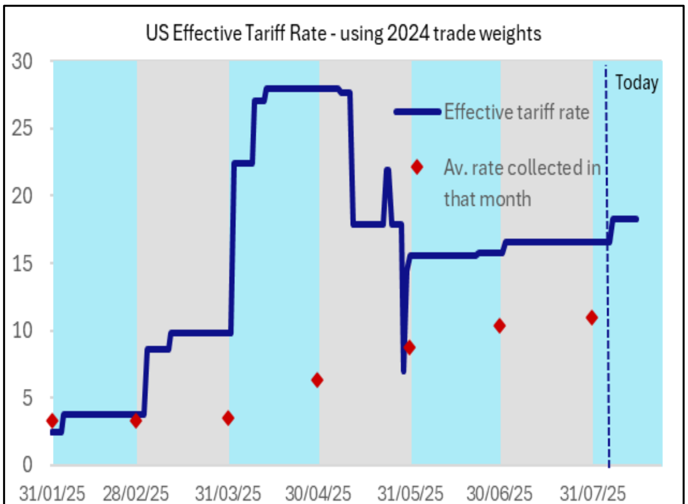
* denotes a PPI-equivalent feeds into core PCE instead, with any surprises likely to be ultimately downplayed

- **Lodging away from home (+ve)**: Seen broadly unchanged on the month after a heavy -2.9% M/M in June that subtracted -0.05pps from core CPI.
- **Used cars (+ve)**: There's a reasonable range of estimates for used car prices in July, from -0.5% to +0.7% but they all are stronger than the -0.7 M/M seen in June. The average estimate is 0.24% M/M after four months averaging -0.6% M/M.
- **Airfares* (+ve)**: Seen rising 1.5% M/M after -0.1% in June following a period of prolonged, large declines with an average -3.7% M/M through Feb-May. The range of views of -0.4% to 2.5% is one of the narrower in recent months.
- **Apparel (neutral to small +ve)**: Median of 0.5%/average 0.44% having accelerated to 0.43% M/M in June from a surprisingly soft -0.4% M/M in May.
- **Vehicle insurance* (neutral to small +ve)**: Once again only three estimates this month with a decent range of -0.1% to 0.6% M/M. The average of 0.2% M/M would be a slight acceleration from the 0.1% in June but it's a category that can swing from month to month with a sizeable 3.5% weight in core CPI.
- **Rents (neutral)**: Owners' equivalent rent (OER) seen dipping to an average 0.28% (range 0.25-0.30) after 0.30% in June, but with primary rents firming to an average 0.26% (range 0.22-0.34) after 0.23%.
- **Non-core: Food (small -ve)**: Food price inflation is seen easing to 0.25% M/M in July after 0.33% M/M. Food away from home has continued a robust run recently, with 0.40% M/M in June and a 1H25 average of 0.36% (feeding into core PCE but not CPI). Food at home meanwhile has seen two months averaging 0.27%.
- **Energy (-ve):** Energy prices are seen falling circa -0.6% M/M after a 0.95% increase in May, driven by a more than 2% M/M decline in seasonally adjusted gasoline prices.

Still Some Way For Full Tariff Impact To Show On Prices

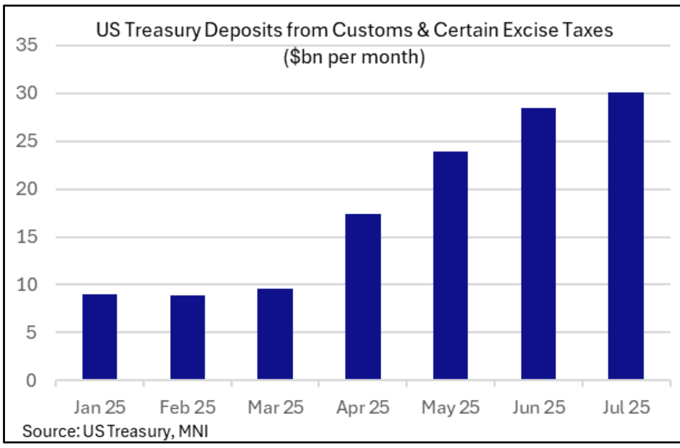
July should more meaningfully show the impact from the implementation of April reciprocal tariffs, with a rough consensus of three months from tariff implementation to more notable consumer price increases. That factors in the time taken for shipments, a front-loading of imports that built up inventories and points including importers using the automatic payment transfer system being able to delay their tariff payments for up to 1.5 months. This three-month period has been cited by FOMC members such as Cleveland Fed's Hammack and was also in the most recent Beige Book with "Contacts that plan to pass along tariff-related costs expect to do so within three months."

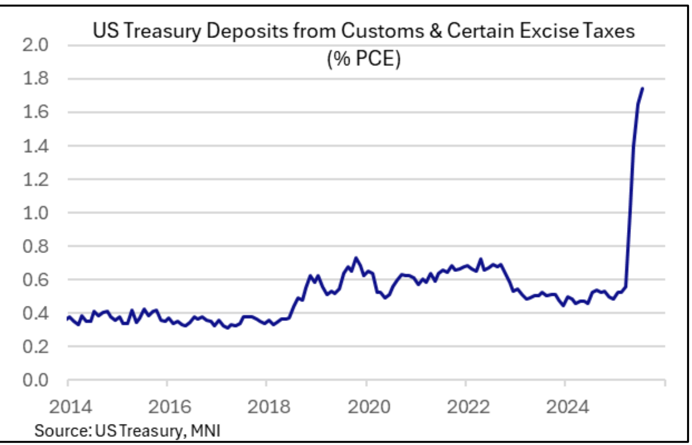
That said, latest monthly tariff revenue for July suggests we're still some way off seeing the full impact from tariffs on prices. The effective tariff rate currently stands at 18.3% according to Yale Budget Lab calculations (pre-substitution, i.e. keeping trade shares constant). In contrast, the $30bn of Treasury deposits from customs and certain excise duties in July was worth 11.0% of goods imports in 2024. That's up from 10.3% in June, 8.7% in May, 6.3% in April and 3.0% in Dec 2024 prior to the second Trump administration to give a sense of baseline. (Note that this 11.0% rate would be 10.3% if using a 12mth sum up to latest data for June owing to the sharp rise in imports in 1Q25. This dynamic approach with recent data can be misleading).



Collected rate is based on Treasury deposits from Customs and certain excise duties
Source: US Treasury, Yale Budget Lab and MNI.

Alternatively, these tariff revenues in July were worth ~1.7% of overall personal consumption expenditure, an increase of 1.3pp under the Trump administration so far. Of course, this doesn't give insight into burden sharing across importers, businesses and consumers.

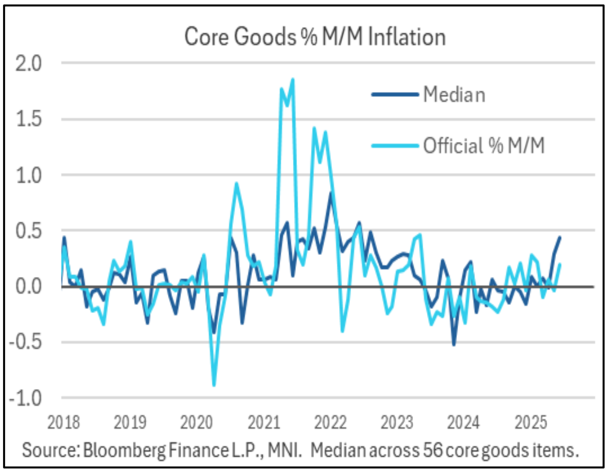




On the former, June US import prices showed a partial correction stronger for those from China after what had looked like some taking of a tariff hit in April and May (implied by lower than usual import prices), but import prices more generally haven't shown much concession. However, it's still early to see evidence in the post-reciprocal tariff period so the Chinese-specific data could for now at least be more representative. NEC Director Hassett said on Aug 4 that data shows tariffs are being borne by foreign producers, although admittedly the extent to which they're being borne is vague in that headline.

Goldman Sachs have written in more detail on tariff passthrough. Writing "at this early stage" relying primarily on evidence from the initial tariff increases on imports from China rather than the April "reciprocal" tariffs:

- "We find that US import prices on tariffed goods have declined somewhat, suggesting that foreign exporters have absorbed some tariff costs by lowering their export prices to the US, unlike during the 2018-2019 trade war."
- They find that a 1pp increase in the product-level tariff rate led to a 0.25% decline in import prices over the first three months of implementation, with minimal impact thereafter. "Our estimates imply that foreign exporters had absorbed 14% of the cost of all tariffs implemented so far through June, but that their share will rise to 25% if the more recent tariffs follow the same pattern as the earliest tariffs on China."
- "We find that US consumers had absorbed 22% of tariff costs through June but that their share will rise to 67% if the recent tariffs follow the same pattern as the earliest ones. This implies that US businesses have absorbed more than half of the tariff costs so far but that their share will fall to less than 10%."
- "Our analysis implies that tariff effects have boosted the core PCE price level by 0.20% so far. We expect another 0.16% impact in July, followed by an additional 0.5% from August through December. This would leave core PCE inflation at 3.2% year-over-year in December, assuming that the underlying inflation trend net of tariff effects is 2.4%."

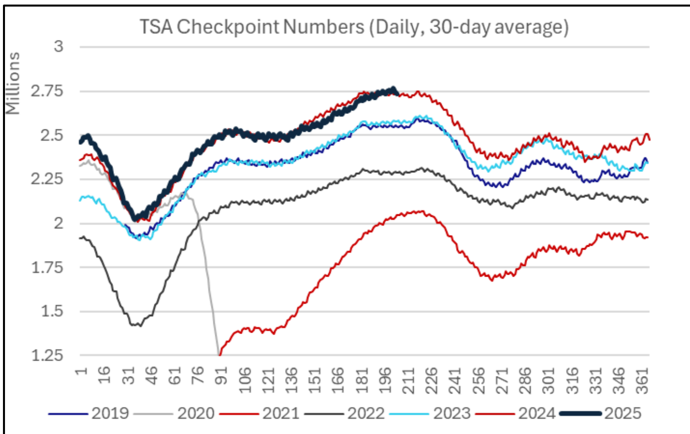


We'll continue to watch our estimate of median core goods inflation. It increases to 0.44% M/M in June after 0.29% in May and -0.01% in April for a marked acceleration. For context, this median averaged 0.32% in 2021 and 0.39% in 2022 and peaked at 0.84% in Jan 2022.

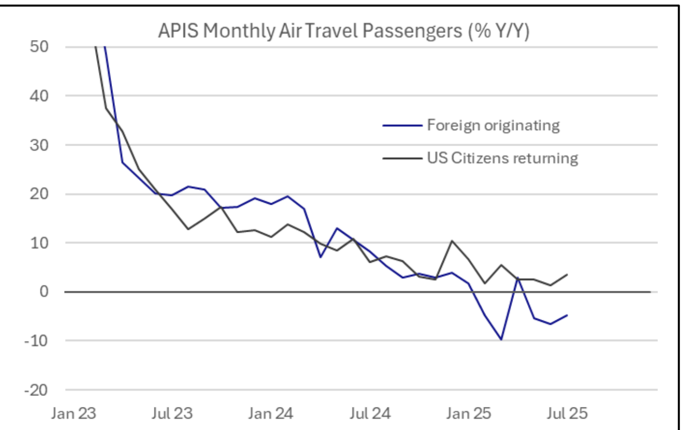
As for latest FOMC commentary on tariff passthrough, St Louis Fed's Musalem ('25 voter, hawk) meanwhile in Q&A last week: "In terms of passing on tariffs, what we're hearing is that […] companies that are actually importing goods are passing on 100% of the tariff increases. But downstream companies that are closer to the consumer feel that they're less able to pass on the tariffs because the consumer would react to that by reducing their demand. So there's a range of experiences in terms of how much of the higher tariff costs are going to be passed on to consumers." That came with remarks where he acknowledged that the Fed may miss on both sides of the mandate but he didn't sound too concerned about the labor market (noteworthy given the weak July payrolls report) albeit he sees risks to the downside. And he eyes potential upside tariff-related risks to inflation. As such he doesn't suggest he has any particular lean at this point on the September decision, though he continues to sound as though he not particularly eager to ease policy.

Travel-Related Categories Still Soft But Might Have Seen Peak Disinflationary Impulse

Travel-related prices have been a source of generally larger than expected disinflationary pressure in recent months, although some travel data crudely suggest we might have seen the peak for this sequentially. TSA checkpoint numbers have returned closer to last year’s seasonal pattern after some weakness in prior months. APIS data meanwhile have stabilized at low Y/Y rates with US citizens returning rising 3.6% Y/Y in July (after 1.4% Y/Y in June or 3% Y/Y averaged since February) and foreign originating flights -4.9% Y/Y (after -6.6% Y/Y in June or -5% Y/Y since February).



Source: TSA, MNI. Cropping the pandemic lows

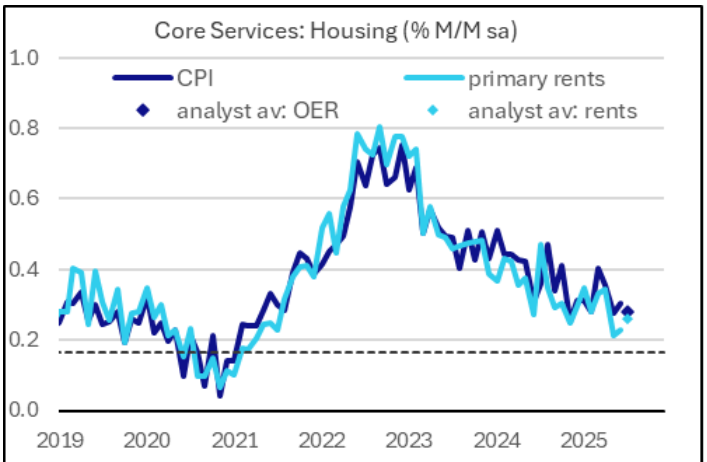


Source: Department of Trade, MNI

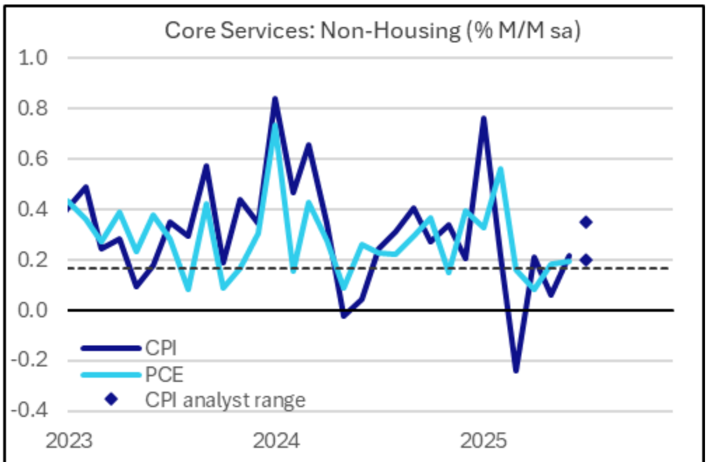
Rental Inflation Seen Holding Return To Pre-Pandemic Pace, Supercore Expected To Firm

These developments in travel-related services are likely to again play a role in determining the market reaction to “supercore” inflation (core services ex OER & primary rents). Supercore inflation is on balance seen firming slightly to a ‘high’ 0.2% after 0.21% M/M in June. It has been a particularly volatile measure so far this year although it has averaged only a little above a rate consistent with 2% annualized inflation at 0.20% M/M in the year to date.

As detailed earlier, OER inflation is seen at a similar pace to its past two months whilst primary rents could accelerate a touch after two softer months. The weighted average of the two has been at or below its average pace from 2019 (0.28% M/M) in four of the past eight months to June (averaging 0.31% M/M) and analyst expectations would see a continuation of this at 0.28% M/M. Some leading indicators point to further moderation ahead although we still caution the fact that the BLS’ quarterly New Tenants’ Rent series tends to be revised higher.



Source: BLS, Analyst notes & MNI. Dotted line is rate consistent with 2%

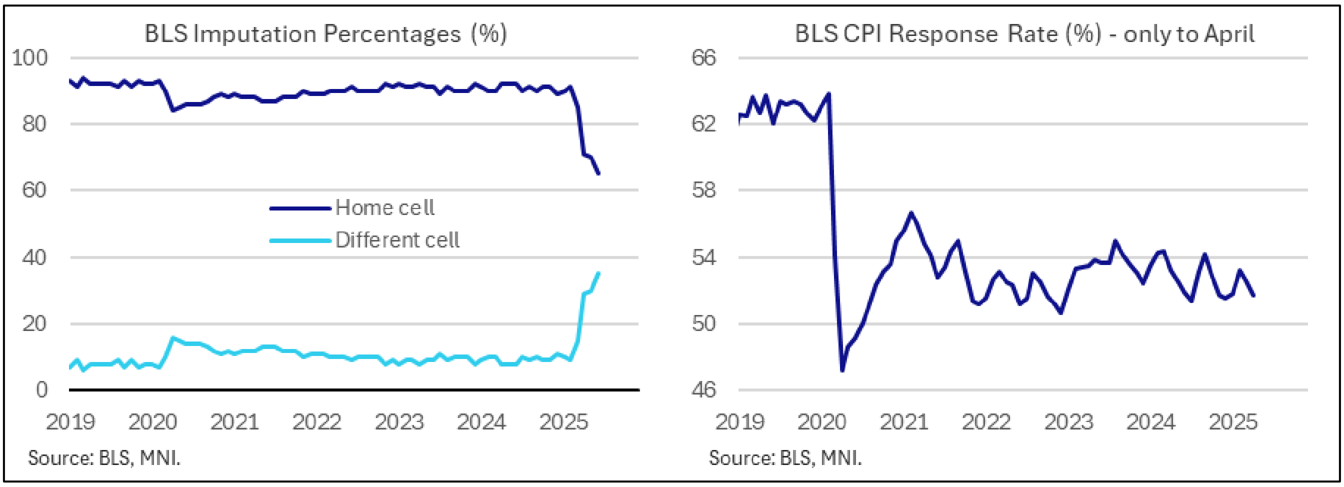


Source: BLS, Analyst notes & MNI. Dotted line is rate consistent with 2%

Data Quality Concerns Even More Pronounced

Questions around data quality accelerated rather than abated last June and are even more pronounced heading into this week's CPI and PPI releases after President Trump's firing of BLS Commissioner McEntarfer after the surprisingly weak July nonfarm payrolls report on Aug 1. Budget cuts have seen an abrupt decline in the BLS's ability to comprehensively collect inflation data. June saw 35% of the basket calculated from alternative sources after two months at ~30% in April/May. This compares with an average 9% through 2024 or a peak of 16% in April 2020 in the depths of the pandemic limiting survey agent activity. Response rates meanwhile remain low – see chart.

One other factor to be aware of this month is a shift in source data for wireless telecoms services. Analysts we have seen reference this such as Deutsche Bank and NatWest don't expect a significant impact but remain aware of any surprises here. NatWest on the matter: "The BLS will switch to alternative data source for the wireless telecommunication services component—within the overall communication services category. The wireless telecommunication services CPI component represents 1.6% of the core CPI and has roughly averaged a flat monthly reading over the last 42 months. […] We are not expecting too much of an initial change in price movements on account of this change but wouldn't rule anything out."



Solid CPI = As-You-Were; Weak Report Could Set Stage For 25 vs 50 Debate In September

- The building impetus for a September Fed cut has been based primarily on evidence of a weakening labor market. The Fed has been kept on the sidelines by expected upward pressure on inflation from tariffs through the summer amid a solid labor market, but July's nonfarm payrolls report and revisions suggests rising risks to the employment side of the dual mandate may warrant a move toward neutral.
- Against that backdrop it's worth considering whether an upside CPI surprise would preclude a September cut. The short answer is no, probably not, at least barring a pair of consecutive upside surprises including the August report in the week before the September meeting which could keep that decision interesting.
- Even so, the strongest proponents of a September cut (Waller, Bowman) argue that tariffs' inflationary impact is transitory, and put more weight on the rising downside activity risk (and their ranks appear to be growing and not shrinking, including recent commentary by non-voters Daly and Kashkari).
- Therefore a reasonably in-line if not above-consensus print shouldn't have too much of an impact on rate pricing. There already appears to be a pretty high bar to hurdle among analysts' forecasts for very solid core goods prices (ie M/M at nearly double June's rate, even if a large part of that is down to used vehicles).
- A more interesting situation would thus be a downside surprise in July CPI, particularly in the core goods components seen sensitive to tariffs. That would set up a replay of the 2024 episode in which after holding in July, the FOMC cut 50bp in September (a decision which was, going into the meeting, a "close call" vs 25bp) after a July jobs report saw the unemployment rate rise by 0.2pp to 4.25%, even as core PCE appeared to stabilize at 2.6/2.7% Y/Y.
- That episode suggested that the FOMC was capable of a swift about-face on rates. To be sure, we doubt Powell and several other members of the Committee will be so minded about an outsized cut this time

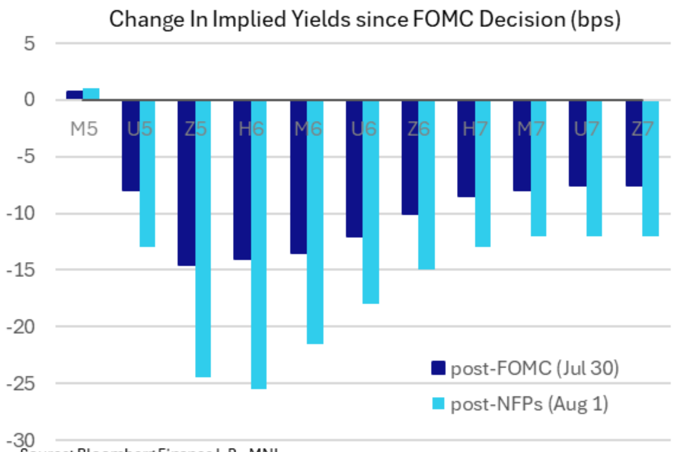
given stated risks to inflation expectations de-anchoring (not to mention the unstated political considerations), but we would expect at least talk of falling behind the curve to mount if there's a lack of clear tariff-related evidence in the CPI details. It would only intensify on a poor August payrolls report which would probably be a pre-requisite for serious consideration of a 50bp cut.

- That being said, a September cut is priced at just under 90% implied probability, with two-plus (57bp) through the December meeting. The risks at this point skew toward deeper cut pricing.

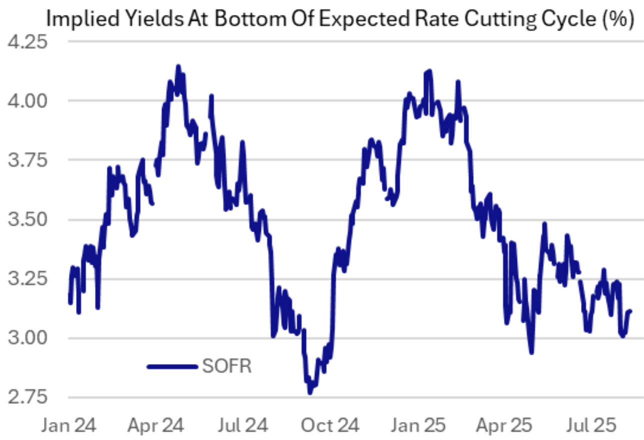
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre ISM services (Aug 5)			*chg in rate*	pre NFP (Aug 1)			*chg in rate*
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)	*bp*	%	step (bp)	cum. (bp)	*bp*
Effective	4.33			4.33				4.33			
Sep'25	4.11	-22.0	-22.0	4.09	-23.6	-23.6	*1.6*	4.21	-12.0	-12.0	*-10.0*
Oct'25	3.95	-15.7	-37.7	3.94	-16	-39.2	*1.5*	4.12	-9	-21	*-16.9*
Dec'25	3.75	-20.0	-57.7	3.74	-19	-58.6	*0.9*	3.98	-15	-35	*-22.4*
Jan'26	3.65	-10.5	-68.2	3.63	-11	-69.8	*1.6*	3.90	-7	-43	*-25.4*
Mar'26	3.53	-12.1	-80.3	3.51	-12	-82.2	*1.9*	3.79	-11	-54	*-26.1*

Source: Bloomberg Finance L.P., MNI.

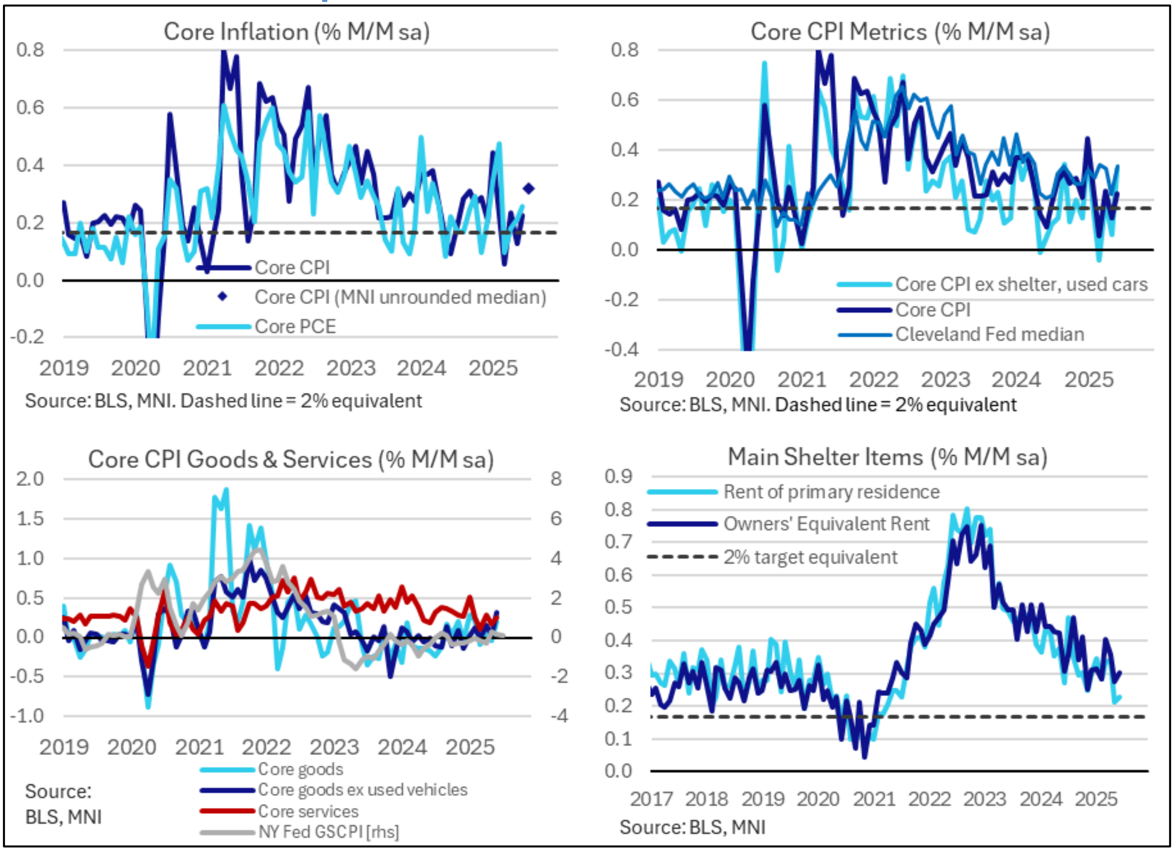


Source: Bloomberg Finance L.P., MNI



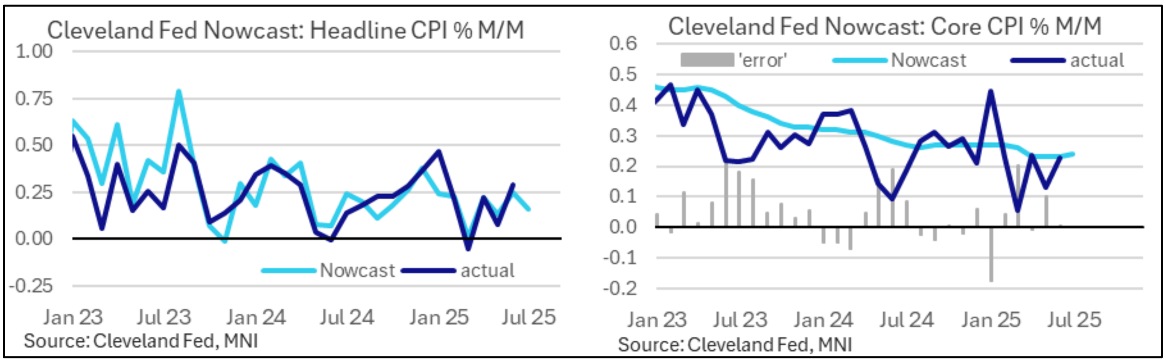
Source: Bloomberg Finance L.P., MNI. Minimum implied yield looking out to end-2027

Recent Inflation Developments

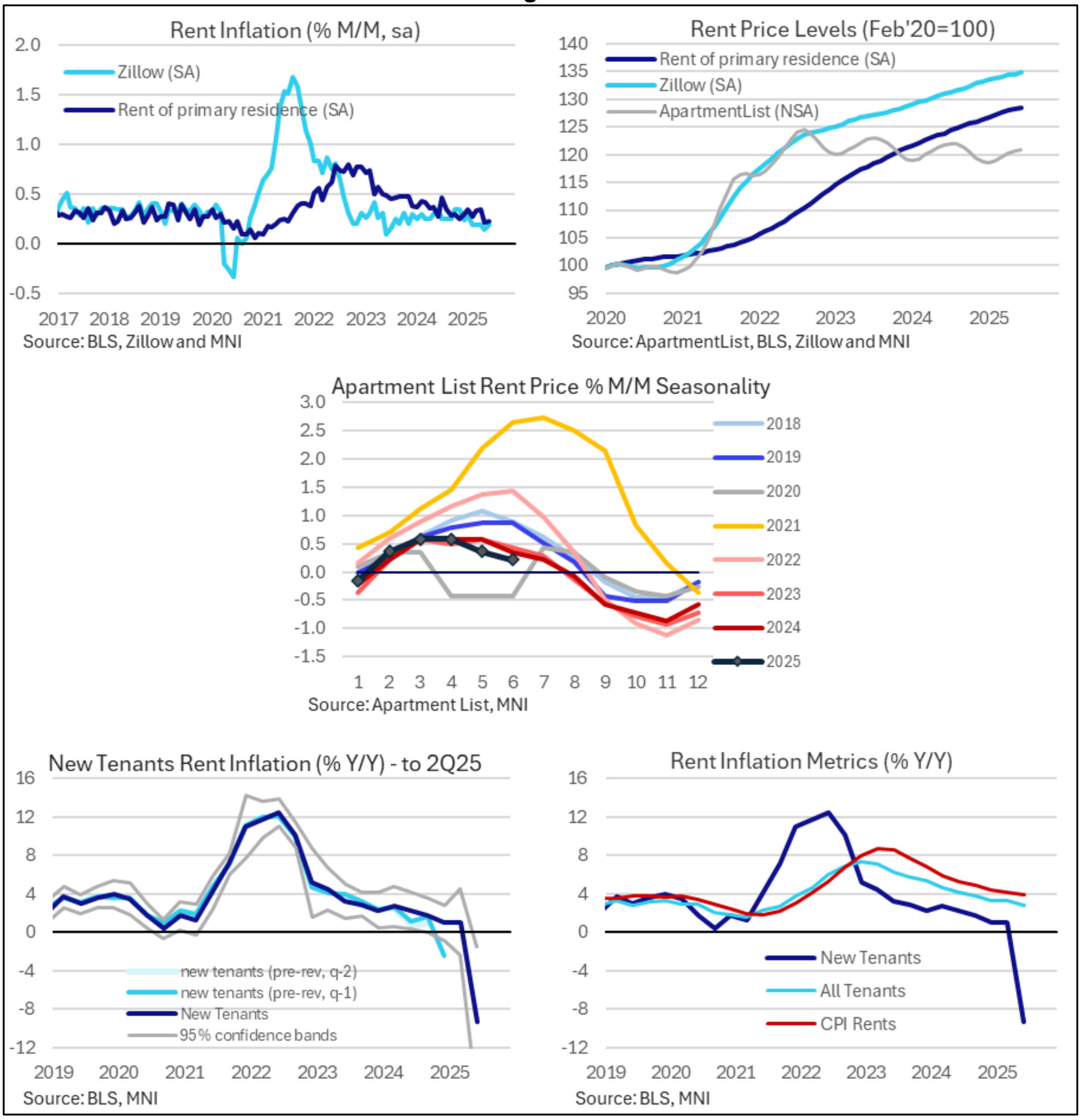


Nowcast: Core CPI Tracker Points To Similar M/M Print

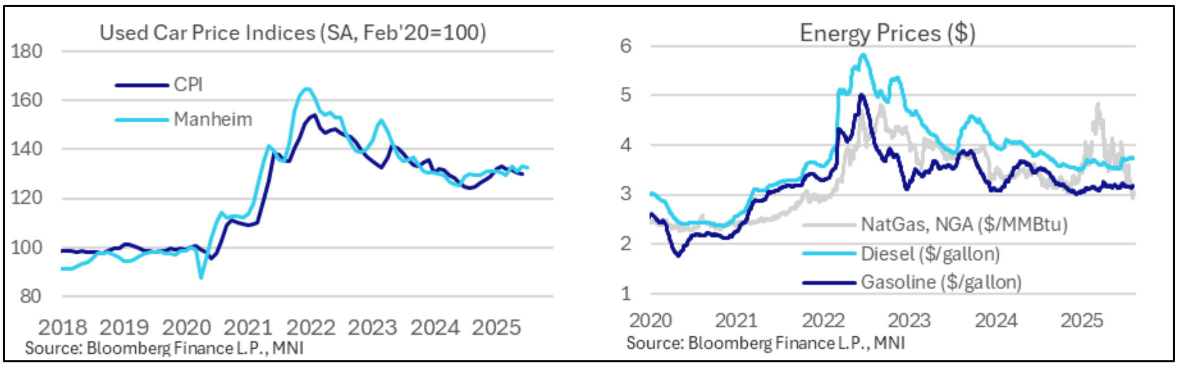
The Cleveland Fed nowcast has headline CPI at 0.16% M/M and core CPI at 0.24% M/M in July after three consecutive estimates at 0.23%. The core tracker has had a mixed recent period having been exactly in line in June, overshot by 10bp in May, undershot by just 1bp in April and overshot by 20bp in March.



Housing Inflation



Notable Goods Prices



Full recap of the prior CPI report here: https://www.mnimarkets.com/articles/mni-us-inflation-insight-tariff-evidence-seeping-in-1752698736486
Plus the key takeaways from the latest payrolls report here:
https://www.mnimarkets.com/articles/mni-us-employment-insight-sept-fomc-in-focus-as-jobs-stall-1754311160930

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

mni	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Core PCE SA M/M
June	322.561	2.67	2.93	0.29	0.23	0.26
Jul (median)	323.239	2.78	3.00	0.24	0.32	0.31
Bbg consensus	323.286	2.8	3.0	0.2	0.3	
Jefferies	323.204	2.71	2.97	0.17	0.25	
Wells Fargo	323.110	2.72	3.0	0.19	0.27	
Barclays	323.152	2.7	3.0	0.24	0.29	0.29
Citi	323.381	2.81	3.08	0.24	0.29	0.29
NatWest		2.8	3.0	0.2	0.30	
BofA			3.1	0.24	0.31	
ANZ			3.0	0.20	0.32	
Deutsche Bank		2.8	3.0	0.24	0.32	
Goldman Sachs		2.80	3.08	0.27	0.33	0.31
TD Securities	323.347	2.80	3.0	0.28	0.33	
JP Morgan	323.274	2.78	3.1	0.26	0.34	
Nomura	323.167	2.74	3.07	0.24	0.34	0.33
UBS	323.286	2.78	3.11	0.16	0.35	0.33

Source: Analyst previews, Bloomberg Finance L.P. (for consensus), MNI

[Note a correction from an earlier version of the above sent out on bullets, with an updated figure for Deutsche Bank]

Summary of Detailed Analyst July 2025 Inflation Expectations

mni	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Supercore M/M	Core goods M/M	used cars M/M	apparel M/M	Core services M/M	OER M/M	rents M/M	lodging M/M	airfares M/M	auto ins. M/M	Food M/M	Energy M/M	gasoline M/M
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Bbg consensus	323.286	2.8	3.0	0.2	0.3													
Desjardins	323.290	2.7	2.9	0.2	0.2													
RBC		2.7	3.0	0.2	0.2													
Scotia		2.7	2.9	0.2	0.2													
Jefferies	323.204	2.71	2.97	0.17	0.25					0.26				2.5				
Wells Fargo	323.110	2.72	3.0	0.19	0.27	0.23	0.29			0.27		0.30						
Barclays	323.152	2.74	3.01	0.24	0.29		0.26	-0.5	0.8	0.29	0.30	0.27	-0.4	1.5	0.6	0.3	-0.5	-2.0
Citi	323.381	2.81	3.08	0.24	0.29		0.33	-0.3	0.5	0.28	0.28	0.24	0.5	1.3		0.3	-0.3	
BNP Paribas	323.345	2.8	3.0	0.3	0.3													
Commerzbank				0.2	0.3													
HSBC		2.7	3.1	0.2	0.3													
Morgan Stanley	323.218	2.76	3.0	0.3	0.3													
NatWest		2.8	3.0	0.2	0.3	0.2	0.4				0.3	0.2	-1.5				-0.7	
SocGen		2.9	3.0	0.3	0.3													
Wrightson			3.0	0.20	0.30													
BofA			3.1	0.24	0.31													
ANZ			3.0	0.20	0.32													
Deutsche Bank		2.8	3.0	0.24	0.32	0.42				0.29	0.25	0.22						-2.4
Goldman Sachs		2.80	3.08	0.27	0.33	0.34	0.45	0.8	0.5	0.30	0.26	0.25	0.5	2.0	-0.1	0.3	-0.6	
TD Securities	323.347	2.80	3.0	0.28	0.33	0.27	0.46	0.7		0.29	0.30	0.31	0.0	-0.4		0.2	-0.1	
JP Morgan	323.274	2.78	3.1	0.26	0.34			0.3	-0.1		0.28	0.22	-0.4			0.3	-0.9	
Nomura	323.167	2.74	3.07	0.24	0.34	0.35	0.44	0.1	0.4	0.31	0.28	0.24	0.1	2.4	0.1	0.2	-1.0	-2.2
UBS	323.286	2.78	3.11	0.16	0.35		0.38	0.7	0.5	0.35	0.27	0.34	0.9	1.0		0.2	-0.8	-2.3
ING					0.4													

Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

Analyst Previews for CPI Report

(In order of strongest to weakest M/M core inflation forecasts, shown on SA basis for M/M and NSA basis for Y/Y unless stated otherwise):

UBS: Core Goods M/M To Accelerate Again With Largest To Come In Aug-Oct

- UBS see core CPI at 0.35% M/M and 3.11% Y/Y in July.
- They see core goods inflation accelerating to 0.38% M/M after 0.2% M/M in June, but largest increases set for subsequent months with 0.6% in Aug, 0.76% in Sep and 0.73% in Oct.
- They see core services inflation accelerate from 0.25% to 0.35% M/M, led sequentially by lodging away from home and airfares.
- On Adobe: “In July this year the Adobe DPI declined more than in the same month last year, but less than in July 2023 and the five years prior to the pandemic. That moderately strong, but not booming, price change has been a recent theme in the Adobe data. Nonetheless, moderately strong increases add up: Since the implementation of the China tariffs in early February the Adobe DPI has declined less than in similar 6-month periods in any year in its 12-year history except for the start of the inflation surge in”.

Nomura: Forecast Should See The Fed On Hold In September Barring Widespread Layoffs

- Nomura see core CPI inflation at 0.34% M/M and 3.067% Y/Y in July, with the monthly acceleration “driven by tariff-induced price pressures as well as stabilization of volatile components.”
- They see core goods inflation at its highest since May 2023 (0.44% M/M). “Tariffs continued to push up non-auto core goods prices, while auto prices appear to have stabilized after having declined over the past few months”.
- “Regular rent inflation likely inched up slightly, but remained lower than owners’ equivalent rent (OER). Supercore inflation likely grew at a faster pace of 0.351% m-o-m after a 0.212% advance in June. We forecast that lodging-away-from-home prices and airline fares finally stabilized after multi-month declines.”
- They currently expect core PCE at 0.325% M/M in July, with PPI-derived components making a larger contribution to core PCE than in June, partly led by higher financial service prices.
- “If our forecast materializes, barring a clear sign of widespread layoffs or tightening of financial conditions, we think that the Fed will keep the policy rate unchanged at the September FOMC meeting.”

GS: Tariff Effects To Continue To Boost Inflation Over Next Few Months

- Goldman Sachs see core CPI inflation at 0.33% M/M and 3.08% Y/Y in July.
- Four key components:
    - “First, we expect a 0.75% rebound in used car prices, reflecting an increase in auction prices, and a 0.2% decline in new car prices, reflecting a sequential increase in dealer incentives.”
    - “Second, we expect a 0.1% decline in the car insurance category based on premiums in our online dataset.”
    - “Third, we forecast a 2% increase in airfares, though we see two-sided risk to the component, reflecting a headwind from seasonal distortions but a larger increase in underlying airfares based on our equity analysts’ tracking of online price data.”
    - “Fourth, we have penciled in upward pressure from tariffs on categories that are particularly exposed, such as the household furnishings and the recreation and communication goods categories, worth +0.12pp on core inflation in addition to the 0.02pp boost from autos inflation.”
- “Over the next few months, we expect tariffs to continue to boost monthly inflation and forecast monthly core CPI inflation between 0.3-0.4%” although underlying trend inflation away from tariffs should fall.
- They see core CPI and core PCE at 3.3% Y/Y in Dec 2025 or 2.5% Y/Y excluding tariff effects.

TD Securities: Broad Gains In Core Goods Prices

- TD Securities see core CPI inflation at 0.33% M/M and 3.0% Y/Y in July.
- Their CPI NSA forecast of 323.347 was above the market's fixing at 323.240.
- “We look for goods prices to gather further steam in July following last month's m/m acceleration, as tariff passthrough continues to materialize. As was the case in the last report, we don't expect the services segment to help offset that momentum.”
- Specifically, “We look for broad gains in core goods including price increases for household goods, apparel, used vehicles, and recreation goods.”

- "We anticipate the core segment to gain more clear momentum as Q3 evolves. Rapidly rising core goods inflation should easily offset the expected services disinflation that we had penciled for the remainder of 2025. All told, we now look for core CPI inflation to peak at 3.4% y/y in Q4 2025."

ANZ: Higher Tariffs Becoming More Visible In Goods Prices

- ANZ see core CPI inflation at 0.32% M/M and 3.0% Y/Y in July.
- "Higher tariffs are becoming more visible in goods prices. To date, the impact has been modest, as businesses stocked up ahead of tariffs. This strategy has likely run its course, and businesses will be looking to pass on some of the higher costs associated with tariffs to consumers."
- "Following the implementation of the reciprocal tariffs on 7 August, the effective tariff on imported goods is around 20%, up substantially from last year's 2.4%. Short term, this effective rate could climb, as President Trump implements sizable product-specific rates on a range of items."
- "Core services inflation has been trending lower in recent months. This trend may be nearing an end though, as the slowdown in wages growth appears to be stalling. The BLS recently updated its quarterly rent series; these data point to the CPI rent indices (owners' equivalent rent and rent of primary residence) easing over H2 2025."

Deutsche Bank: Core Goods M/M Inflation To Double

- Deutsche Bank see core CPI at 0.32% M/M and 3.0% Y/Y in July, coming close to rounding to 3.1%.
- "We will mainly look for continued signs of tariff impacts in core goods categories (+0.42% vs. +0.20%). Indeed, we expect continued strength in those which have shown signs of tariff effects over the last couple months as well as an expansion in inflationary pressures out to vehicles."
- "On the core services side (+0.29% vs. +0.25%), we expect some rebound in airfares and lodging-away prices, both of which have thus far mitigated the impact of tariffs on the top line."
- "As to rents, we anticipate similar gains for primary (+0.22% vs. +0.23%) and owners' equivalent rents (+0.25% vs. +0.30%). In last month's data, both continued to reflect something more akin to pre-pandemic dynamics. While we will continue to keep an eye on rents, leading indicators like Zillow and the AllTenant Repeat Rent Index (ATRR) look sanguine on this front. Indeed, the Q2 ATRR data only rose by 0.36% (seasonally adjusted) from Q1, lower than all but two quarterly gains from 2011-2019."
- "We note that the BLS will debut a methodology change to the prices for wireless services with this data release. In particular, the BLS will replace the survey data collected for the CPI's wireless telephone services index with secondary source data and non-traditional index methods. While we do not expect this change to have a meaningful impact on the CPI, any change in methodology increases the chance of a volatile reading."

NatWest: Any Large Moves In Coming Months May Need Extra Caution In Interpreting

- NatWest see core CPI at 0.30% M/M and 3.0% Y/Y in July but a modestly firmer 0.3% could see 3.1%.
- "The administration finalized a bunch of trade deals ahead of President Trump's August 1st deadline and imposed somewhat higher tariffs on other trading partners on August 1st (became effective on August 7th). These developments still leave the average applicable tariff rate close to 18% and we expect a meaningful portion of the increase from tariffs to begin to show up in inflation prints in H2(25)."
- "We expect core goods prices advanced by 0.4% in July, doubling the pace (+0.2%) from June."
- Rent inflation in July should match that in June, with primary rents at another 0.2% M/M and OER maintaining their 0.3% clip for a third month. However, "we think OER will follow suit and downshift to a 0.2% monthly clip soon", seen coming in August.
- They see core services ex rent at 0.2% M/M again, with weakness still in travel (lodging away from home seen -1.5% after -2.9% in June). "Airfares may be little changed in July. In the other direction, we project some firming in other services categories, such as recreation and communication services. The latter could partially reflect an increase in postage prices that went into effect in July."
- "The BLS will switch to alternative data source for the wireless telecommunication services component—within the overall communication services category. The wireless telecommunication services CPI component represents 1.6% of the core CPI and has roughly averaged a flat monthly reading over the last 42 months. […] We are not expecting too much of an initial change in price movements on account of this change but wouldn't rule anything out."
- "In late July the BLS notified users on the website that in addition to having reduced data collection efforts in smaller regions within the CPI sample earlier this year data collection was also suspended in other areas, which impacted roughly 15% of the sample. Reduced sample collection can introduce more volatility

in the monthly numbers or understate/overstate the sub-indexes, so that any large moves in coming months may need extra caution in interpreting."

SocGen: June's Strong Gains Were Only The Beginning

- SocGen see core CPI at 0.3% M/M and 3.0% Y/Y in July.
- "We believe the strong gains [in June] were only the beginning of the pass-through, and predict above-consensus gains, although rounding means this is only apparent in the year-on-year rates."
- "A continued passthrough would be the logical consequence of the surge in imports early this year ahead of the imposition of tariffs which meant that warehouses were stocked to the rafters with tariff-free goods – but this is a finite hoard, and as it shrinks, more and more goods will reflect the higher tariff levels."
- "That said, it is an open question whether the tariff effects will come through at their most powerful early on and then weaken successively, or whether they grow for several months before subsiding – we lean towards the latter scenario."
- "An interesting case is automobiles: despite the 25% tariff, prices of new cars declined in both May and June (0.9% cumulative) and were barely up on the same period last year (0.6%). This is most unlikely to persist, even though timing the onset of increases is uncertain. In turn, this should also pull up prices of used cars and trucks, though the relationship has undergone substantial shifts since the onset of COVID."
- "The all-important CPI shelter, with its 35% weight in the index, remains on a decelerating trend, but June's 0.2% mom gain was in our view below trend, and we expect a larger 0.3% gain."

Barclays: Still See Cut In December But Risk Skewed To September

- Barclays see core CPI at 0.29% M/M and 3.0% Y/Y in July.
- "This would by no means qualify as a blow-out print, especially against the tariff backdrop, and is consistent with market expectations, as well as consensus forecasts heading into the release."
- "We estimate the fixings-implied core proxy is around 0.31% m/m."
- "On balance, we expect core goods inflation to have accelerated to 0.3% m/m (+0.1pp) despite another month of used cars deflation, and look for core services inflation to pick up to 0.3% m/m (+0.1pp)."
- They currently see core PCE tracking at 0.29% M/M for July.
- "We continue to expect core inflation to accelerate in coming months, peaking in September-October amid tariff pass-through to consumer prices. We expect core CPI to end the year at 3.7% y/y. We think risks to our CPI forecasts are skewed to the upside amid evolving tariff announcements, especially should exemptions granted to chips and electronics come to an end."
- "We retain our baseline call for one 25bp cut in December, but acknowledge that risks could skew towards an earlier cut, in September."
- "A July core inflation outcome in line with, or below, our forecasts will likely keep a September cut in play from a market-pricing perspective, whereas an upside surprise could likely temper expectations. In addition, we think the composition of the print would matter, especially in trying to parse the data for tariff-related price pressures. However, in our view, the bar for an earlier cut still hinges on the labor market and any indications of rising slack, which puts the August employment report squarely into focus."

Citi: More Tariff Passthrough In Fall But Inflation Will Need To Be Very Strong To Stop Sept Cut

- Citi see core CPI at 0.29% M/M in July.
- "June data showed early signs of larger increases in goods prices. We expect this pass through to expand modestly in July, with a stronger increase in core goods prices."
- "But services prices broadly should continue to ease in line with slowing demand, which will also limit the ability of businesses to raise goods prices."
- "We expect more tariff pass through to be evident in data into the fall."
- "We expect components of goods prices that were strong in June to remain strong in July, with a 1.2%MoM increase in home furnishings and supplies and a 1% increase in recreation goods. Strength in home furnishings in particular would be consistent with a recent pick-up in PPI furniture prices, suggested the pass through will continue. Of course, there is substantial uncertainty around the timing and ultimate degree of pass through."
- "We pencil in a moderate 0.5% increase in apparel prices. Tariffs may not boost apparel price more until August/September, when seasonal factors imply prices start to rise anyway for a new season of clothing. This would also be consistent with evidence that exporters are no longer absorbing tariff costs as of June (some may have initially) and with 1-2 months of inventories to be drawn down."

- “Weaker labor market data likely raises the bar for what would be considered “too strong” inflation data that would prevent the Fed from cutting rates.” Indeed, “Assuming August employment data and revisions do not substantially change the backdrop of slowing job growth, very strong 0.45%+ core inflation readings in July and August would likely be required for Fed officials to keep rates unchanged in September.”
- “We continue to expect five consecutive 25bp cuts from the Fed starting in September.”
- They currently pencil in core PCE inflation at 0.29% M/M in July.

Wells Fargo: Expect To See Further Evidence Of Tariff Passthrough Over Nex 3-6 Months

- Wells Fargo see core CPI at 0.27% M/M and 3.0% Y/Y in July.
- “This would mark the strongest gain in six months and push the year-ago rate back up to 3.0%, as firming goods inflation is no longer being offset by the softening in services.”
- “It is still early in the price adjustment process to see how higher import taxes will ultimately be distributed between the end-customer, domestic sellers and foreign exporters. At the same time, growing consumer fatigue is making it more difficult to raise prices in general.”
- “Travel categories were a key source of softer services inflation in the first half of the year, as plummeting consumer confidence dampened major discretionary outlays. Yet with airline travel looking more in line with seasonal norms, we look for travel-related prices to have edged back up in July.”
- “We expect to see further evidence of tariff pass-through in goods inflation over the next three to six months. In July, we estimate core goods inflation rose 0.3% (0.28% before rounding), with additional strength in import-heavy categories such as household furnishings, apparel and recreation. Core goods inflation broadly has been held down by declines in vehicle prices the past few months, but the drag looks to have faded in July. We look for vehicle prices to post a modest increase (0.1%) amid a more balanced inventory and sales picture.”
- “We continue to expect inflation to pick up, but not ratchet higher, over the second half of the year, with both the core CPI and core PCE deflator returning to around 3% in the fourth quarter.”

Jefferies: Headline CPI Could Round Down To 0.1% M/M If Airfare Rise Doesn’t Materialize

- Jefferies see core CPI at 0.246% M/M and 2.97% Y/Y in July.
- “Continued price increases in furnishings, apparel, and recreational goods are not expected this month.”
- “Used car prices remained mostly unchanged despite tariff pressures, though seasonal adjustments may reflect a slight decline.”
- “Core services are projected to rise by +0.259%, but service providers may struggle to maintain pricing power if tariffs drive goods prices higher, especially given modest growth in total consumer demand.”
- “Airfare remains a volatile component; although airlines report strong sales, these are primarily in premium cabins, which have limited influence on CPI. If basic economy fares remain flat, the seasonal adjustment could still result in a 2.5% increase in the airfare component. Should this not materialize, the headline CPI for the month may round down to +0.1%.”
- They see headline at 0.172% M/M.

MNI Policy Team Insights

MNI INTERVIEW: Trump Missed Window For Significant Fed Change

By Evan Ryser (Aug 7, 2025)

WASHINGTON - The Trump administration is unlikely to score any major reforms of the Federal Reserve because there is no clear effort to pressure Capitol Hill for the kind of legislative changes that would be needed, Gary Richardson, the Fed system's first official historian, told MNI.

"By Trump spending his time in jawboning the Fed, he probably missed the window to go to Congress, at least the window before the mid-terms," said Richardson in an interview, adding that there are limits to what systemic changes a new Federal Reserve chair, which Trump will get to appoint soon, could obtain.

The President and his advisers have asserted that they will reshape monetary policymaking and that is unlikely to happen, unless Congress acts.

“Trump doesn't have much time before the mid-term elections, maybe a year. To have Congress change a major piece of legislation takes a lot of debate. That would also come up against a huge amount of lobbying and pressure from businesses and Wall Street that have interests in this," said Richardson.

CONGRESSIONAL INTENT

Trump has promised to nominate someone who backs lowering the Fed's benchmark overnight interest rate, which he wants slashed as low as 1% from the current 4.25%-4.50% range.

Congressional intent concerning the independence of the Fed matters because it protects the public from the politicization of monetary policy. In 1935, the Senate and House designed the Fed's leadership structure to limit the President's influence on monetary policymaking, which Richardson describes in a recent paper, along with former Fed research director David Wilcox.

"The Banking Act of 1935 is the foundation for Fed independence, not the Fed-Treasury accord" of 1951, said Richardson, who served at the first official historian of the Federal Reserve System from 2012 to 2016. "Congress, the bankers and the businessmen understood this before economists did."

Perhaps the closest parallel to today were the events before the 1951 accord when President Truman wanted long-end Treasury yields pegged at low rates, Richardson said. "The order of magnitude between what people worry about with Arthur Burns or William McChesney Martin and what Trump's been talking about today is really different."

"Trump is saying he wants rates 3 percentage points lower. He really wants to change the cost of government borrowing," he said. "No president has really asked the Fed for this much since Truman." And even then "Truman asked for a lot more because he asked for the Fed, not to peg the short term rate, but to peg the interest rate on long term government bonds and dramatically expand the balance sheet."

"No one's ever asked the Fed for that much since then and I assume the system's response is going to be the same. It's too big an ask," he said, noting inflationary risks. (See: MNI INTERVIEW: FOMC To Go Own Way If Chair Lacks Credibility)

Current federal law does not support such a request and any presidential demand for FOMC members to resign if they do not agree with the president would be shirking statutory obligations, he said, citing former New York Fed President Allan Sproul.

"The Congressional Record is very clear that what Truman asked the Fed to do, it should not do, and what Trump is asking the Fed to do, it should not do."

REGIME CHANGE

National Economic Council Director Kevin Hassett, ex-Fed governor Kevin Warsh, and Fed Governor Christopher Waller have emerged as top contenders to be the next chair. Hassett and Warsh have advocated "regime change" at the Fed. (See: MNI POLICY: Regional Fed Banks Could Face Revamp Under Warsh)

"It may be useful to rethink the Fed and its structure and the leadership, but to do that you have to go to Congress. The Fed and its structure is set in law, and the objectives of the Fed are set in federal law."

"Can they get things changed by just changing some personnel? Probably not," said Richardson, an economics professor at the University of California, Irvine. "The wholesale change that Warsh and others have advocated, that's only been done by getting Congress to intervene and change the law."

MNI INTERVIEW: Nimble Fed Needed To Tackle Slowdown - Koenig

By Jean Yung (Aug 7, 2025)

WASHINGTON - Federal Reserve officials must be willing to entertain more aggressive easing amid new signs of slowing nominal demand growth and restrictive monetary policy, Evan Koenig, former senior aide to the president of the Dallas Fed, told MNI.

Last week's second quarter GDP report showed a marked slowdown in nominal demand measures to rates more consistent with 2% inflation over the long run. It is indicative of monetary policy that has shifted to a restrictive stance after months at neutral, and the FOMC should be prepared to take action to keep demand from further decelerating, Koenig said.

"In a way this is encouraging to see the slowing in demand growth, but it could easily get out of hand and policymakers need to up the level of vigilance right now. We're in a dicey situation and you have to be prepared to be nimble on policy," he said in an interview.

"That does mean the outlook is more uncertain. You could see a larger-than-expected move. It's certainly within the realm of possibilities." (See: MNI INTERVIEW: Fed September Cut Not Assured - Rosengren)

NEUTRAL RATE FALLING

Until recently, Koenig deemed monetary policy to be approximately neutral, with the economy running at full employment, steady demand growth and inflation hovering above target in a 2.6%-2.8% range.

But a likely fall in the short-run neutral real interest rate as uncertainty over President Trump's tariffs froze consumer and business decision-making alike has rendered policy restrictive, in spite of the FOMC keeping rates on hold this year, Koenig said.

Growth in nominal final sales to private domestic purchasers, a core measure of demand that strips out government spending, inventories and net exports, fell back to 4.7% (annual percent change) in the second quarter after holding steady in a 5.25%-5.5% range over the past year, while the more volatile nominal GDP growth measure dropped to 4.5% from 5%-plus.

That slowdown has primarily occurred over the first two quarters of 2025, which saw 4.1% growth in both nominal GDP and nominal private domestic final purchases, Koenig noted. (See: MNI INTERVIEW: Tariffs Pushing Services Into Contraction - ISM)

"There' was no reason to be happy with where we had been, but there was some stability there. What we may be seeing are the first signs of a policy shift to a restrictive policy stance," he said. "Holding the funds rate constant is by no means the same thing as holding the stance of policy constant."

EMPLOYMENT IN GOOD SHAPE

The FOMC is in a tricky situation also because policymakers can't be sure whatever reduction in the neutral real rate that has occurred could be transitory – lasting only as long as trade uncertainty persists, Koenig said.

"That would be a justification for the wait-and-see attitude that the FOMC has taken, hoping that enough uncertainty will resolve itself that by the next FOMC meeting they'll have a better idea of what to do," he said.

And despite a July jobs report showing the worst three months of hiring since the pandemic, the labor market continues to be in good balance, Koenig said.

Measure of slack – the unemployment rate and unemployed-to-vacancies ratio – have varied within very narrow ranges over the past year, and we have yet to see a surge in layoffs or initial claims for jobless benefits, he said.

"All of these things suggest we're not past the tipping point."

MNI INTERVIEW: Tariffs Pushing Services Into Contraction - ISM

By Evan Ryser (Aug 5, 2025)

WASHINGTON - Trade policy will drag U.S. services into contraction for the next couple months as demand remains weak and inflation builds, Institute of Supply Management survey chief Steve Miller told MNI on Tuesday, adding he expects the Federal Reserve to remain in a wait-and-see stance.

"I don't see anything here that says we should expect the numbers to go up over the next couple of months," he said about the services PMI. "I wouldn't be surprised if we're under 50 next month."

The ISM services PMI fell 0.7 pp to 50.1 in July, below expectations for a rebound to 51.5. Respondents expressed concern over tariffs and noted that the import duties are flowing into prices, Miller said.

The average PMI over the last 12 months sits at 52.3. "I'd expect the average to come down for at least the next two months," Miller said. "If there's a [September] rate cut, maybe the October number will get up again to where it was last year."

The ISM chief is expecting the Fed to remain in a wait-and-see stance, because of building price pressures, but a single 25 basis point rate cut by the end of the year looks likely, he said. (See: MNI INTERVIEW: Fed September Cut Not Assured - Rosengren)

DECLINING EMPLOYMENT

The July reading marks the 12th time in the last 13 months in which the index surpassed the 50 breakeven point that separates expansion from contraction. The prices index increased 2.4 pps to 69.9, the highest since October 2022. "It's certainly coming through in commentary that the tariffs are actually impacting prices paid now."
(See: MNI INTERVIEW: Inflation Could Stifle 2025 Fed Cuts-George)

The survey's measure of services employment fell to 46.4, the lowest level since March, from 47.2 in June. The reading followed the release last week of the Labor Department's surprisingly soft U.S. employment report.

Miller was surprised by the drop in exports and the acceleration in the decline in employment. "I had been second-guessing a little bit when the BLS numbers were strong. Seeing how low this was, before the BLS revised numbers came out, it was a bit of a shocker. It makes a five month run of really weak employment numbers from the index standpoint," he said.

"It's not dramatic reduction in the numbers, but we'll continue to watch that and see if layoffs and reduction in force commentary comes through next month," he added.

WEAK DEMAND

New orders came in weak at 50.3, and have been flat for five months with an average of 50.1 "That's not a good sign with backlog orders contracting."

"We have too much inventory. The number is high," Miller said. "The business activity number 52.6 is a low number. The new orders also at 50.3 is a low number. Those don't show us that we're going to see high business activity going forward."

MNI INTERVIEW: Mounting BLS Pressure Harmful For Data - Groshen

By Evan Ryser (Aug 5, 2025)

WASHINGTON - Data produced by the Bureau of Labor Statistics was already in increasing jeopardy even before the shock firing of the agency's commissioner following weaker-than-expected jobs numbers, and data quality could continue to suffer from the impacts of underinvestment, ex-BLS Commissioner Erica Groshen told MNI, expressing concern about perceptions of integrity under the next commissioner.

"For the next few months, I am worried about the continued deterioration of the data because of the staff losses at BLS, the funding issues, and the restrictions on their spending money. Some chickens may come home to roost because they have staff losses in excess of 15% and that's a real problem," she said in an interview.

Groshen is not yet worried about data manipulation through political influence, but she is concerned about how recent developments will affect data collection and the staff's own sense of mission.

"I worry about the impact of all that collateral damage that isn't aimed at the statistical agencies themselves, but is characteristic of what's going on and is really problematic for them. I do worry about a loss of morale in the agency," Groshen said.

In the past few years, the BLS has faced tighter budgets and falling response rates to its surveys. In recent mon0ths, it has faced staff shortages brought on by a hiring freeze the President declared in January. The agency's budget has shrunk in inflation-adjusted terms over the past decade, even as the cost of collecting economic data has risen. From fiscal year 2016 to 2024, for instance, the BLS budget rose about 16%, while inflation climbed twice as fast. (See: MNI INTERVIEW: US Data Already Suffering From Underinvestment)

MORE OF A CHALLENGE

President Trump's decision to fire the head of the BLS on Friday will further strain the agency and it will only make the job harder for the next commissioner.

The next "commissioner, no matter what, will come into the job facing more of a challenge than normal, because people will worry about the criteria used to select the person and whether there is some commitment on the part of the commissioner to try and manipulate the data," she said. "That hasn't been the case with people who have become commissioners before."

"What I'm not worried about right away is direct manipulation," she said. Groshen praised Acting Commissioner Bill Wiatrowski, who she promoted to Deputy Commissioner in 2015. "He will do a fine job, as good a job as can be done under those circumstances. And I don't worry about him allowing any kind of manipulation or any of that sort."

GROUNDS FOR CONCERN

"However, if you've got a new commissioner who comes in with some kind of group of other political appointees, and they start changing the norms and the practices of BLS, then there would be serious grounds for concern," said Groshen, who ran the agency from 2013 to 2017. (See: MNI INTERVIEW: Ex-Chief Says BLS Can Withstand Trump Pressure)

"If that Commissioner actually wants to try to manipulate the data, they are going to run into the fact that the process is not set up to allow manipulation of the data. They would have to fundamentally change how the data are prepared and the pre-release steps for those programs," she said. "That would be very noticeable to the staff and they would I'm sure resist doing that. You could get resignations, whistleblowers, that sort of thing."

To determine whether the next commissioner is heading in the wrong direction, Groshen will be looking to see whether that person includes the commissioner actually having a role in finalizing the numbers, having sign off from the Secretary of Labor or the White House before there's a final release, or delaying or speeding up data releases.

Groshen said Friday's jobs report showed big revisions, "but they were not way out of line," she said. "That happens and it tends to happen more around inflection points, turning points in the business cycle." A lot of it appears to have something to do with state and local education jobs, who usually report late. "Seasonal changes were also a little bit larger than normal."

MNI INTERVIEW: Ex-Chief Says BLS Can Withstand Trump Pressure

By Evan Ryser (Aug 2, 2025)

WASHINGTON - The public can trust that the Bureau of Labor statistics will continue to produce gold-standard, scientifically-produced numbers, even amid pressure from President Donald Trump and continuing funding challenges, ex-BLS Commissioner William Beach told MNI Friday.

"I have every reason to believe that these numbers will be as good as they are right right now, gold standard numbers, best produced in the world, as long as they [BLS] have the budget to do so. It won't be the personnel issues involved here. It will be a budgetary issue," said Beach, who served as BLS commissioner under Trump in his first term.

Even if Trump picks a radical person to lead the BLS and they are confirmed by the Senate, Beach expects the BLS to withstand such a person. "There's no way for political manipulation of these numbers to occur. The commissioner doesn't see the numbers until the numbers are there and have been loaded into the computers for distribution. That's Wednesday prior to the Friday release."

HONEST

President Trump said the Friday jobs report was "rigged" and he said he has "three very good" people in mind for the job. "I put somebody in who is gonna be honest. That's all we want," he said.

BLS commissioner, Dr. Erika McEntarfer, appointed by Joe Biden, was confirmed by the Senate in January last year in an 86-8 vote. Among the bipartisan group that voted for McEntarfer was current-Vice President JD Vance.

A White House official and a BLS official confirmed McEntarfer has been fired. BLS said Deputy Commissioner William Wiatrowski will serve as Acting Commissioner for BLS.

Beach, who Trump nominated as BLS commissioner in 2017, is advocating Congress to take steps to strengthen the position so that it would be harder for a president to fire a BLS commissioner. "The President has the right. Does the President want to exercise that right? That's the question that's always been asked and answered in the negative until now."

PROCEDURES

In the meantime, BLS procedures are designed to be decentralized to avoid opportunities for interference and "certainly can" withstand such one new leader and can continue to produce gold-standard labor market indicators, Beach said.

For the Employment Situation Report, BLS staffers work in independent groups where data is collected and processed before their work is combined by about 40 people into a single collection. The report is then written by about five people, Beach said.

"At no point in this whole process does the commissioner see anything. It doesn't see the original data, the process data, the research that goes into it, the writing of the report, until the report is ready to essentially go out," he said. "There is one moment where the commissioner can see the draft final report, but all the numbers are locked in. And I can tell you, as commissioner, I was not allowed to change very many words, and they were pretty suspicious if I tried to change a word."

"It's very difficult for me to imagine how anybody could think that that system would be subject to political interference. It's really been designed to thwart any effort in that direction," Beach said. He was confident that top-tier employment reports will continue to receive the attention needed, even if Congress squeezes funding to statistical agencies. (See: MNI INTERVIEW: US Data Already Suffering From Underinvestment)

"BLS is a big enough organization that can move resources from lower priority to higher priority," Beach said. "There's dozens of reports BLS does, but seven of them are required by Congress to always be done, come hell or high water. I don't think that those reports are at risk right now."