

U.S. CPI Preview: July 2025

MNI View: Passthrough Pressure Mounting

July 14, 2025 – By Tim Cooper and Chris Harrison

SUMMARY

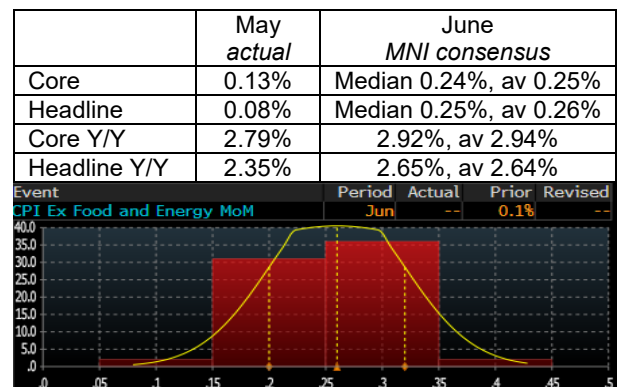
- Consensus sees core CPI inflation at a seasonally adjusted 0.3% M/M in June on a rounded basis, but with sizeable risk of undershooting at 0.2% (MNI median unrounded estimate at 0.24% M/M /average 0.25%).
- This would mark an acceleration from 0.13% M/M in May, with core services ticking up and core goods more than reversing May's unexpected M/M deflation. Headline CPI meanwhile is seen at 0.3% M/M or 0.25% M/M unrounded after 0.08% in May, amid a bounce in gasoline-driven energy prices.
- It's possible that June's report will only be starting to show the delayed impact from the April reciprocal tariffs with the largest impact perhaps only to be seen in July. There appears a rough consensus of three months from tariff implementation to more notable consumer price increases.
- Goods will be in particular focus as tariffs are seen having an increasing influence on inflation as the summer unfolds. Categories to watch include apparel, communications/recreational goods, and furniture.
- In services, OER is seen steady with rent CPI picking up, while travel-related categories are seen remaining a drag. Supercore inflation was particularly subdued in May at 0.06% M/M and the estimates we've seen on average look for an acceleration to 0.23-0.24% M/M.
- It's unlikely that a downside inflation surprise would persuade the Federal Reserve to seriously consider cutting rates at its next decision on July 30, given the expected ongoing pickup in tariff-related prices.
- But a continued lack of evidence that tariffs are having an outsized effect on consumer prices would certainly help lay the groundwork for a resumption of easing in September.
- Headed into CPI (Tue) and PPI (Wed), the Fed's preferred Core PCE gauge is seen 0.25-0.26%.

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Core CPI Inflation Seen At A 'Low' 0.3% M/M

- Consensus sees core CPI inflation at 0.3% M/M SA in June but with sizeable risk of undershooting at 0.2%, given an MNI median unrounded estimate of 0.24% M/M (av 0.25%).
- It's a similar set-up to the May release, when there was a median unrounded estimate of 0.27%, although that saw an undershoot with 0.13% M/M owing to declines in some large categories such as new & used cars and apparel.
- In year-ago terms, core CPI is seen firming a tenth to 2.9% Y/Y after three months at 2.8% for lows since Mar 2021.
- The three-month is highly likely to firm considering the 0.06% M/M in March will drop out - 0.24% M/M would it lift from 1.7% to 2.5% annualized. The six-month would be little changed however, at 2.7% after 2.65%, although that should still be a second month below the Y/Y having tracked above it in the first four months of the year.
- Headline CPI meanwhile is seen at 0.3% M/M or 0.25% M/M unrounded after 0.08% in May, primarily with a bounce in gasoline-driven energy prices adding to the above core acceleration.
- It should see headline inflation around 2.65% Y/Y, lifting from the 2.35% Y/Y in May and 2.31% Y/Y in Apr (its lowest since Feb 2021). This would be the highest since Feb 2025.
- Seven early estimates for core PCE have a median 0.25%/ average 0.26% M/M for June, to be released Jul 31, after 0.18% M/M in May. These will be refined after CPI and then again after Wednesday's PPI.



Summary of Detailed Analyst June 2025 Inflation Expectations

mni	Summary of Selected Analysis June 2020 Inflation Expectations																			
	Headline		Core	Headline		Core	Supercore		Core goods		Core services							Food	Energy	
	NSA	NSA	NSA	SA	SA															
	Index	Y/Y	Y/Y	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M		
May	321.465	2.35	2.79	0.08	0.13	0.06	-0.04	-0.54	-0.42	0.17	0.27	0.21	-0.07	-2.74	0.65	0.29	-0.98	-2.65		
Jun (median)	322.501	2.65	2.92	0.28	0.29	0.24	0.19	-0.50	0.30	0.27	0.29	0.26	-0.30	-0.50	0.70	0.20	0.51	0.90		
Jun (mean)	322.472	2.64	2.94	0.27	0.27	0.23	0.18	-0.15	0.34	0.26	0.28	0.26	-0.28	-0.43	0.59	0.20	0.55	0.86		
Bbg consensus	322.501	2.6	2.9	0.3	0.3															

Analyst Expectations Of Key Sequential Drivers: Some Reversal Of May Weakness In Apparel and Airfares

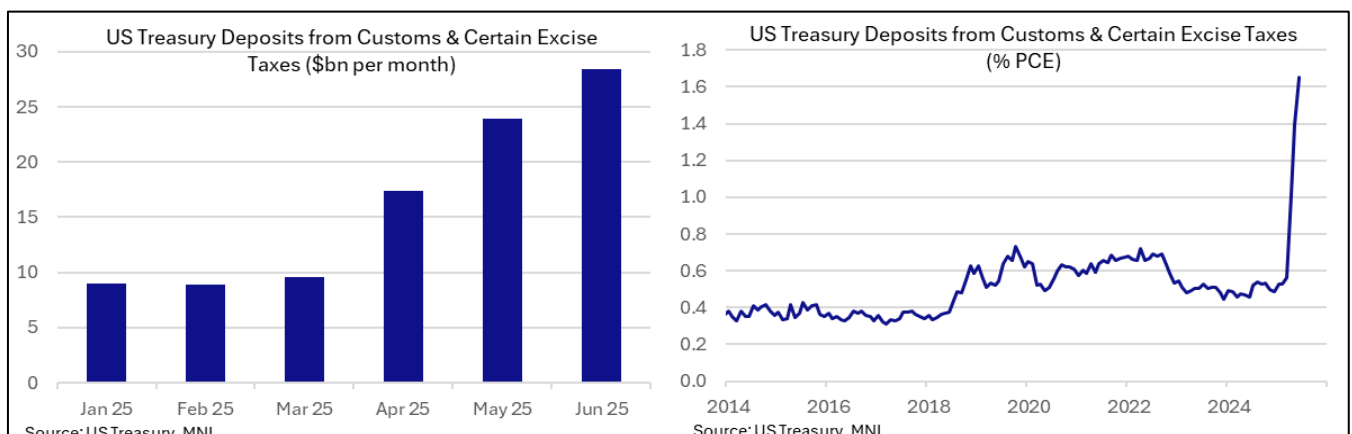
With core CPI seen accelerating to the ~0.25% M/M mark in June after a surprisingly soft 0.13% M/M in May, much of the expected upside sequential drivers this month come from some unwinding of the main drags on May. That includes apparel and airfares, although with the latter of course not translating into core PCE calculations. There could be a similar story when it comes to used car prices but analysts are less clear cut here.

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

- **Apparel (+ve):** On average seen rising 0.3% M/M having surprisingly dropped -0.4% M/M in May for a second monthly decline vs then expectations of 0.3%.
- **Airfares* (+ve):** Analysts are centered on a -0.4/-0.5% M/M print for airfares in June after a heavy -2.7% M/M, with a typically wide range of -4.0% to +1.6%.
- **Rents (+ve):** There's not much in it for owners' equivalent rent (OER), seen at an average 0.28% (range 0.24-0.29) after 0.27% in May, but with a larger acceleration expected for primary rents at an average 0.26% (range 0.24-0.28) after 0.21%.
- **Used cars (neutral to +ve):** There's a wide range of estimates for used car prices in June, from -0.7% to +1.0%, leaving an average of -0.5% (similar to the surprisingly soft -0.54% M/M in May) but a median estimate of -0.15%.
- **Vehicle insurance* (neutral to -ve):** Caution is needed as we've only seen three estimates this month but two analysts look for 0.7/0.8% increases for similar to the 0.7% M/M in June whilst GS eye a softer 0.3% M/M on catch-up in premiums.
- **Lodging away from home (-ve):** On balance seen falling -0.3% M/M after the -0.1% M/M in May, with a reasonably wide range of -1.2% to 0.3%.
- **Non-core: Energy (+ve):** Energy prices are seen rising ~0.5% M/M after -1.0% M/M in May, driven by swings in gasoline prices (seen circa 0.9% after -2.65% in May).
- **Food (-ve):** Food price inflation is seen easing to 0.2% M/M in June after 0.29% M/M, in turn following two mixed months with -0.08% in Apr and 0.44% in Mar, returning to more typical rates with bird flu distortions fading. We'll continue to watch what has been a robust food away from home component, which increased 0.31% M/M in May along with a six-month average of 0.34% (feeding into core PCE but not CPI).

Tariff Impact Building But Still A Month Too Early For Larger Hit?

Treasury deposits from customs & certain excise taxes continued to increase in June, rising to \$28.4bn from \$24bn in May and \$17.4bn in April (when "reciprocal" tariffs were imposed). That compares with \$9.6bn in March or \$8.3bn in Dec 2024 prior to the start of the second Trump administration. It sees tariff revenues equivalent to ~1.7% of overall personal consumption expenditure as of June, a 1.2pp increase compared to collections prior to the start of the second Trump administration. That indicates the size of the direct aggregate hit from tariffs but of course doesn't break down the burden sharing across importers, businesses and consumers. To help try and gauge how much larger this aggregate hit could become, SF Fed's Daly (non-voter) told an MNI webinar last week that the expected effective tariff rate is "around 16% but then you look at the tariff collections data, and it puts it more at 8 or 9%", i.e. it might currently only be around half of its eventual size.



As for the potential timing of when there could be greater passthrough onto consumers, it's possible that this month's June report will only be starting to show the delayed impact from the April reciprocal tariffs with the largest impact perhaps only to be seen in July. There appears a rough consensus of three months from tariff implementation to more notable consumer price increases. With tariff policy uncertainty still uncertain – the latest example being the threat of 30% tariffs on the EU and Mexico (the largest and second largest source of US imports in 2024) ahead of a now Aug 1 deadline, a sharp increase from the 10% baseline under the 90-day pause – it continues to delay the point at which the Fed can have greater clarity of price setting behavior.

Goldman Sachs wrote in the lead-up to the June CPI report that it's not "too surprising that tariff effects have not shown up strongly in official consumer prices yet":

- "First, the largest tariff hikes went into effect in early April. Since goods that had already been shipped were exempt and it takes about one month for distant imports to reach the US, many tariffs only began to have an impact around early May. Second, Customs and Border Protection allows importers using the automatic payment transfer system to delay their tariff payments for up to 1.5 months. Third, frontloading of imports and uncertainty over whether tariffs would stick may have also helped to delay increases in consumer prices."
- Their assumption is that 70% of the direct costs of tariffs would fall on consumers (rising to 100% when accounting for spillover effects due to domestic producers raising prices due to diminished foreign competition). "While our estimate might rise over time, it is below our parallel estimate of passthrough in 2018-2019 at the same point in time." They estimate that the burden falling on US consumers has risen from 0% in the first month of the current trade war, to 10% after 2 months and 40% after three months. [hat's smaller than the 2018-19 trade war's 50% / 60% / 70%. "Since it is still early for spillover effects to appear, our 40% estimate ... is most comparable at this point to the 70% direct effect", with various other estimates pointing to relatively limited passthrough than in 2018-19.

UniCredit note that "During US President Donald Trump's first term, it took around three months for tariffs on washing machines to show up in consumer prices." Alternatively, Cleveland Fed's Hammack last month looked at the steel sector, an area of importance for the Fourth District, to help gauge the timeline for broader tariffs that were implemented at a later date:

- Prepared remarks: *"In developing my views on the outlook, I find it useful to think about specific goods given variation in tariff rates across products and countries of origin. **For example, a 25 percent tariff on steel and aluminum was in effect starting in mid-March** before it increased to 50 percent earlier this month. Between February and May, the producer price index of steel mill products increased 21 percent, suggesting that pass-through can take at least a few months and that further price increases could be in the pipeline."*
- Q&A: *"I cited the tariff impact in the steel industry because I think that's one of the cleanest tariffs that we have to look at. And when we look at that, you do see that that impact happened, but it's really over a three month period of time. You know, if you start with April 9 as the date that the [reciprocal] tariffs were effective, we're still not quite three months on from when they've been in place. And so I think we do need more time to understand how those are going to play through in the data and what impacts they could have. Now, it could be that it's a one time price level shift that you know economic research would tell you we should look through. But it could be that, given the nature of the on, off, some of the shifts, some of the other policy dynamics, it could be that it's more persistent."*

Along those same lines, this from the May Beige Book: *"There were widespread reports of contacts expecting costs and prices to rise at a faster rate going forward. A few Districts described these expected cost increases as strong, significant, or substantial. All District reports indicated that higher tariff rates were putting upward pressure on costs and prices. However, contacts' responses to these higher costs varied, including increasing prices on affected items, increasing prices on all items, reducing profit margins, and adding temporary fees or surcharges. **Contacts that plan to pass along tariff-related costs expect to do so within three months.**"*

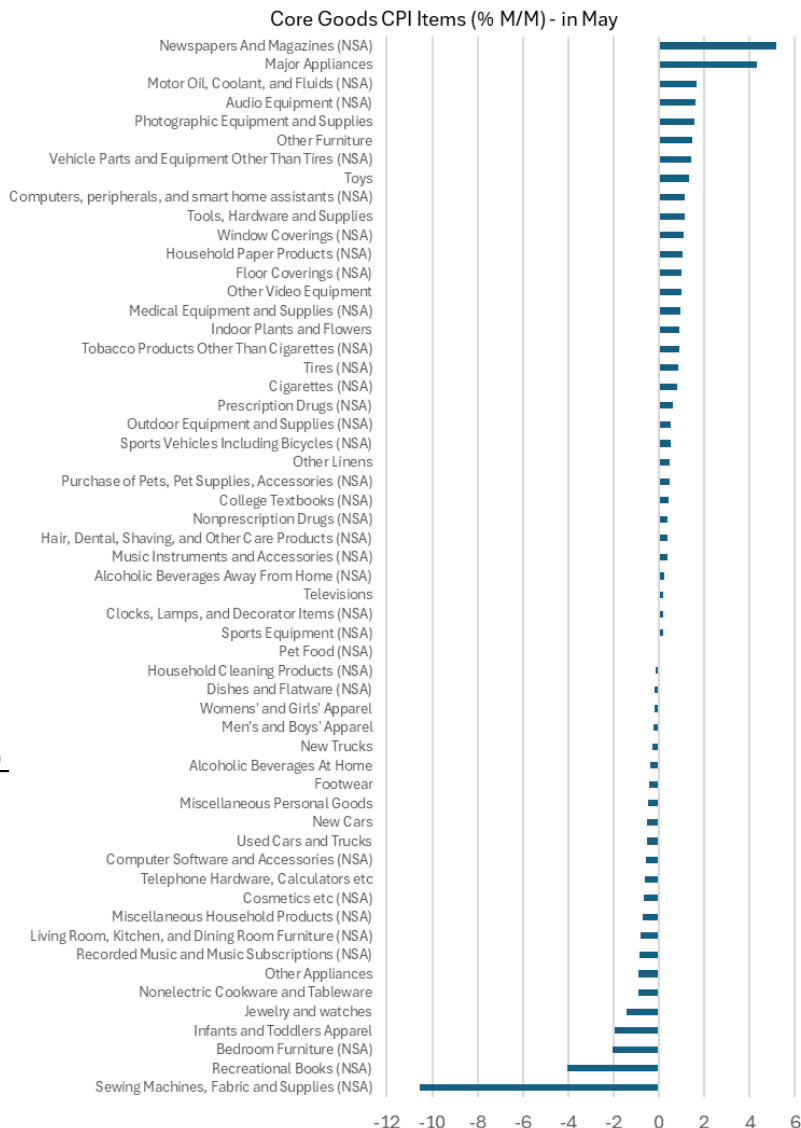
Breadth of Core Goods Increases Still Watched For Tariff Impact

Whilst it's likely that upcoming months are still to see larger impacts from tariffs, there were still signs of an impact within the details of last month's May release. Indeed, core goods prices surprisingly fell -0.04% M/M vs analyst median expectations 0.2% M/M in May, helped by pronounced weakness in heavily weighted components such as used cars (-0.5%), new cars (-0.3%) and apparel (-0.4%). However, the median increase across 56 core goods items was 0.29% M/M after -0.01% M/M in April, its strongest since Sep 2022. When assessing tariff impacts, we continue to expect greatest focus on those with a China-heavy affiliation, such as toys, cell phones, broad electrical/computing equipment and apparel despite the de-escalation in US-China trade policy on May 12 after Geneva talks when tariffs imposed by the US in 2025 were reduced from 145% to 30%.

US Imports Of Select Goods In 2024 (by end-use)

	China share of each category (%)	US imports of each category (\$ bn)	(% of total US imports)
Toys, games, and sporting goods	66%	46	1.4%
Cell phones & other h'hld goods, n.e.c.	57%	112	3.4%
Stereo equipment	47%	13	0.4%
Household appliances	37%	40	1.2%
Apparel	30%	127	3.9%
Computers	29%	117	3.6%
Furniture, household goods, etc.	29%	42	1.3%
Electric apparatus	26%	103	3.1%
Computer accessories	16%	101	3.1%
Telecommunications equipment	15%	85	2.6%
Industrial machines, other	13%	85	2.6%
Medicinal equipment	11%	63	1.9%
Semiconductors	3%	82	2.5%

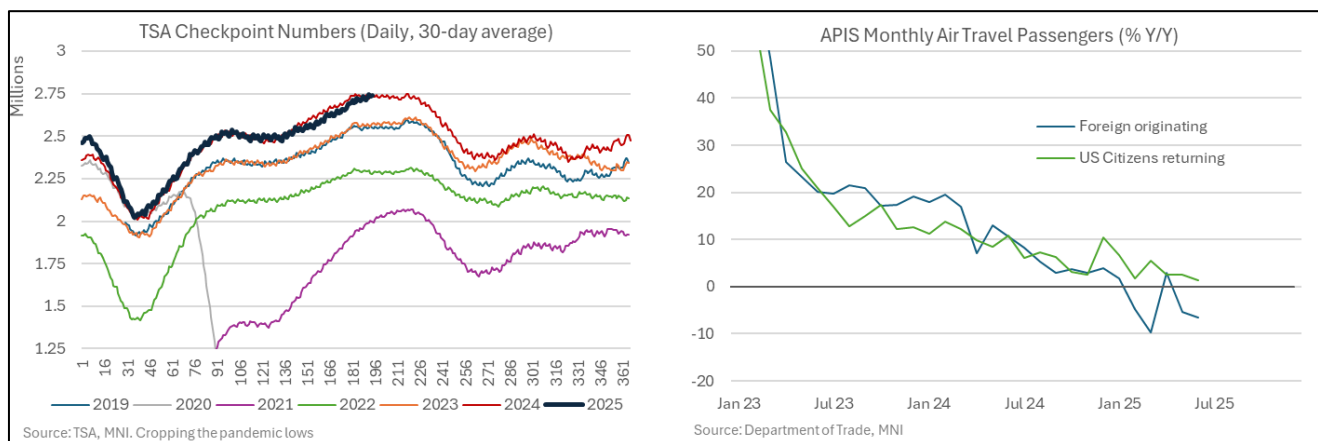
Source: Census Bureau, MNI



Source: BLS, MNI

Travel-Related Categories Look Set For Further Weakness

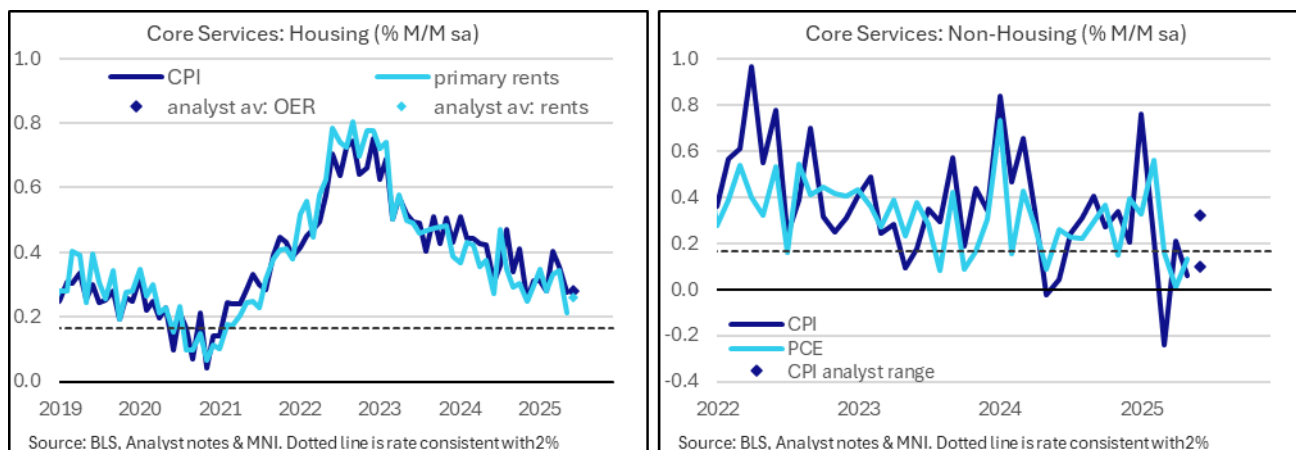
Travel-related prices have seen weakness in the past three to four months of CPI data, helping offset the relative acceleration in core goods inflation. Lodging away from home (2% of core CPI) has seen two mild declines of -0.07% in May and -0.10% in April for no bounce back after a particularly heavy -3.5% in March. It's a volatile series but the weakness has been a marked trend change from the 0.2% M/M averaged in 2024. Airfares (1% of core CPI) meanwhile have declined by an average -3.7% M/M through Feb-May. It of course follows a notable slowdown in travel to the US seemingly as a consequence of US government policy. Foreign-originating flights were -6.6% Y/Y in June after -5.3% Y/Y in May, an average -3.4% Y/Y in March and April (to control for an early and then late Easter in 2024/2025) and -4.8% Y/Y in February. Domestic flights account for circa six times as many passengers as international flights although total TSA checkpoint numbers have started to soften from what had been a tight tracking of last year's seasonal trend. These are of course realized flights and there could be further weakness in the pipeline from a reduction in forward bookings.



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 was particularly subdued in May at 0.06% M/M and the five estimates we’ve seen on average look for an acceleration to 0.24% M/M. The volatility in these travel-related series in particular has made it hard to get a sense of trend here, although it averaged 0.24% M/M through Jan-Apr (including a booming 0.76% in Jan and -0.24% in Mar).

As detailed in the sequential section above, OER inflation is seen broadly echoing the May release whilst primary rents are expected to accelerate from a soft May. Recall that the weighted average of the two, 0.26% M/M, fell back in May to below the 0.29% averaged in Nov-Feb before accelerating to 0.39% in March and 0.35% in April. It averaged 0.28% M/M in 2019.



Data Quality Concerns Remain

- Scotia: “Questions surrounding data quality may cast a cloud over the report once more. For two months now, the BLS has used alternative methods to estimate about 30% of the CPI basket. Budget cuts to the agency have meant relying more upon prices of comparable goods and from other regions within the US in the absence of more data. This share of the basket is twice as high as anything in the depths of the pandemic when agents couldn’t be sent out into the field. It raises serious questions around the quality of the data as the Trump administration debases institutions including data collection agencies.”
- NatWest: “Given the ongoing staffing constraints we suspect this level of imputation may continue at least in the near future. However, we’d be wary of over-emphasizing this rise in imputation for two reasons. Firstly, the regions impacted so far are fairly small in terms of their weight in national consumption (so the

regional relative importance within the CPI sample is correspondingly small). Secondly, the BLS is exploring other data sources which reduce the need for in person data collection. For instance, beginning with the July data the BLS plans to switch data collection for wireless telecom services to alternative sources. Moreover, imputed prices still to a meaningful degree reflect prices for similar items and similar regions in a given month.

- We think a more worrisome development will be if the data collection effort is reduced to the extent that the imputation involves using previous month's data, so that price movements in a given month will not be adequately represented. At this point though the likelihood of that kind of "carry forward" imputation rising significantly are small, in our view."

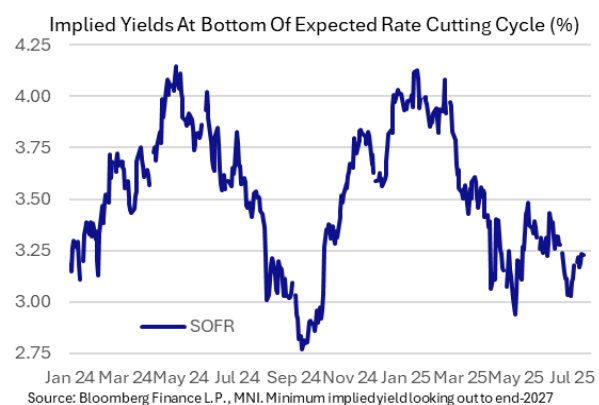
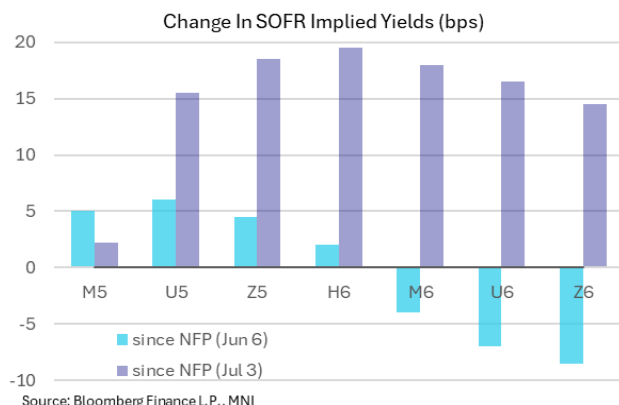
Hard To See A July Cut, But Subdued Tariff Impact Would Lay Groundwork For Sept

- It's unlikely that a downside inflation surprise would persuade the Federal Reserve to seriously consider cutting rates at its next decision on July 30, given the expected ongoing pickup in tariff-related prices.
- But a continued lack of evidence that tariffs are having an outsized effect on consumer prices would certainly help lay the groundwork for a resumption of easing in September.
- June's solid-enough nonfarm payrolls data pretty much ended a chance of a July Fed cut, which is priced at around 7% implied probability. The first full cut is not seen until October and just under 50bp of easing is priced through the year as a whole.
- A downside miss wouldn't move the needle much on July, but would certainly boost September probability.
- A broad-based advance in core categories, particularly those that are seen as tariff-sensitive and translate into PCE, wouldn't take September off the table (there will be another 2 months of CPI data by that point to base a decision off of), but it would bring pricing below 50/50 (vs around 65% of a cut now).

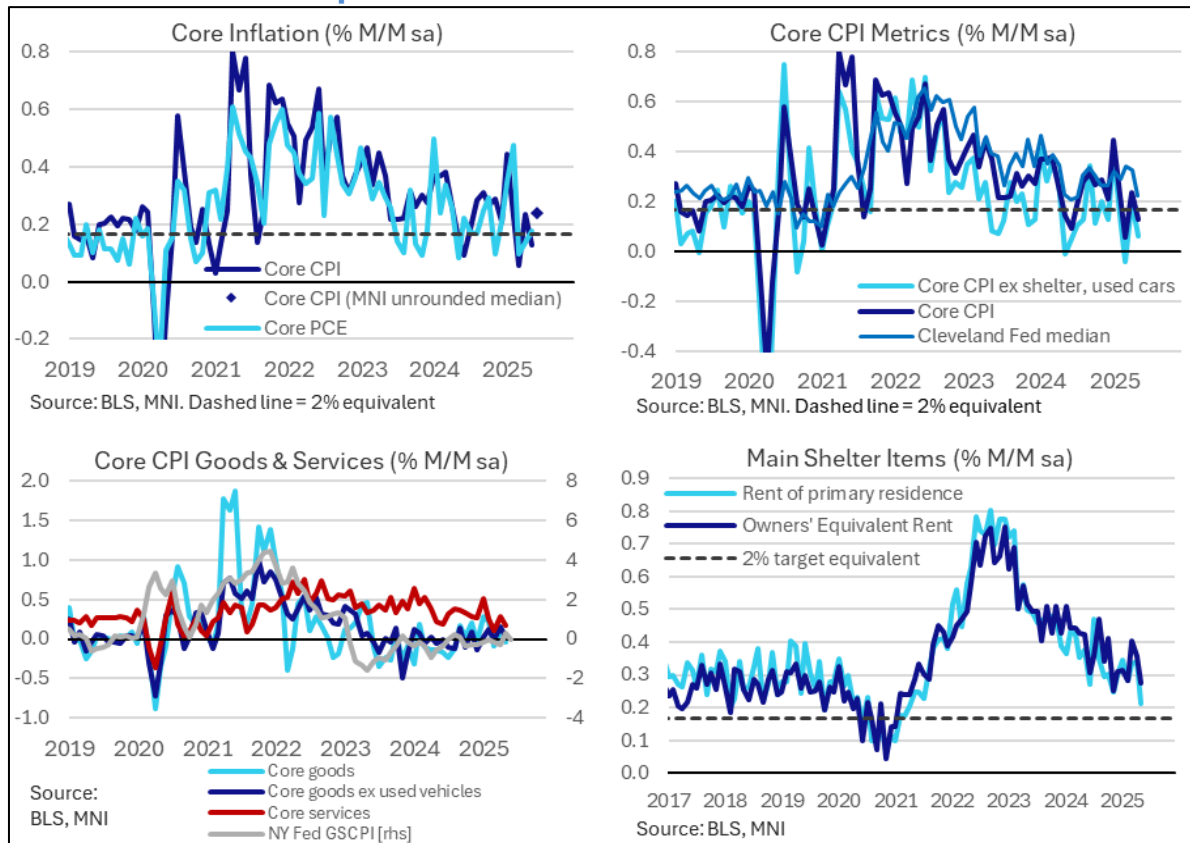
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Jul 3)			chg in rate bp	pre ADP (Jul 2)			chg in rate bp
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)		%	step (bp)	cum. (bp)	
Effective	4.33			4.33				4.33			
Jul'25	4.31	-1.7	-1.7	4.27	-6	-6.3	4.6	4.28	-5	-5	3.1
Sep'25	4.17	-14.3	-16.0	4.03	-24	-30.1	14.1	4.06	-22	-27	11.2
Oct'25	4.02	-14.7	-30.7	3.86	-17	-47.0	16.3	3.89	-17	-44	13.1
Dec'25	3.84	-18.5	-49.2	3.67	-20	-66.5	17.3	3.70	-19	-63	13.4
Jan'26	3.74	-10.1	-59.3	3.55	-11	-77.7	18.4	3.60	-11	-73	13.9
Mar'26	3.60	-13.4	-72.7	3.42	-14	-91.2	18.5	3.46	-13	-87	13.9

Source: Bloomberg Finance L.P., MNI.

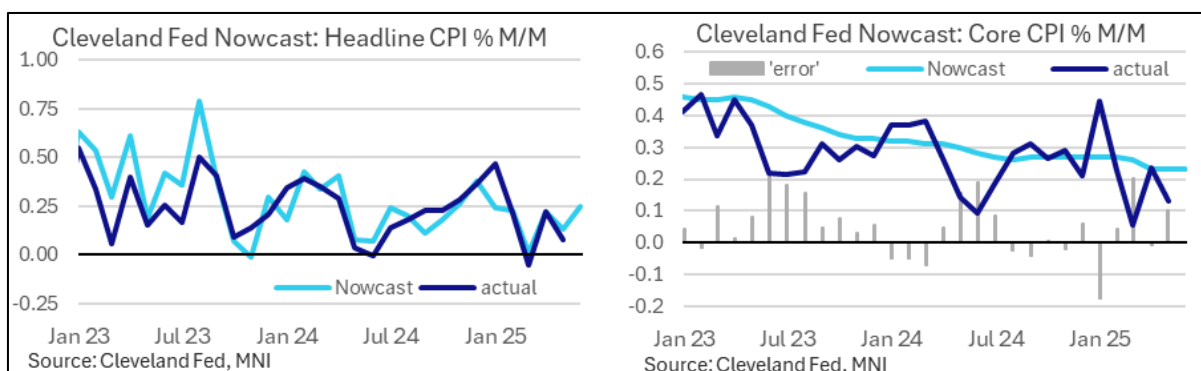


Recent Inflation Developments

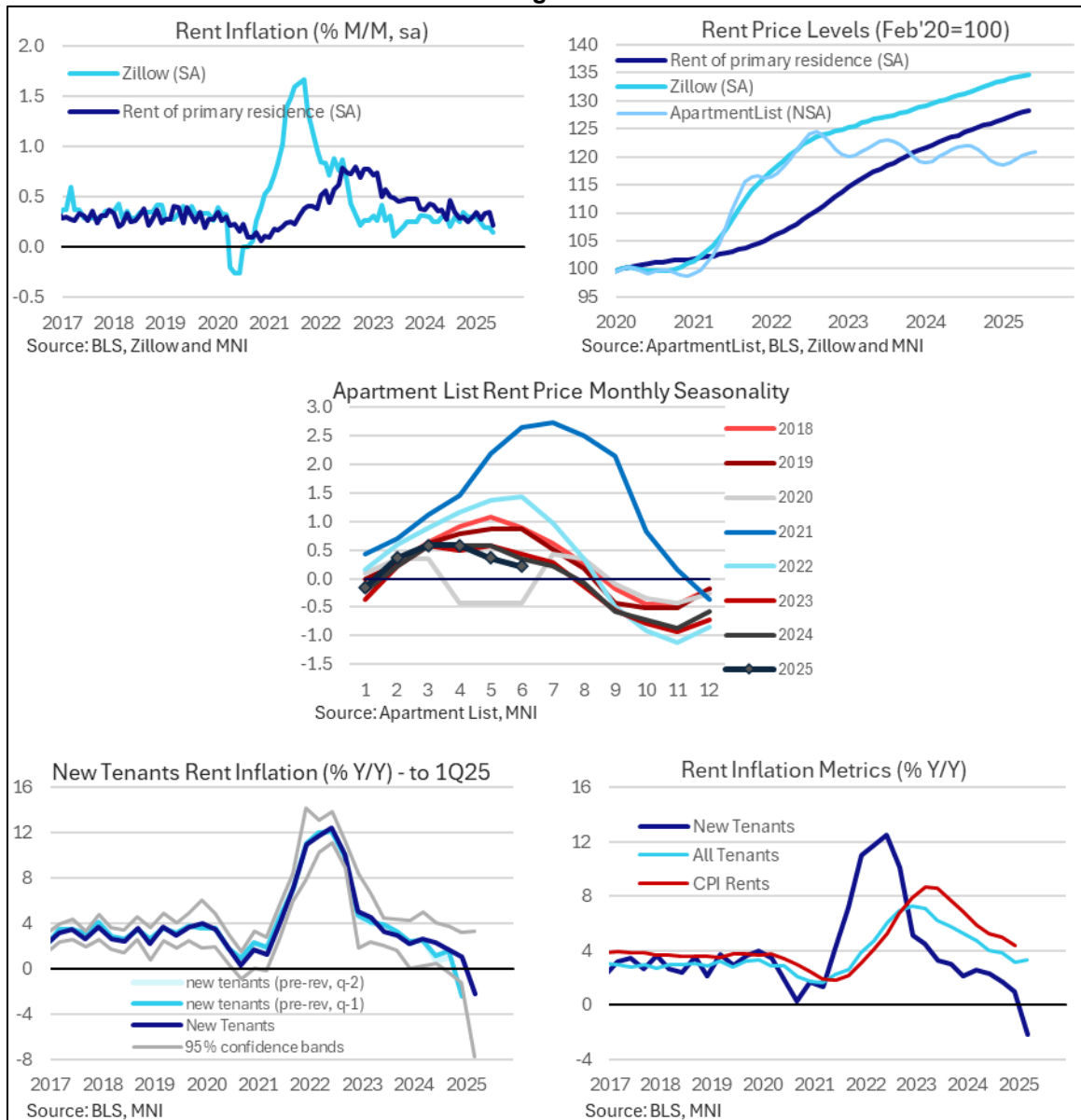


Nowcast: Core CPI Tracker Similar To Unrounded Analyst Estimates

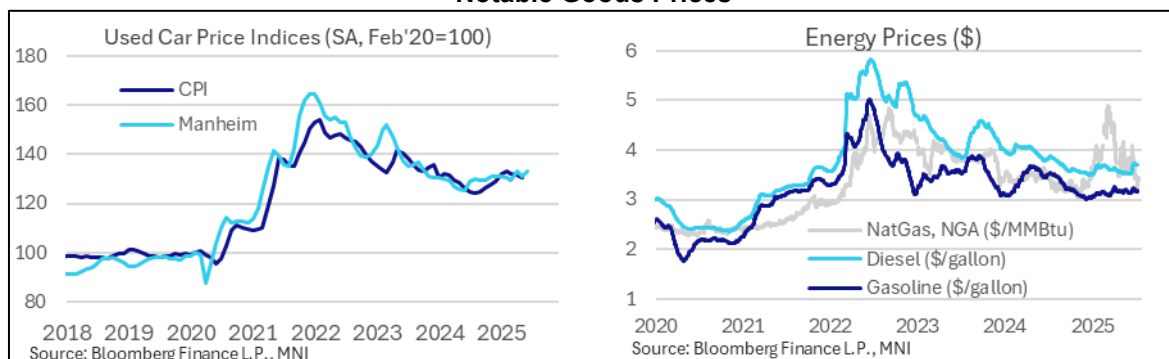
The Cleveland Fed nowcast has headline CPI at 0.25% M/M and core CPI at 0.23% M/M for a third month running. The core tracker overshoot by 10bp in May after undershooting by only 1bp in April. There was a more mixed fix prior to that.



Housing Inflation



Notable Goods Prices



Full recap of the prior CPI report here: <https://www.mnimarkets.com/articles/mni-us-inflation-insight-soft-services-offset-tariff-hints-1749756160886>

Plus the key takeaways from the latest payrolls report here:

<https://www.mnimarkets.com/articles/mni-us-employment-insight-resilience-to-keep-fed-on-sidelines-1751571414799>

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

mni	Headline		Core	Headline	Core	Core PCE
	NSA	NSA	NSA	SA	SA	SA
	Index	Y/Y	Y/Y	M/M	M/M	M/M
May	321.465	2.35	2.79	0.08	0.13	0.18
Jun (median)	322.462	2.64	2.93	0.25	0.24	0.25
Jun (mean)	322.440	2.64	2.94	0.26	0.25	0.26
Bbg consensus	322.501	2.6	2.9	0.3	0.3	
Citi	322.339	2.60	2.9	0.2	0.22	0.24
Goldman Sachs		2.68	2.93	0.30	0.23	0.25
NatWest	322.526	2.66	3.0	0.25	0.23	
UBS	322.368	2.61	2.92	0.23	0.23	0.27
Barclays	322.401	2.62	2.91	0.25	0.23	0.25
Jefferies		2.6	2.9	0.25	0.24	
Wells Fargo	322.462	2.64	2.9	0.25	0.24	
Nomura	322.332	2.60	2.92	0.23	0.24	0.28
BofA	322.530	2.7	3.0	0.27	0.25	0.22
TD Securities	322.499	2.65	3.0	0.27	0.27	
ANZ				0.24	0.29	
JP Morgan	322.502	2.65	3.0	0.28	0.29	
Deutsche Bank		2.7	3.0	0.34	0.32	0.32

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

Summary of Detailed Analyst June 2025 Inflation Expectations

mni	Headline	Core		Headline	Core	Supercore	Core goods			Core services							Food	Energy	
	NSA	NSA	NSA	SA	SA		used cars	apparel	OER	rents	lodging	airfares	auto ins.	gasoline					
	Index	Y/Y	Y/Y	M/M	M/M										M/M	M/M		M/M	M/M
May	321.465	2.35	2.79	0.08	0.13	0.06	-0.04	-0.54	-0.42	0.17	0.27	0.21	-0.07	-2.74	0.65	0.29	-0.98	-2.65	
Jun (median)	322.501	2.65	2.92	0.28	0.29	0.24	0.19	-0.50	0.30	0.27	0.29	0.26	-0.30	-0.50	0.70	0.20	0.51	0.90	
Jun (mean)	322.472	2.64	2.94	0.27	0.27	0.23	0.18	-0.15	0.34	0.26	0.28	0.26	-0.28	-0.43	0.59	0.20	0.55	0.86	
Bbg consensus	322.501	2.6	2.9	0.3	0.3														
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NatWest	322.526	2.66	3.0	0.25	0.23	0.10	0.40	1.0	0.7	0.20	0.27	0.26	-1.2	-4.0	0.8	0.3	0.4		
Barclays	322.401	2.62	2.9	0.25	0.23		0.13	-0.4	0.1	0.26	0.26	0.27	-0.3	-0.5		0.2	0.5	1.0	
Goldman Sachs		2.68	2.93	0.30	0.23	0.24		-0.5		0.27	0.25	0.1	1.0	0.3		0.3	1.2		
UBS	322.368	2.61	2.92	0.23	0.23		0.06	-0.7	0.1	0.28	0.29	0.24	-0.4	1.6		0.1	0.6	0.8	
Jefferies		2.6	2.9	0.25	0.24					0.30			-2.0						
Wells Fargo	322.462	2.6	2.9	0.25	0.24	0.19	0.20	0.2		0.25						0.2	0.6		
Nomura	322.332	2.60	2.92	0.23	0.24	0.29	0.10	-0.5	0.5	0.29	0.29	0.28	0.0	1.1	0.7	0.2	0.3	0.9	
BofA	322.530	2.66	3.0	0.27	0.25														
TD Securities	322.499	2.6	3.0	0.27	0.27	0.32	0.19	-0.7		0.30	0.29	0.27	-0.5	-1.4		0.1	0.5		
ANZ				0.24	0.29														
JP Morgan	322.502	2.65	3.0	0.28	0.29		-0.6	0.3		0.29	0.25	0.3	0.8			0.2	0.3		
ABNAmro		2.6	2.9	0.2	0.3														
BNP Paribas	322.625	2.69	3.0	0.3	0.3														
CIBC		2.70	3.00	0.3	0.3														
Commerzbank				0.3	0.3														
HSBC	322.552	2.67	3.0	0.3	0.3														
Scotia		2.6	3.0	0.2	0.3														
SEB		2.6	2.9	0.3	0.3														
SocGen		2.6	2.9	0.3	0.3													0.7	
UniCredit		2.7	3.0	0.3	0.3														
Wrightson	322.525	2.7	2.9	0.3	0.3														
Deutsche Bank		2.7	3.0	0.34	0.32													0.9	

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):

Deutsche: Further Signs Of Tariff Impacts In Goods

- Deutsche is at the high end of consensus for June core CPI, looking for 0.32% M/M (along with 0.34% for headline), bringing Y/Y to 3.0% and 2.7% respectively.
- “We will mainly be looking for further signs of tariff impacts in the core goods categories, especially for those which have already seen some price pressures over the last couple months (e.g., household furnishings and recreational goods). Lagged strength in wholesale used car prices could also manifest, while the auto and steel/aluminum tariffs present upside risks for new vehicle prices. On the core services side, we will be looking for some payback from the 14% slide in fares over the last four months. Similarly, medical care services could see a rebound from last month’s weakness.”
- Deutsche’s core PCE estimate is currently 0.32%.

Scotia: Data Quality May Case A Cloud Over Report Once More

- Scotia estimate core CPI at 0.3% M/M or 3% Y/Y in June.
- “Before turning to tariffs, other drivers might suggest a soft set of prints will be offered. For one thing, seasonal adjustment factors for core CPI have been low in June during recent years which reflects a recency bias in how they are calculated and which biases the figures to the downside.”
- “Among the other drivers are expected to be muted influences from gasoline and food prices. Small gains in industry-reported new and used vehicle prices are also unlikely to have a material weighted influence. Trend pressures on shelter, rent and owners’ equivalent rent are expected but amid uncertainty over when weakening market rents will work through the CPI measures. Less discounting in clothing prices is feasible after a couple of soft months and slow start to Spring and Summer in parts of the country. More difficult to estimate are core services prices ex housing and energy services. They’ve been running softly of late.”
- “Two forms of soft, survey-based data suggest that prices might be about to spike if not in this report, then soon. The NFIB’s measure of plans by small businesses to raise prices has been on a renewed upswing and can lead changes in CPI inflation. The ISM readings for price pressures indicate something similar could be coming. The lags between when the NFIB and ISM measures point to rising y/y inflation merit patience over haste.”
- “Questions surrounding data quality may cast a cloud over the report once more. For two months now, the BLS has used alternative methods to estimate about 30% of the CPI basket. Budget cuts to the agency have meant relying more upon prices of comparable goods and from other regions within the US in the absence of more data. This share of the basket is twice as high as anything in the depths of the pandemic when agents couldn’t be sent out into the field. It raises serious questions around the quality of the data as the Trump administration debases institutions including data collection agencies.”

SocGen: May’s Temporary Erratic Fluctuations To Largely Have Been Reversed In June

- SocGen see core CPI at 0.3% M/M, with the Y/Y rising 0.2pp to 3.0% for its highest since February.
- “Headline, and even more so core inflation, was weak enough in May to suggest that temporary erratic fluctuations were partially at play. We expect these to have been largely reversed in June.”
- They expect “that the impact of tariffs will begin to build – after all, the 10% across-the-board tariff was enacted in early April, and tariff revenues really took off in May. At the same time, inventories built-up pre-tariffs are likely to have been meaningfully depleted, increasing the proportion of goods sold that have been tariffed.”
- Apparel: “prices declined in both April and May (by a total of 0.6%). But when it comes to fashion, there is only so much front-loading a retailer would risk, given fast-changing fashion.”
- Automobiles: “two factors should point to upward pressures. One, the 25% tariff on auto imports went into effect in early April, suggesting that the downward drift in new car prices observed in 2025 to date may well come to an end. At the same time, the more pronounced decline in used car and truck prices of the previous three months is counterintuitive: if prices of new cars are set to be boosted by tariffs, demand should shift towards used vehicles. That said, new car sales have been soft recently, which may contain upward pressures.”
- Other non-core upside drivers are the reversal in energy, “especially in gasoline prices (seen 0.7% M/M after -2.6%) and food. On foods, “we see risks skewed to the upside over coming months, in part because of labour shortages resulting from deportations and a sharp drop-off in immigration over the southern

border. In all, we expect a strong 0.3% mom gain, raising the year-on-year rate 0.3pp to 2.7%, the highest increase since February.”

UniCredit: Expect To See Clearer Tariff Impact In Jul-Aug Data

- UniCredit eye core CPI at 0.3% M/M for 3.0% Y/Y.
- “The big question is, to what extent have higher tariffs been passed through into consumer-good prices? We suspect not much, as it is likely too soon for material passthrough to have occurred.”
- “During US President Donald Trump’s first term, it took around three months for tariffs on washing machines to show up in consumer prices.”
- “In his semi-annual testimony to congress, Fed Chair Jerome Powell said that goods for sale in shops were typically imported three months prior. The May Beige Book noted that “contacts that plan to pass along tariff-related costs expect to do so within three months”. Given that the big rise in tariffs occurred in April, including an additional 10% baseline tariff being placed on goods from most countries and a higher rate being applied to goods from China, and that the frontloading of imports has likely delayed passthrough, we expect to see a clearer impact in July-August data.”
- “We still expect the Fed to cut rates just once this year, in December.”

ANZ: June CPI Data To Show Some Increased Tariff Cost Passthrough

- ANZ expect core CPI at 0.29% M/M in June after a surprisingly soft 0.13% M/M in May.
- “There is still no meaningful sign that higher tariffs have impacted published CPI data. It is possible businesses are selling products stocked before the tariff hikes. There may also be some margin compression occurring.”
- “We expect June’s CPI data to show some of the increased tariff-based cost pressures facing businesses being passed onto consumers. This is likely to be seen first in higher prices for goods, with apparel and new car prices particularly sensitive to higher tariffs.”
- “The timing, size and duration of tariffs remains uncertain with recent delays to the implementation of reciprocal tariffs and potential for new sector/product specific tariffs at any time.”

JPMorgan: June Report Should Reinforce FOMC Consensus To Remain On Hold For Now

- JPMorgan forecast core CPI at 0.29% M/M in June whilst the year-ago rate accelerated to 3.0% Y/Y.
- “If realized, this would be the firmest month pace since February, a reflection of additional upward pressure on goods prices from tariffs as well as less of the unusual weakness in services prices seen over the past few months.”
- “We look for a very modest firming of shelter inflation around a gradual downward trend, reversing some of the unexpectedly large slide in May. [...] Moreover, travel-related sectors that had shown particular weakness over the past several months, namely lodging and airfares, are expected to have firmed modestly in June based on industry data: up 0.3% and 0.8% m/m, respectively. That said, demand in these sectors still appears soft, particularly among foreign travelers to the US.”
- “Another key sector for CPI inflation is autos, and there the picture remains mixed as tariff pressures gradually seep into transaction prices. Given lags from wholesale to retail price changes, our June forecasts largely reflect changes in industry prices during April and May.”
- “Elsewhere among goods, we have already seen upward movement in prices of consumer electronics and technology products, as well as certain household items and furnishings, as tariffs have been put into place. Those are likely to continue in June. Notably tariffs appear to have interrupted the pronounced downward trend in prices of some electronics (like televisions) and computer-related durable goods as tariff-related costs are starting to be passed along to consumers for these import-intensive goods.”
- Such a report would likely reinforce “the consensus view on the FOMC to remain on hold for now, in part because of concerns about further tariff-induced inflation alongside elevated short-term inflation expectations, and in part simply because inflation would not be on a pace consistent with achieving the 2% inflation mandate over time. This cautious stance, of course, presumes that the labor market does not show signs of concerning weakness.”

TD: Broad Acceleration With Services Not Offsetting Goods Strength

- TD Securities expect a rebound in core and headline CPI to 0.27% M/M each. Supercore Is seen picking up to 0.32% from 0.06% prior.

- “In the details, we look for goods prices to gather steam in June, reflecting some tariff passthrough, and rebounding from last month’s modest m/m contraction. But unlike in May, we don’t expect the services segment to help offset that strength.”
- Expected core goods gains include “for household goods, apparel, new vehicles, and recreation goods.”
- “On the other hand, housing inflation is likely to rebound after last month’s notable move lower, lead by rents with a 0.27% m/m gain. The move higher in shelter should be slightly offset by another drop in hotel fares. We also look for airfares to remain deflationary in June, recording its fifth consecutive large m/m retreat.”

BofA: Notable Acceleration

- BofA sees 0.25% M/M core CPI in June.
- This “would be a notable acceleration from the recent trend. Stronger price hikes for core goods, discretionary services, and medical services should drive the pickup in core inflation. Based on our forecast, we project core PCE to print at 0.22% m/m in June, which would lower the likelihood of a September cut.”

Nomura: Modest Rebound With Limited Tariff Pressure

- Nomura estimates core CPI of 0.242% M/M in June, with core goods at 0.101% / services at 0.287%.
- “Vehicle price inflation likely remained subdued. We think that some tariff-sensitive goods prices such as apparel and sporting goods rose in the month, but there was little sign of broad-based price increases.”
- “Regular rent and owners’ equivalent rent (OER) inflation likely accelerated slightly in June as idiosyncratic declines in a couple of metropolitan areas in May likely reversed.”
- They currently forecast core PCE at 0.284% in June, with portfolio management prices picking up.

Wells Fargo: Core CPI Risks Skew To Upside

- Wells Fargo estimates June core CPI at 0.24% with risks skewed more to an upside surprise of 0.3% vs a downside surprise of 0.1%.
- They see core goods prices up 0.2%: “Tepid demand for new autos after a pull-forward in purchases this past spring is keeping a lid on new vehicle prices for now, but wholesale auction prices point to used vehicle prices rebounding in June. Other core goods, including household and recreation products, are expected to continue their advance. Apparel in particular looks poised to strengthen after two months of below-trend readings.”
- And core services at 0.25%: “Primary shelter continues to quiet on trend following subdued growth in market rents (chart), but we look for a slight bounce-back in June after primary rent growth reached a six-month low in May. Meantime, the recent pace of deflation for airfare and hotels looks hard to sustain, even with a more cautious consumer. We look for a more modest drop in travel services (-0.2%) in June as a result, and expect a pickup in the second half of the year as seasonal factors are less supportive of further declines. Amid somewhat stronger price increases for medical care and recreation, we estimate the CPI for services excluding primary-shelter advanced 0.2%”.

Jefferies: Businesses Still Assessing Ability To Pass On Higher Input Costs

- Jefferies look for core CPI at 0.236% M/M in June, with the year-ago at 2.9% Y/Y. For CPI, we’re at +0.254% for headline and +0.236% for core, bringing the YoY measures to 2.6% and 2.9%, respectively.
- “May’s CPI surprised to the downside, driven by minimal pass-through from tariffs, weaker prices for both used and new cars, stubbornly low airfares, and below-trend OER.”
- They see OER remaining firm at 0.3% whilst “gasoline bounced in June and food continues to creep higher”. “While the risk of tariff-related price increases remains, businesses are still assessing their ability to pass on higher input costs to consumers and we don’t believe it will show up in this print.”
- “The Manheim Index suggests a likely rebound in used and new car prices.”
- “Although airfares are projected to decline again (-2.0%), there is some upside risk to that forecast. Delta’s CEO expressed optimism during the company’s earnings call this week, noting a rebound in travel demand and improving consumer confidence despite ongoing trade tensions, suggesting a possible resurgence in pricing power. That said, even if our anticipated -2.0% for airfare were to be +2.0%, the headline and core would both come out to +0.3% each.”

Barclays: Core Expected To Look Soft Again

- Barclays estimates core CPI of 0.23% M/M in June, “still a soft print by any standard amid a modest run-up in core goods and core services inflation”.
- They see core goods at 0.13% and core services at 0.26%, with core PCE of 0.25%: “modest upward price pressures in a handful of core goods categories amid limited tariff pass-through to prices.”
- Re core goods: “helped by a rebound in apparel and new vehicle prices, and less deflation in used cars. This implies an uptick in core goods ex used cars inflation, to 0.2% m/m (from close to 0.0% in May).”
- Re core services: “We think airline fares could post another month of deflation, albeit a modest one compared with recent declines. Elsewhere, we expect a rebound in recreation services inflation following deflation last month, and slightly firmer medical care services inflation.”
- Re shelter: “We expect shelter inflation remained broadly unchanged at 0.24% m/m in June, as a pickup in rent inflation is partly offset by deflation in lodging-away-from home prices.”

GS: Core PCE Preliminarily Tracking At 0.25% M/M

- Goldman Sachs expect core CPI at 0.23% M/M in June, corresponding to 2.93% Y/Y.
- Four component-level trends to watch:
- i) “we expect a decline in used car prices (-0.5%), based on the signal from auction prices, and unchanged new car prices, reflecting a sequential increase in dealer incentives.”
- ii) “a more moderate increase in the car insurance category (+0.3%) based on premiums in our online dataset.”
- iii) “we forecast a modest rebound in airfares in June (+1%), though we see meaningful two-sided risk to the component, reflecting a large headwind from seasonal distortions but a large increase in underlying airfares based on our equity analysts’ tracking of online price data.”
- “we have penciled in moderate upward pressure from tariffs on categories that are particularly exposed, such as the household furnishings and the recreation and communication goods categories, worth +0.08pp on core inflation.”
- They see 0.30% for headline, reflecting higher food prices (+0.25%) and energy prices (+1.2%).
- They currently track core PCE inflation at 0.25% M/M.
- “Going forward, tariffs will likely provide a somewhat larger boost to monthly inflation, and we expect monthly core CPI inflation between 0.3-0.4% over the next few months”. They see core CPI at 3.1% Y/Y in Dec 2025 and core PCE at 3.3% Y/Y, or 2.3% Y/Y for both measures excluding the effects of tariffs.

UBS: Overly Sensitive Seasonal Adjustment Factors To Hold Down June Inflation

- UBS project core CPI at 0.23% M/M in June.
- “We are seeing only modest signs of tariffs passing-through to consumer prices in the private-sector data.
- “Both the final two weeks of June grocery store prices from Nielsen and the June Adobe Digital Price Index released this week slowed relative to their recent slightly elevated increases.”
- “CPI should show a moderate impact of tariffs on the not-seasonally-adjusted (NSA) change for core goods excluding transportation. We expect this category to show a price increase above that seen last year, 2023, and for the five years prior to the pandemic (2020, 2021, and 2022 are too influenced by the pandemic to be useful comparisons.) However, most of the elevated increase in NSA core goods prices excluding transportation is likely to be offset by seasonal adjustment factors that are still heavily influenced by the pandemic years.”
- “We estimate these overly sensitive seasonal adjustment factors will hold down the seasonally-adjusted June core CPI change by nearly 10bp more than if we excluded the pandemic years.”
- “The offsetting factors of tariff pass-through and seasonal adjustment distortion are likely to result in seasonally-adjusted monthly changes for both the headline and core CPI that appear only moderately elevated relative to the Fed’s 2% inflation target. That said, 12-month inflation rates, which are not influenced by seasonal adjustment issues, should rise from their recent lows.”
- “Overall we think a core CPI increase anywhere between 15bp and 33bp would not be surprising, with risks skewed to the upside of our forecast following our forecast reduction earlier this week.”
- “We continue to expect monthly price increases will rise solidly in coming months as tariff impacts become more pronounced and as seasonal adjustment factors become less of a downward force.”

NatWest: Services Moderation To Mask Modest Tariff Passthrough

- NatWest sees unrounded core CPI at 0.226% M/M in June, with core goods 0.4% and core services 0.2%.

- “On the core goods side, we expect some strength in vehicles, apparel and household goods prices, which if realized would add 0.07pp to the core CPI. The lackluster moves in core goods prices up until May have masked some outsized gains in specific import-dependent goods categories such as toys, audio-video equipment, home appliances etc..., which could at least partially reflect some impact from tariffs. We suspect as tariffs become broader in scope (as evidenced by this week’s tariff announcements) and the lagged impact from previous tariffs levies becomes apparent, we are likely to see more broad-based increases in core goods prices. We don’t expect all of that inflationary impetus from tariffs to show up in June, but we cannot rule out impact in select sectors.”
- Re core services, “we expect both measures of rents i.e. primary residence rent, and owners’ equivalent rent advanced by 0.3% each, as lower rents on new leases continue to feed through to the BLS rent sample. Excluding rents, we expect core services prices could have advanced by another 0.1%, restrained by continued weakness in travel services prices. Travel demand continues to run a touch below year ago levels. We estimate airfares (forecast -4.0% after -2.7%) and prices for lodging away from home (forecast -1.2% after -0.1%) slid once again in June.”
- NWM currently sees core PCE printing 0.3% M/M.

Citi: Cool Inflation Continues

- Citi expects “subdued” core CPI of 0.22% M/M, including a 0.2% rise in core goods, and 0.2% headline.
- “Tariffs announced for August 1st create upside risk to the effective tariff rate, but early indications suggest pass-through to consumer prices may be limited.”
- “Non-shelter services prices (supercore) and shelter prices have slowed significantly and will likely stay subdued given softening consumer demand and outright house price declines. That means even if goods inflation picks up in coming months, Fed officials can be more confident it will be a narrow, one-time increase in goods prices rather than a broader, more persistent inflation.”
- That includes 0.25% M/M rents and 0.24% OER, with airfares -0.5% and hotel prices negative, with recreation services potentially picking up vs the prior two months.
- Within goods, furniture prices are set to continue rising; New (0.3%) and used (0.8%) car prices are seen strong vs residual seasonality patterns, while upside to goods like apparel may not appear “until the fall”.
- They note “goods prices may be stronger in PPI compared to CPI, as PPI reflects a wider range of goods.”
- Their current estimate for core PCE is 0.24%.

RBC: To Head Higher

- RBC sees 0.2% M/M core CPI: “rising costs from tariffs will ultimately be paid by U.S. purchasers. But, it will likely be spread across the supply chain from transport companies to wholesalers/ manufacturers/ retailers with only a portion finally showing up in consumer prices.”

MNI Policy Team Insights

MNI INTERVIEW: Fed's Daly: Time To Think About Adjusting Rates

By Jean Yung (Jul 10, 2025)

WASHINGTON - Federal Reserve Bank of San Francisco Mary Daly told MNI on Thursday the Fed should start thinking about cutting interest rates, potentially twice this year, and it's possible that a large tariffs-driven increase in inflation does not materialize.

"I really am of a view that it's time to think about normalizing, or adjusting – perhaps not normalizing just yet – but at least adjusting the interest rate to ensure that we can continue to say the following: The economy's in a good place and policy's in a good place. So I see two cuts as a likely outcome," she told a MNI Livestreamed Connect event.

To support a September rate cut, Daly said she's looking for "a continuation of what we've been seeing, which is modest" disinflation.

The most likely outcome for how tariffs impact the U.S. economy has coalesced around two possibilities, she said. The first is a one-off delayed impact "which we can ultimately look through," and the second that "it's possible it just doesn't materialize to a large increase in price of inflation for consumers because the businesses find ways to adjust," Daly said. "I started with this view that this could possibly happen, and it, I really haven't been dissuaded from it."

It's still possible the impact on inflation is delayed and persistent, but "I don't see that as more is most likely," Daly said. (See: MNI INTERVIEW: Bostic Backs Go-Slow On Rates As Tariffs Linger)

MNI INTERVIEW: Bostic Backs Go-Slow On Rates As Tariffs Linger

By Greg Quinn and Jean Yung (Jul 3, 2025)

LONDON - Atlanta Federal Reserve President Raphael Bostic told an MNI Connect event Monday the potential for tariffs to create inflation pressure into next year means going slow on cutting interest rates with one this year and three in 2026, expressing a broader caution until there's clarity around U.S. fiscal policy and global conflicts.

Downplaying the Fed's dot plots showing a median of two cuts this year as a mechanical and uncoordinated exercise for FOMC members, Bostic's bigger worry is cutting before it's clear how long companies delay raising prices and how consumers respond.

Inflation may return to target without raising rates but that isn't certain, Bostic said. "If things play out in a particular way, there may be heightened upward pressure on prices that may require us to raise rates or at least keep them at this level for a longer period than we might otherwise," he said at the event in London.

"I'm concerned that we may witness a sufficiently significant increase in pricing pressure that any kind of cut would exacerbate and make it harder to get us back down to our target," Bostic said. "I'd like to avoid that to the extent that I can."

KNOWING WHERE TO MOVE

Bostic when asked about the dot plot said he can see lowering borrowing costs once this year and three times in 2026. Firms he's spoken to like many economists have low confidence in where the economy is headed, especially with the prospect tariffs take a while to show up in prices, he said. "When the fog gets thicker, everyone slows down, or pulls over," Bostic said. (See: MNI INTERVIEW: Fed To Cut Twice In 2025 On Weak Growth-Haslag)

"I like to move in a direction when I know which direction to move in, and that for me would require more information than we have today," Bostic told MNI's Jean Yung at the Connect. "I'll want to make sure I have some confidence I know which direction the economy's moving in."

Officials learned from the 1970s "people don't like the Fed bouncing around a lot," Bostic said. "We actually have some luxury to be patient, because labor markets are actually quite solid in the U.S.," he said. Bostic also wants to be "absolutely sure" the inflation side of the mandate will be met, he said.

The FOMC on June 18 maintained rates at a 4.25%-4.5% target range for a fourth straight meeting, and the dot plot showed officials expect two rate cuts later this year. Chair Jerome Powell recently signaled officials are prepared to hold until the effects of tariffs on inflation, jobs and growth are more evident in data, while governors Chris Waller and Miki Bowman said they could countenance a July cut if the data cooperate.

LUXURY OF PATIENCE

"We actually have some luxury to be patient, because labor markets are actually quite solid in the U.S.," Bostic said.

There is also no crisis on the inflation side of the mandate, he said. Some big companies are seeking to avoid raising prices or making other changes in response to tariffs as long as they can, Bostic said. Other effects of trade tensions include a material drop in vacation reservations from countries like Canada, he said.

"We'll be watching to see both how consumer and business responds as this extends on into the future," Bostic said. Some lower-income families are starting to pick lower cost or quality products, a sign they are sensitive to price increases, he said.

Bostic cautioned investors on interpreting the Fed's summary rate path. "The dot plot is not a decision document, it's not a deliberation document. Each of us sends in our dots, they put it on a sheet," he said. "The things you can elicit from it... the structure of it forces you to talk about a calendar year, not the arc of policy." Officials have to submit a likely outcome even when all the scenarios are from low odds, he said.