mni

All Signal, No Noise

MARKET ANALYSIS

U.S. CPI Preview: Sep 2025

MNI View: Data To Shape Fed's Tone On Rate Cuts

Sep 9, 2025 – By Tim Cooper and Chris Harrison

SUMMARY

- August inflation data lands this week, with PPI out first on Wednesday September 10 at 0830ET, followed 24 hours later by the CPI report. Consensus (Bloomberg median) is for core CPI to come in at 0.3% M/M rounded in August, same as July, with the MNI median looking for 0.32% unrounded with a slight lean in the risks toward a rounding-up to 0.4%.
- Recall that the July CPI report saw further acceleration in monthly core inflation but the details defied expectations. The rise was driven by volatile services categories and - in a counter-intuitive finding amid continued tariff concerns - core goods were surprisingly soft (and inflation breadth appeared to moderate).
- But very strong July PPI data released subsequently, with undertones of businesses passing along higher tariff-related costs to consumers, reversed those dovish cues.
- Expectations for individual CPI categories see stronger food and energy prices vs July boosting headline inflation (to 0.36% vs 0.20% prior), and within core, “supercore” services cooling slightly (with a wide range of estimates) and housing inflation slightly softer even as core goods pick up from July.
- For PPI, current Bloomberg consensus is for a cooling after July’s hot print, with M/M final demand PPI at 0.3% (0.9% prior) and “core” (ex-food/energy/trade) also at 0.3% (0.6% prior).
- Of course, surprises to the PPI data could affect expectations going into the following day’s CPI.
- On that note, core PCE estimates are for 0.31% M/M vs 0.27% prior, with no analysts seeing core PCE printing above core CPI. That could change based on various PPI components that feed into PCE, but as it stands, the M/M core PCE estimate would be the highest since February.
- With the FOMC communications blackout underway, we won’t get any Fed reaction to the data until next week’s meeting is concluded.
- Given increasing focus on labor risks it’s hard to imagine a set of inflation readings that stops the Fed from cutting 25bp as expected, but it could help shape the updated rate and economic projections to be released at the meeting (including the 2025 “dot” median), as well as Chair Powell’s tone.
- In particular, FOMC participants’ debate over tariffs’ impact on goods prices has shifted somewhat into concerns that services prices are no longer softening to a degree that puts overall inflation on a path to 2%.

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

Consensus (Bloomberg median) is for core CPI to come in at 0.3% M/M rounded in August, same as July (0.32% unrounded).

	July *actual*	August *MNI consensus*
Core	0.32%	Median 0.32%
Headline	0.20%	Median 0.36%
Core Y/Y	3.06%	3.10%, av 3.10%
Headline Y/Y	2.70%	2.90%, av 2.89%
(M/M taken only from unrounded, Y/Y more broadly)		

- Unrounded core CPI expectations suggest a slight skew toward risks of a rounded-up 0.4%, with an unrounded MNI median of 0.32% and range of estimated of 0.29% to 0.36%. That would be steady from 0.32% in July for the joint-highest M/M since January.
- Headline inflation is seen picking up more forcefully, to 0.36% M/M (also would be a post-January high) from 0.20%. As noted in the section below, the food and energy headline categories are both seen accelerating sharply vs July, resulting in the divergence with the core metric.
- Those would bring Y/Y core to 3.1% (unch from Jul rounded though a little higher unrounded for a 6-month high), and headline at 2.9% (up from 2.7% prior).

Summary of Detailed Analyst August 2025 Inflation Expectations

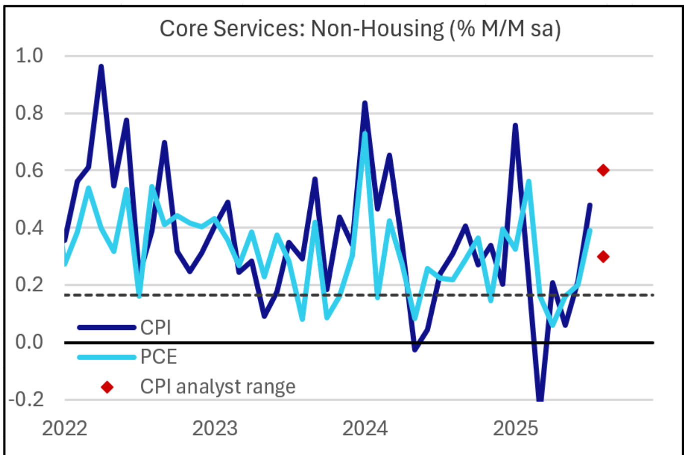
mni	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Supercore M/M	Core goods M/M	used cars M/M	apparel M/M	Core services M/M	OER M/M	rents M/M	lodging M/M	airfares M/M	auto ins. M/M	Food M/M	Energy M/M	gasoline M/M
Jul	323.048	2.70	3.06	0.20	0.32	0.479	0.21	0.48	0.07	0.36	0.28	0.26	-1.02	4.04	0.13	0.05	-1.07	-2.17
Aug (median)	323.962	2.90	3.10	0.34	0.31	0.38	0.30	1.20	0.21	0.32	0.27	0.23	0.40	3.00	0.35	0.35	0.78	1.70
Aug (mean)	323.949	2.89	3.10	0.34	0.31	0.42	0.34	0.96	0.21	0.33	0.27	0.23	0.38	3.27	0.35	0.34	0.80	1.70
Bbg consensus	323.921	2.9	3.1	0.3	0.3													

Analyst Expectations Of Key Sequential Drivers: Supercore Slowing Slightly

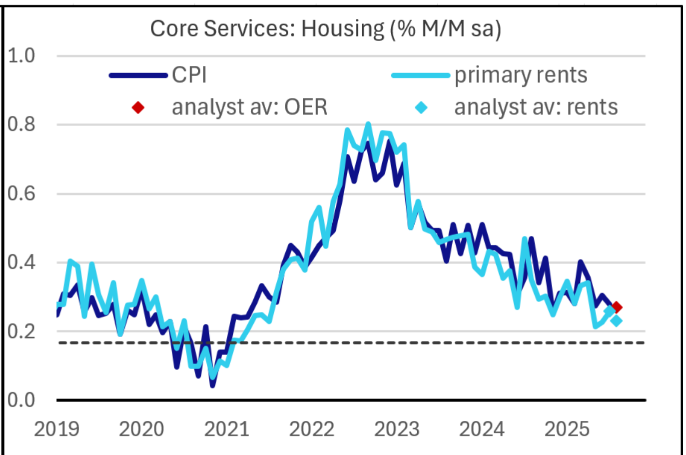
In terms of the category-by-category breakdown, supercore CPI is seen slowing from July's 0.48% (albeit there is a very wide range of views) to around 0.40% with housing CPI seen relatively steady but upside pressure vs July in services areas such as lodging and car insurance (airfares are also seen remaining strong). Outside of the categories below - Medical care printed 0.8% M/M in July, a 34-month high, but this is seen moderating at least somewhat in August.

And core goods prices are roundly seen higher (had printed a below-expected 0.21% in Jul), with vehicle prices seen driving much of the upside, and tariff-impacted categories like apparel seen by many to accelerate.

- **Lodging away from home (+ve)**: After a 5th consecutive monthly contraction (1% M/M decline in July), lodging prices are seen rebounding somewhat (0.4% median).
- **Used cars (+ve)**: Prices here are seen picking up from July's 0.5% M/M, with some estimates above 1% for the highest print since January. While industry data suggests flat M/M prices, the seasonal adjustment is seen pushing SA CPI higher.
- **Airfares* (small -ve)**: While airfare inflation is seen moderating in August, that's to a still-robust pace (3%, ranges between 1.9 and 5.5%) from 4.0% in July.
- **Apparel (neutral)**: Limited forecasts for this tariff-sensitive category suggest something similar or slightly higher than the 0.07% M/M seen in July.
- **Vehicle insurance* (small +ve)**: Again, a very slight acceleration is seen for auto insurance (0.3-0.4% from 0.1%).
- **Rents (neutral to slight -ve)**: OER and rents are seen steady or perhaps a little softer in August vs July, with risks seen as largely to the downside amid a perceived secular decline in market rents. OER is seen at around the same 0.28% M/M in August, with rents a few basis points lower from July's 0.26%.
- **Non-core: Food (+ve)**: Food prices surprised to the downside in July at under 0.1% M/M, but are seen bouncing in June with around 0.3-0.4% M/M gains expected.
- **Energy (+ve):** A resurgence in gasoline prices in August on a seasonally-adjusted basis is expected to help July's -1.1% M/M in this category largely reverse, with estimates centering around +0.8% M/M.



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



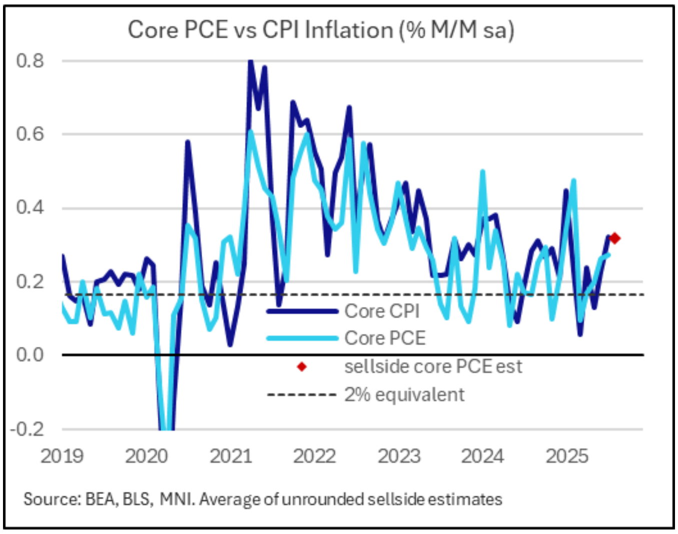
Source: BLS, MNI. Dotted line is rate consistent with 2%

PCE Estimates Align With CPI Going Into PPI: Preceding the CPI data is PPI on Wednesday (0830ET). Current Bloomberg consensus is for a cooling after July's hot print, with M/M final demand PPI at 0.3% (0.9% prior) and "core" (ex-food/energy/trade) also at 0.3% (0.6% prior).

That seems to be a widely-expected set of outcomes based on individual sell-side forecasts, though there seems to be more uncertainty and humility than usual given the outsized upside surprise in July. The volatile trade services portion of PPI for instance was the hottest in over 3 years at +2.0% M/M driven by wholesale/retail margins. We wouldn't be surprised to see revisions to July either.

In the limited number of estimates we've seen, the readthrough for the month's core PCE is seen as relatively minor in terms of directional divergence. Median core PCE estimates are for 0.31% M/M vs 0.27% prior and 0.32% for core CPI, with no analysts seeing core PCE printing above core CPI.

That could change based on various PPI components Wednesday that feed into PCE, particularly portfolio management / investment advice, airfares, and various medical care services. As it stands, the M/M core PCE estimate would be the highest since February.



Market Reaction: Report Could Shape September Meeting Communications

A 25bp Fed rate cut at the September FOMC meeting looks assured almost no matter what transpires in the August inflation data, given the increasing focus on downside labor market risks reinforced by this week's QCEW revisions and another soft payrolls report for August last week.

- However the data has a chance to shape both the tone of the communications as well as the new set of quarterly forecasts due to be released at the meeting.
- Unexpected developments in tariff-sensitive core goods and in services will be in focus. Just before the pre-meeting blackout period, yet after nonfarm payrolls, Chicago Fed President Goolsbee (a 2025 FOMC voter) said that "The more mild numbers we get on inflation, the better I'll feel about just focusing on the labor market… But in the last inflation reports, we also had this uptick in inflation coming from services, so I think we want to make sure that that's more of a blip and not a more ominous indicator."
- Goolsbee's caution in the face of weaker jobs data suggests potential for broader caution on the FOMC should we see another solid set of prints this week. That could tilt the balance away from the Dot Plot pointing to any more than the existing 2 cuts for the median voter by year-end, for instance.
- An unambiguously soft set of data, including a lack of major tariff passthrough to goods and limited bleeding through into services, could see FOMC participants more amenable to 3x cuts the rest of the year (though we don't think it would be sufficient for the Committee to reach consensus over a 50bp cut).
- Otherwise, we would guess the FOMC median participant would be a little more cautious about near-term easing absent more conclusive evidence broad inflation pressures aren't meaningfully bubbling up.
- It could also restrain Chair Powell's conviction at the press conference on the need to reduce policy restriction in order to stave off apparent rising downside risks to the employment mandate.

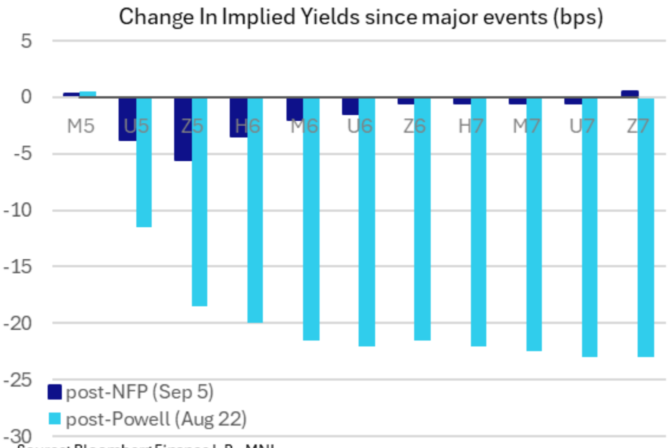
Ahead of Wednesday's PPI and Thursday's PPI release, Tuesday's nonfarm payrolls benchmark revision helped see implied rates lift a little off lows seen since Friday's soft payrolls report but there is nevertheless a clearly dovish pricing backdrop.

- Fed Funds implied rates point to 27bp of cuts with next week's FOMC decision (i.e. a little below 10% odds of a 50bp cut) although expectations of three consecutive rate cuts in what's left of this year have been pared slightly with 68.5bp of cumulative cuts currently priced vs recent lows of 72.5bps.
- Further beyond, there are a cumulative 95bp of cuts to the March FOMC whilst SOFR futures point to in total ~145bp of cuts from current levels with a terminal yield at some of its lowest levels since Sep 2024, when it saw cycle lows.

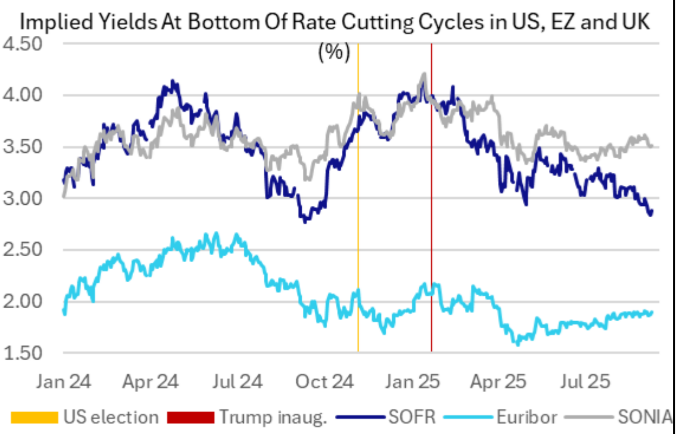
FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Sep 5)			*chg in rate*	pre Powell (Aug 22)			*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	4.06	-27.0	-27.0	4.08	-24.8	-24.8	*-2.2*	4.15	-18.1	-18.1	*-8.9*
Oct'25	3.87	-19.2	-46.2	3.93	-15	-40.2	*-6.0*	4.03	-12	-30	*-16.4*
Dec'25	3.65	-22.3	-68.5	3.71	-22	-61.7	*-6.8*	3.85	-19	-48	*-20.1*
Jan'26	3.52	-12.2	-80.7	3.59	-12	-73.8	*-6.9*	3.73	-11	-60	*-21.0*
Mar'26	3.38	-14.3	-95.0	3.45	-15	-88.5	*-6.5*	3.60	-13	-73	*-22.1*

Source: Bloomberg Finance L.P., MNI.

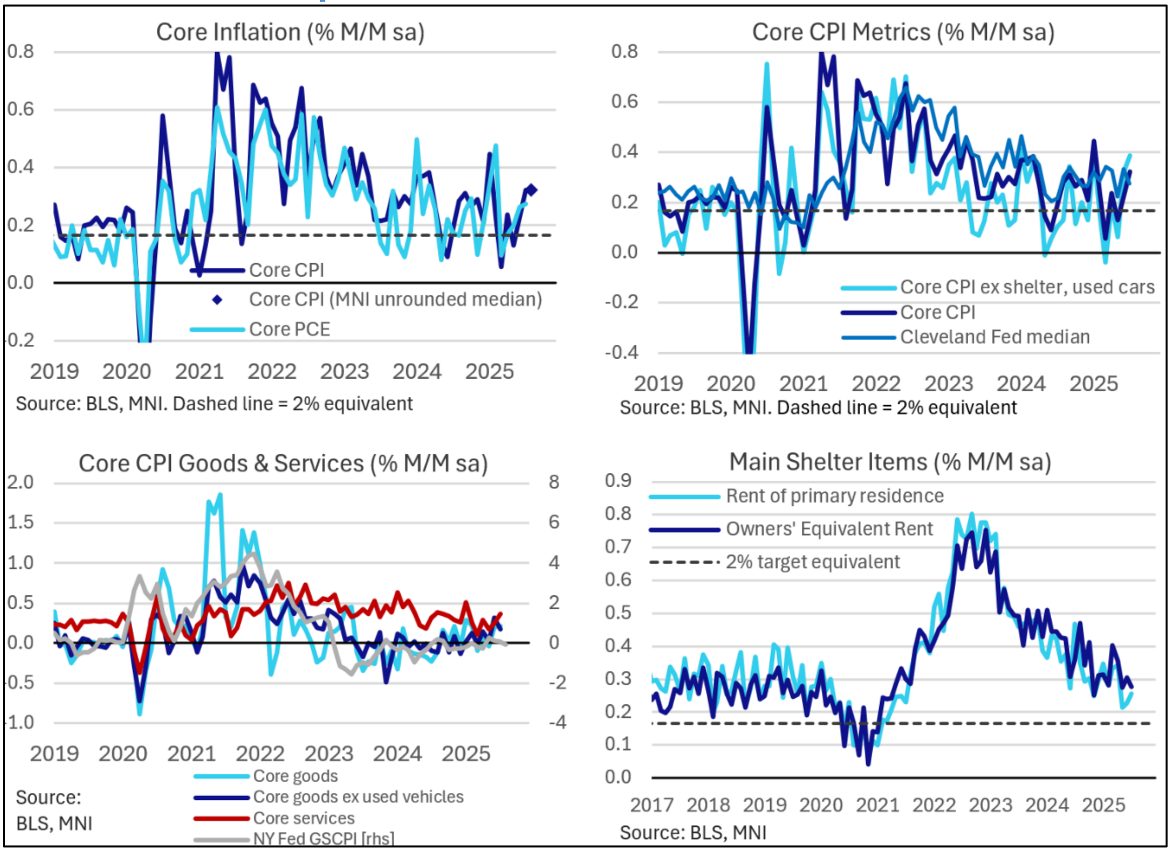


Source: Bloomberg Finance L.P., MNI



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

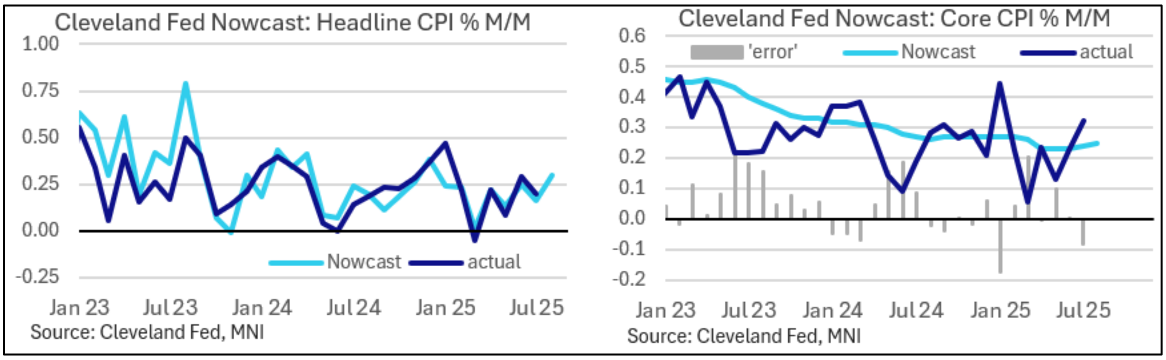
Recent Inflation Developments



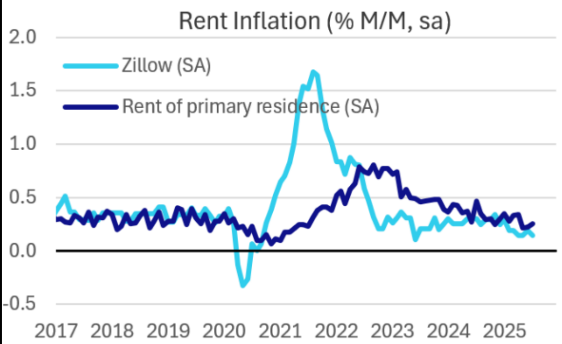
Nowcast: CPI Tracker Points To Pickup

The Cleveland Fed nowcast has headline CPI at 0.30% M/M and core CPI at 0.25% M/M in August. That headline estimate is the nowcast's highest of the year (the only one higher in the last 15 months was December 2024's 0.38%) and comes after two consecutive 0.04pp underestimates of the actual figure (July: 0.16% vs actual 0.20%).

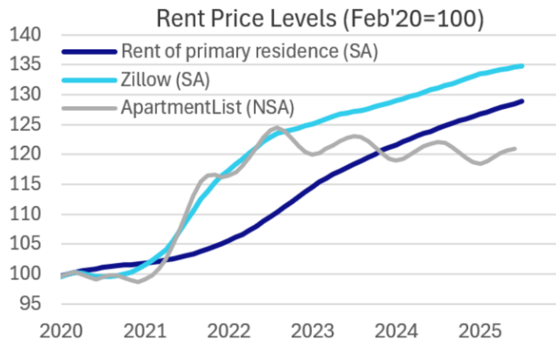
The core tracker meanwhile is a the highest since March, after undershooting the actual in July (0.24% vs 0.32% actual, biggest undershoot since January) after an accurate reading in June (0.23%).



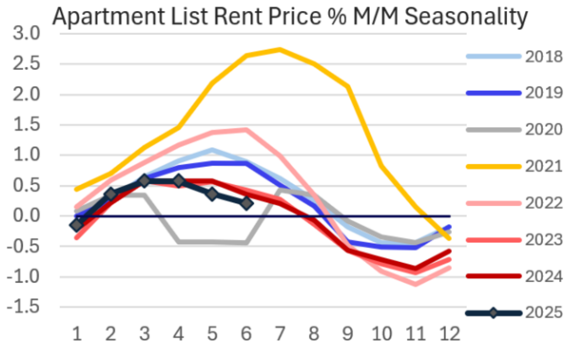
Housing Inflation



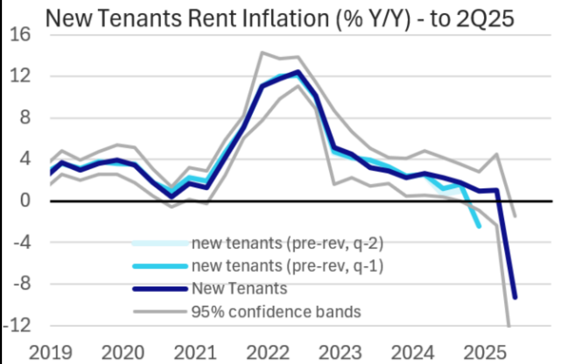
Source: BLS, Zillow and MNI



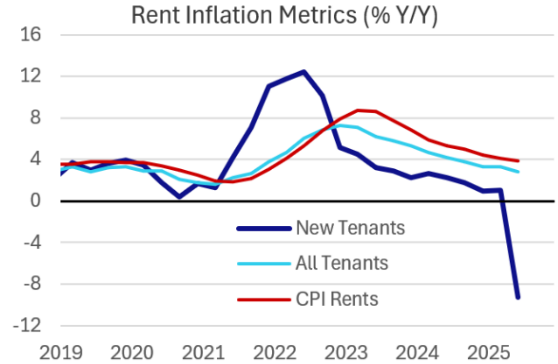
Source: ApartmentList, BLS, Zillow and MNI



Source: Apartment List, MNI

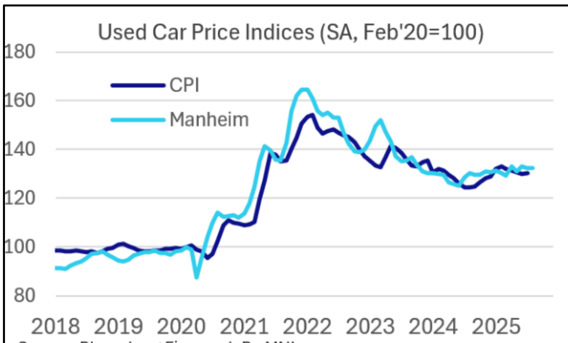


Source: BLS, MNI

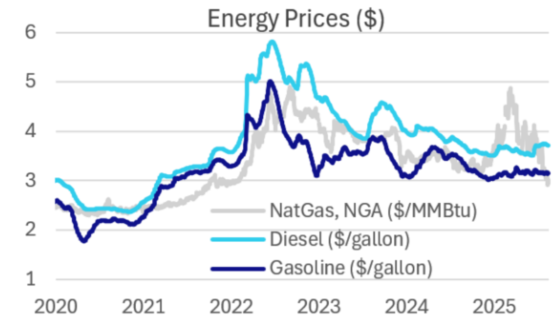


Source: BLS, MNI

Notable Goods Prices



Source: Bloomberg Finance L.P., MNI



Source: Bloomberg Finance L.P., MNI

Full recap of the prior CPI report here: https://www.mnimarkets.com/articles/mni-us-inflation-insight-core-goods-spike-fails-to-emerge-1755021528865
Plus the key takeaways from the latest payrolls report here:
https://www.mnimarkets.com/articles/mni-us-employment-insight-summer-softening-to-spur-fed-action-1757096490253

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

	Headline NSA Index	NSA Y/Y	Core NSA Y/Y	Headline SA M/M	Core SA M/M	Core PCE SA M/M
Jul	323.048	2.70	3.06	0.20	0.32	0.27
Aug (median)	323.962	2.90	3.10	0.36	0.32	0.31
Bbg consensus	323.921	2.9	3.1	0.3	0.3	
Wells Fargo	323.880	2.89		0.33	0.29	
ANZ					0.29	
Citi					0.31	0.31
UBS	323.962	2.91	3.09	0.36	0.31	0.29
Deutsche Bank				0.36	0.32	0.32
Nomura	323.841	2.87	3.10	0.34	0.34	0.34
NatWest	324.028				0.35	
TD Securities	324.033	2.93		0.38	0.35	
Goldman Sachs			3.13	0.37	0.36	0.29

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

Summary of Detailed Analyst August 2025 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
Jul	323.048	2.70	3.06	0.20	0.32	0.479	0.21	0.48	0.07	0.36	0.28	0.26	-1.02	4.04	0.13	0.05	-1.07	-2.17
Aug (median)	323.962	2.90	3.10	0.34	0.31	0.38	0.30	1.20	0.21	0.32	0.27	0.23	0.40	3.00	0.35	0.35	0.78	1.70
Aug (mean)	323.949	2.89	3.10	0.34	0.31	0.42	0.34	0.96	0.21	0.33	0.27	0.23	0.38	3.27	0.35	0.34	0.80	1.70
Bbg consensus	323.921	2.9	3.1	0.3	0.3													
BofA		2.9	3.1	0.3														
Desjardins		2.8	3	0.3	0.2													
ANZ			3.1		0.29													
Wells Fargo	323.88	2.89	3.1	0.33	0.29	0.3	0.25			0.3	0.3	0.3				0.24	1.04	
ABNAmro		3	3.1	0.4	0.3													
CIBC		2.9	3.1	0.3	0.3													
ING		2.9	3.1	0.3	0.3													
Scotia		2.9	3.1	0.3	0.3													
SEB		2.7	3.1	0.3	0.3													
Citi					0.31													
UBS	323.962	2.91	3.09	0.36	0.31		0.24	1.25	0.02		0.33	0.24	0.22	2.73		0.48	0.75	
Deutsche Bank		2.9	3.1	0.36	0.32													
Commerzbank				0.33	0.33													
Nomura	323.841	2.87	3.10	0.34	0.336	0.325	0.477	0.6	0.4	0.291	0.27	0.23	0.5	1.9	0.3	0.2	0.7	1.7
NatWest	324.028	2.93	3.1	0.4	0.349	0.6	0.3	0.4		0.4	0.2	0.2	0.5	5.5		0.4	0.8	
RBC		3	3.1	0.4	0.35													
TD Securities	324.033	2.93	3.1	0.38	0.35	0.44	0.41	1.33		0.33	0.26	0.18	0.3	3.2		0.35	0.93	
Goldman Sachs			3.13	0.37	0.36			1.2						3	0.4	0.35	0.6	

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

Desjardins: Slight Supercore-Led Cooldown

- Desjardins is at the low end of core CPI inflation expectations for August, seeing a “slight slowdown” to 0.2% M/M with headline 0.3%.
- Re headline, “gasoline prices are expected to have risen after the previous month’s decline”. As for the core slowdown, “goods prices may have risen for the third month in a row, but services prices excluding shelter likely slowed after July’s 0.5% spike.”

ANZ: Tariffs To Continue Impacting Core Goods Prices

- ANZ forecasts 0.29% M/M core CPI in August.
- “Tariffs are likely to continue to impact inflation, particularly core goods prices, in the coming months. The crucial question for monetary policy is whether these price increases will lead to an ongoing inflation problem. Our base case is that they will not be a source of persistent price pressures.”

Wells Fargo: Sticky Services To Continue

- Wells Fargo sees a 0.29% M/M core CPI increase in August, with “sticky services inflation alongside the rebound in goods prices” continuing.
- Core goods are set to rise 0.25% M/M: “New vehicle inflation, which has been tame, is poised to strengthen as a rebound in auto sales has helped to reduce inventory and the use of incentives has slowed. Price growth for other import-heavy items, such as apparel, recreational goods and communication hardware, should remain solid as well with another 0.3% increase.”
- Meanwhile core services prices to rise 0.30% M/M: “Travel-related service prices started to rebound in July, and we estimate another solid gain in August (+1.0%), led by lodging away from home. While spending on discretionary services remains generally weak, consumers' appetite for travel shows signs of rebounding with hotel occupancy and TSA screenings up again on a year-ago basis, suggestive of some stabilization in consumer demand.”
- However, medical care services could moderate after July’s jump and primary shelter inflation “should run a touch under its 0.31% year-to-date average through the remainder of 2025”.

ABN Amro: Coming In Hot

- ABN Amro sees 0.4% M/M headline and 0.3% core CPI, “partly driven by a similar services inflation pickup to last month, on the back of increasing consumer sentiment and waning uncertainty.”
- They note “we might see some tariff pressure in goods categories like cars. Especially the services component will provide an argument for the hawks on the FOMC.”

CIBC: Big Question Is When Tariffs Start Hitting New Car Prices

- CIBC expects 0.3% M/M core CPI (and core PCE) in August. “Core goods prices (excluding cars) will continue to rise but that will be partially offset by modest service price pressures, especially as the non-shelter component cools down after a medical services spike in August.”
- They note that “the big question for inflation now is when will tariffs start to hit the sticker prices of new cars. Judging by recent statements by executives at the major carmakers, that seems unlikely to show up in the September CPI report. Companies have been absorbing the costs of tariffs and that could continue for a few more months, and then the pass-through to consumers could be gradual once that process begins. That means the peak tariff impact on inflation is likely coming in the first half of next year.”

ING: Housing Carries More Weight Than Goods

- ING forecasts 0.3% M/M core CPI. There “is likely to be more evidence of goods price inflation being triggered by tariffs, but remember that core goods – items most vulnerable to tariff impact – are only 19% by weight of the inflation basket. Housing costs are 33% by weight, and there is likely to be more evidence of softening rents based on Zillow data and the Cleveland Fed’s measure of new tenant rents and existing rents.”

Scotiabank: Category Tradeoffs Eyed

- Scotia forecasts 0.3% M/M core CPI. “A key question will be the potential trade off between core services prices, tariff effects and shelter inflation… Core goods inflation has been running at about a 2½% m/m SAAR pace and some categories—like spiking prices for household furnishings and recreation goods—may be warm because of imported components.”
- “Shelter inflation is on the downswing and with possibly more to come Recall, however, that services excluding services related to housing and energy spiked sharply higher by 0.5% m/m SA for the hottest reading since January. That may moderate this time, but strength in the services sector such as the ISM-services gauge and its pick-up in new orders and prices might suggest otherwise. Airfare and housing-related insurance have been among the hotter categories.”

SEB: Tariff Impact Timing Uncertain

- SEB forecasts 0.3% M/M core CPI, noting that “goods prices are starting to rise fast, and we expect tariffs to exert more upward pressure on the inflation rate over the next 6-15 months, but the timing and size is highly uncertain.”

Citi: Services, Shelter To Continue Slowing

- Citi looks for a “similar increase as in July” at 0.31% M/M “but with details even more indicative of slowing underlying inflation. Services and shelter inflation should continue slowing, and strength should be more clearly concentrated in core goods categories impacted by tariffs.”
- They also see core PPI moderating to 0.3% M/M (portfolio management to moderate), with core PCE rising 0.31% M/M.

UBS: Similar To Last Month

- UBS expects “another strong, but not booming, month as tariffs keep pressure on”, with unrounded core CPI printing 0.31% M/M.
- They see used cars as a key component of upside goods pressures: “we expect the seasonally-adjusted new vehicle prices will continue to show no tariff impact in August but used car prices are projected to have accelerated to their strongest increase since January…prices for core goods excluding transportation have been rising in a sign of tariff pass-through. We expect only a moderate seasonally-adjusted increase this month”.
- They also see pickups in OER while there will be a slowdown in core non-rent services “as a jump in prices for dental services slows and other components move back to a trend increase.”
- They note “the additional noise means that we would not be surprised to see a core increase anywhere from 24bp to 42bp”, while seeing core PCE inflation of “around” 0.29% M/M.

Deutsche: Inflation Data Key For New Fed Projections

- Deutsche highlights that the PPI and CPI data will “be important with respect to potential revisions to the Fed’s latest Summary of Economic Projections (SEP) as well as the overall tone coming out of the meeting.” They look for 0.36% M/M headline CPI (boosted by gas and food-at-home prices) and 0.32% core CPI, which with core PPI will combine for a 0.32% core PCE rise.
- “At the component level, we will mainly be looking for continued signs of tariff impacts in core goods categories. Indeed, we expect continued strength in those which have shown signs of tariff effects over the last couple months as well as a potential expansion in inflationary pressures out to apparel. On the core services side, we expect another strong airfares print as well as some rebound in lodging-away prices.”

Commerzbank: **Highest CPI Since January**

- Commerzbank expects 0.33% M/M headline and core inflation.”Both would be the highest figures since January, but would probably not be considered dramatic by either the Fed or the market. However, we see a risk that the rates could slip above the rounding threshold and end up at 0.4%.”

Nomura: Fastest Core Goods Inflation Since 2022

- Nomura sees core CPI rising 0.336% M/M unrounded, driven by a 0.477% rise in core goods inflation which would be the fastest since June 2022.
- “We expect non-auto goods prices continued to increase at a strong pace due to higher tariffs. In addition, vehicle prices (which had been relatively stable in H1 this year) likely generated additional inflationary pressures in August.”

- However, “supercore inflation likely decelerated as a boost from higher dental service prices and airline fares waned. That being said, our forecast for supercore inflation is 0.325% m-o-m, which is still elevated by historical standards.”
- Nomura sees used and new vehicle prices rising sharply (0.6% / 0.3% M/M respectively, the latter the highest since Dec 2024).
- In more detail, “On medical care service prices (which include dental services), our forecast is a 0.3% m-o-m advance, slower than the July reading of 0.8%. Inflation of airline fares appears to have moderated to 1.9% m-o-m in August following a 4.0% increase in July. Resilient demand for air travel, seasonal adjustment and bi-monthly pricing likely led to another increase in airline fares, but a slower pace in August. Conversely, we expect lodging-away-from-home rose by 0.5% m-o-m after having declined for the prior five months, which should partially offset the weakness from other components.”
- Rent / OER are seen moderating slightly to 0.23% and 0.27% respectively (“we believe that the terminal run rate of monthly rent inflation is about 0.22-0.25% m-o-m, barring substantial economic shocks, and as actual rent inflation is nearing this level, we expect rent disinflation will become gradual.”
- The PPI and CPI results are seen accelerating core PCE to 0.341% M/M.

NatWest: Unlikely To Provide Definitive Answer On Tariff Passthrough

- NatWest project core CPI inflation of 0.349% M/M in August after 0.32% In July.
- Headline CPI is seen rising 0.4% M/M with broad-based firming. They see both food (0.4%) and energy (0.8%) rebounding along with the aforementioned core acceleration.
- Headline CPI would accelerate to 2.9% Y/Y whilst core CPI would hold steady at a six-month high of 3.1%.
- “We think the August CPI report is also unlikely to provide a definitive answer to” the question on the passthrough from tariffs to inflation, “as the composition of the core CPI in August could be similar to July.”
- “We project core goods prices firmed modestly in August (forecast: +0.3% after +0.2% in July), with some pockets of tariff-fueled prices hikes while core services prices likely maintained their 0.4% clip.”
- Within core goods, heavily-weighted categories such as new and used vehicles and apparel are expected to show another set of “muted gains” with 0.4% for used vehicles and 0.1% for new vehicles.
- “Core goods ex vehicles prices within the CPI jumped by 0.5% in June, but posted a more modest increase of 0.2% in July and could have bounced back by 0.4% in August.” “So far, we have seen some impact from tariffs in components with high degree of import exposure, though it appears the tariff-led price hikes are likely to be more sporadic than consistent across the board.”
- “On the services side, the two rent measures likely cooled last month”, with NatWest expecting both primary rents and OER inflation at 0.2% M/M after 0.3% in July.
- In contrast, “core services ex rent prices could have firmed further in August (forecast +0.6% after +0.5%). Travel demand appears to have recovered since July and airfares in general have begun to creep up.”
- Education services will also be watched with scope for anther “hefty gain” in August and September.
- PPI: Seen rising 0.5% M/M after 0.9% in July. “Food and energy costs are expected to have firmed again in August, while trade services (which measure changes in retailer and wholesaler margins) could have increased more modestly (after a 2.0% jump in July).”
- Core PPI (ex food, energy & trade services) is expected at 0.3% M/M after 0.6% in July. “Strength in transportation and financial services costs accounted for almost 50% of the 0.6% gain in core prices in July. We expect a more modest but still positive contribution from those two measures in August, which if realized will also feed through to the core PCE deflator (due September 26).”

RBC: Tariff Pressures To Begin To Materialize In August CPI, Eyeing Another Hefty Core PPI Print

- RBC estimate core inflation will still sit at 3.1% Y/Y in August whilst headline should firm to 3.0% Y/Y “– as upward pressure from food PPI in July is expected to show up in the CPI data this month.”
- “We are continuing to grapple with upward pressure from both services and now core goods – as we expect tariff pressures to begin to materialize in the August data.”
- “Pair this with upward pressure from gasoline on a seasonally adjusted basis, and we are likely to land at our Q4 headline target early. This poses upside risk to our headline inflation forecast for Q4, if we are correct and PPI pressures from food drive headline notably higher.”
- “In the coming months, we continue to expect to see a sizeable share of tariff impacts show up in the fall inflation data. We have core inflation ticking up to 3.4% by year-end, assuming a gentle moderation but still heat underneath services inflation that is amplified.”
- Two points of note:

    - "Shelter's contribution to inflation will mount in the coming months, as owners' equivalent of rent of primary residences (OER) is expected to move higher. Typically, OER lags upward movement in price data from National Association of Realtors by about 22-months, which suggests prices trending higher in the fall. Moreover, while we previously benefited from core goods deflation, those base effects have worn off."
    - "Tariffs will soon start to build on services pressures, and we will likely start to see some of the tariff impact show up in core goods this month. Our forecast assumes pressures mounting in trade-exposed sectors including household furnishings and supplies, motor vehicle parts and equipment, and recreation commodities. We saw this in the PPI date last month, and we expect that this month's core PPI print will point to pressures in trade-exposed transportation and warehousing and trade services as producers preemptively pass off higher prices to wholesalers and retailers and margins widen temporarily."
- PPI: We expect to see another hefty +0.62% m/m core PPI print, nudging the year-over-year price index to 3.9%.

TD: Passthrough In Evidence

- TD Securities see core CPI at 0.35% M/M in August as core inflation gained further momentum, although inflation should have largely moving sideways in Y/Y terms at 3.1%.
- "We have been assuming the bulk of the impact from already enacted tariffs to occur in Q3, and expect to see increasing evidence of this ongoing process in August."
- "We look for [core] goods prices to gain strength in August following 0.2% m/m increases in June/July" with broad-based increases. Some examples include "firm price increases for household goods, apparel, and recreation goods. Used vehicles inflation also likely accelerated m/m to a seven-month-high."
- "The [core] services segment will likely remain firm despite our expectation for cooling at the margin. We forecast housing inflation slowed, led by a deceleration in rents (+0.18% m/m). Hotel fares are expected to add to total inflation for the first time in six months, while airfare gains likely stayed positive for a second consecutive report."
- They see supercore CPI registering a "still solid" 0.44% M/M in August.
- Headline CPI is seen printing a solid 0.38% M/M, "owing to a pickup in energy (gasoline: +1.9% m/m) and a jump in food inflation to 0.3% m/m."
- Looking ahead, "We anticipate the core segment to gain more momentum as Q3 evolves, with the process likely spilling over into Q4. Rising core goods inflation due to tariffs should continue to offset the expected services disinflation that we have penciled in for the remainder of 2025." They see core CPI peaking at 3.4% Y/Y in 4Q25.

Goldman Sachs: Core CPI To Accelerate Again With Large Drivers From Used Cars and Aifares

- GS expect core CPI at 0.36% M/M in August, corresponding to a Y/Y rate of 3.13% (vs. +3.1% consensus).
- Four trends to watch:
    - Used car prices seen rising 1.2%, "reflecting an increase in auction prices, and new car prices (+0.2%), reflecting a decline in dealer incentives."
    - Car insurance seen rising 0.4% M/M "based on premiums in our online dataset".
    - Airfares seen rising 3% M/M, "reflecting a boost from seasonal distortions and an increase in underlying airfares based on our equity analysts' tracking of online price data".
    - "We have penciled in upward pressure from tariffs on categories that are particularly exposed, such as communication, household furnishings, and recreation, worth +0.14pp on core inflation."
- Their forecast is consistent with core PCE inflation of 0.29% M/M in August.
- They see headline CPI at 0.37% M/M, reflecting higher food (+0.35%) and energy (+0.6%) prices.
- "Over the next few months, we expect tariffs to continue to boost monthly inflation and forecast monthly core CPI inflation around 0.3%. Aside from tariff effects, we expect underlying trend inflation to fall further, reflecting shrinking contributions from the housing rental and labor markets."
- They see core CPI at 3.1% Y/Y and core PCE at 3.2% Y/Y in Dec 2025 "(or +2.3% for both measures excluding the effects of tariffs)".

MNI Policy Team Insights

MNI INTERVIEW: Fed To Cut Faster After Weaker Jobs - English

By Evan Ryser (Sept 5, 2025)

WASHINGTON – The August U.S. jobs report is likely to amplify the Federal Reserve's concerns about a cooling labor market, prompting the central bank to cut interest rates as many as three times this year, former director of the Fed Board's division of monetary affairs William English told MNI.

"There's no doubt the labor market report was soft, and that causes them to lean in the direction of easier policy," he said in an interview Friday. "It leans in the direction of easing policy further, faster than maybe the Fed had been inclined to."

The latest Bureau of Labor Statistics report confirmed a labor market that's cooling, with revisions showing the economy had lost jobs in June for the first time in nearly four years. The jobless rate rose to 4.3%, the highest since 2021.

FASTER

"The economy is slow and it's time to to cut rates some if what you're trying to do is balance the risks to the inflation outlook and to the employment outlook," said English, now at Yale University. "The risk to the employment outlook look bigger now." (See: MNI POLICY: Fed Takes Measured Approach To Post-September Cuts)

A 50 bp cut in September may be considered but looks unlikely at the moment. However, next week's CPI report and labor data revisions will factor importantly, he said. "I could imagine they could get there, but it's not what I expect at this point."

English suggested the FOMC's June forecasts remain a decent guide for how policymakers likely see the economy, with a weaker labor market and higher inflation. In June, the median official saw two 25 basis point cuts this year. The median policymaker also saw weaker GDP growth of 1.4% this year, unemployment rising to 4.5%, and core PCE reaching 3.1%.

"My best guess at this point is still they are something like where they were in June, but with the labor market having softened a bit more, they may well end up with three cuts rather than two this year," English said.

INDEPENDENCE

The Federal Reserve's monetary policymaking freedom from political interference is at serious risk, English warned. "The last time there seemed to be this sort of really, really strong pushing and shoving was maybe back around the time of the Treasury-Fed Accord." (See: MNI INTERVIEW: Trump Missed Window For Significant Fed Change)

Stephen Miran, Trump’s pick for the Fed board and the White House Council of Economic Advisors Chair, said this week he plans to keep his White House job while at the Fed.

"There's no question that it weakens the independence of the institution to have people on the Fed Board who are also in senior positions in the administration," English said. "The Congress got rid of that back in 1935 when they set up the modern Fed, and the Secretary of the Treasury and the Controller of the Currency were moved off the board."

"I do worry that the Fed's independence could be really undermined, and I think we know that that would be a bad thing. There's a lot of evidence that independent central banks deliver lower inflation on average and just better economic outcomes on average."

MNI INTERVIEW: Tariff Inflation Impact Broadens- ATL Fed Study

By Jean Yung (Aug 29, 2025)

WASHINGTON - Price pressures from President Donald Trump's tariffs show signs of broadening as businesses tell the Federal Reserve they plan to raise prices faster over the next year whether or not they're directly affected by tariffs, Brent Meyer and David Wiczer of the Atlanta Fed told MNI.

The results of some 1,000 firms surveyed by the Atlanta Fed indicate the vast majority of executives expect faster price growth over the next year. Firms directly exposed to tariffs increased their year-ahead price growth expectations by 0.7 ppt. But even companies not directly affected but still operate in industries that are highly exposed to tariffs anticipated 0.3 pp higher price growth, according to Meyer and Wiczer's analysis of Atlanta Fed's Survey of Business Uncertainty.

"It's evidence of a broadening out of impact beyond those directly impacted," Meyer said in an interview, warning the trend is reminiscent of early 2021, when price spikes on products subject to shipping bottlenecks quickly spread everywhere.

"That's the first red flag you'd wave if you're looking into whether there's an inflationary impulse."

EVERYONE'S DOING IT

Since the end of last year, firms' expectations for prices and costs have climbed meaningfully, Wiczer said.

"What one worries about is firms that are not themselves experiencing cost shock from tariffs but knowing their competitors had a price shock, might take that as leeway to raise their own prices. That would be the way in which some companies increasing prices affects overall inflation," he said.

A recent anecdote from a domestic cheese manufacturer neatly illustrates the effect, Meyer said. A supermarket selling both domestic and Swiss cheeses spread the 39% tariff on the latter across its products, as it said it wouldn't be able to pass along a dramatic cost increase on just one product range.

MARKET SHARE CONCERN

A thought experiment comparing the tariff effect on import-reliant firms in relatively unexposed industries with firms not themselves exposed but in an industry that imports heavily found a 0.2 pp gap in price growth expectations.

"It's sizeable in the sense that competitive pressure is restraining tariff price growth a little bit, but exceeding that is everyone having this cost pressure," Wiczer said. "If my neighbors did, then I can raise prices."

Compared to Covid, the price and cost expectations boost from tariffs is on a much smaller scale, and the question of how reluctant firms may be to implement price hikes with consumers less well off than a few years earlier remains unknown, Meyer said, adding that so far firms surveyed haven't reported a meaningful decline in demand.

"There's a lot of uncertainty. This on-again-off-again imposition of tariffs means what feeds through won't be a one-time level shift, and we could get drips and drabs over a long period of time before we see the fulsome tariff impact," Meyer said.

"It's easy to ignore an outsize one-month increase. When we see these things pile up over time, it looks a lot like inflation." (See: MNI POLICY: Fed Takes Measured Approach To Post-September Cuts)

MNI INTERVIEW: Inflation Too High For Fed Rate Cuts - Hoenig

By Pedro Nicolaci da Costa (Aug 28, 2025)

WASHINGTON - The Federal Reserve's rush to cut interest rates next month looks premature given still-elevated inflation rates and an economic and employment picture that is largely stable, former Kansas City Fed President Thomas Hoenig told MNI.

The FOMC "should not be cutting given the stability in the economy generally – unemployment very stable, inflation well above the 2% target and well above price stability – and that's both PCE and CPI," Hoenig said in an interview Thursday.

"This is a steady state. Real interest rates are pretty close to neutral. I think you are risking a less stable market if you lower rates."

Coupled with threats to Fed independence, that volatility could manifest itself in the form of higher longer-run borrowing costs even if the Fed does push short-term rates down, as the White House has relentlessly pressured the central bank to do.

"They want to lower interest rates so you can lower mortgage rates. But the effect would be, I think, to increase the demand for housing, increase the demand for capital. To do that, I don't know that would bring interest rates down especially in the long end. We saw what happened a year ago," said Hoenig, now a senior fellow at the Mercatus Center.

DEFICIT INFLATION

Hoenig said there will be additional inflation from tariffs, which he would have been willing to look through as a policymaker. However, he's worried about a ballooning budget deficit accentuated by the latest tax cut legislation.

"To me the real issue is the government is spending USD7 trillion and taking in revenues of USD5 trillion. So there's a new USD2 trillion of debt added, and that tends to be inflationary, especially around the subsidies and the tax cuts and so forth," he said.

Savings from cuts to Medicaid and increased tariff revenues pale in comparison with the extent of the budget hole, he said.

"So you've got an expansionary fiscal policy in place right now that's going to have more effect on inflation than the tariffs longer term."

FED INDEPENDENCE

Like many others in the central banking community, Hoenig is concerned about threats to Fed independence given unprecedented public attacks on the institutions from President Donald Trump.

Trump will get to appoint Fed Chair Jerome Powell's replacement next year and has already nominated Council of Economic Advisors Chair Stephen Miran as his first second-term appointee to the Fed Board of Governors.

“If you get a majority of the Board listening to Trump as a policymaker, then you really do have an issue with inflationary expectations becoming unbound and uncertainty rising. That would have a major effect on the bond market,” Hoenig said.

He said there’s a “high probability” the administration will try to control not only the Board but the regional Fed banks as well, by using board members’ veto powers on the reappointment of Fed presidents early next year.

“The board of directors of Fed banks will probably put their names in, but the Board of Governors can reject that,” he said.

MNI INTERVIEW:Low Inflation Ex-Tariffs Support Fed Cuts-Haslag

By Pedro Nicolaci da Costa (Aug 28, 2025)

WASHINGTON - Federal Reserve officials have room to reduce interest rates starting next month because inflation is already at or below target if not for the one-time tariff shock, but borrowing costs are just two or three quarter point cuts away from neutral so any further easing will be cautious, former Dallas Fed economist Joseph Haslag told MNI.

“It'll be interesting to see September. I can't imagine it would be anything other than 25 basis points, but I could imagine a 50, and that would still leave us in a position where we're probably a little smidgen tight in terms of the stance of monetary policy,” said Haslag in an interview.

After that, he sees a “50-50 chance that we have another 25 basis point cut before 2025 ends.”

Haslag, also a former Kansas City Fed visiting scholar, thinks the Fed is well-advised to begin cutting in September even though he thinks key inflation measures will hover between 2.5%-3.5% in coming months.

That’s because he believes underlying inflation is moderating and that the hit from tariffs will be fleeting, an argument also made by Fed Governor Chris Waller after dissenting in favor of a July cut.

“If it weren’t for the whole tariff business, I think we'd already be in the 2% or maybe even a little bit below stage. I think what we're seeing now is the slow trickle of the pass through of tariffs,” he said. (See: MNI POLICY: Fed Takes Measured Approach To Post-September Cuts)

LACKLUSTER GROWTH

Seeing little catalyst for a short-term burst of renewed economic expansion, Haslag expects GDP growth to hover near the soft first half clip of 1.5%, perhaps a bit weaker, for the remainder of the year.

“I don't think we're going to be at 5% unemployment before the end of the year, but I think we're going to move up from 4.2% and it's going to be edging up over the next six to nine months,” he said.

Fed Chair Jerome Powell appeared to put a September rate cut on the table in last week’s Jackson Hole speech, and his case was based importantly on perceived downside risks to the labor market after major revisions to recent data.

Haslag said he’s concerned about the quality of economic data based on the scale of recent revisions.

"Data quality is pretty questionable,” he said. “Maybe the BLS is a little bit behind by doing phone surveys the way they do. It’s fair to say that it's time to ask is there a better method? Because this one doesn't seem to be working all that well."

MNI POLICY: Fed Takes Measured Approach To Post-September Cuts

By Jean Yung (Aug 28, 2025)

WASHINGTON - Federal Reserve Chair Jerome Powell has signaled the central bank is ready to cut interest rates in September, but a divided FOMC will carefully weigh the need for and timing of any subsequent reductions because inflation remains too high for the Fed's comfort.

Some FOMC members are sufficiently worried about the labor market to support more aggressive cuts, while others remain cautious about direct and second-round effects of tariffs-driven price hikes, which have boosted core PCE inflation to an estimated 2.9% in July, above its year-ago level.

Middle ground could be found in a measured pace of rate reductions, as officials watch how higher costs flow through the supply chain and take stock of further cooling in the labor market as demand weakens. Uncertainty within the FOMC about the destination for borrowing costs – including just how far they are from neutral – provides further grounds for gradualism.

“The stability of the unemployment rate and other labor market measures allows us to proceed carefully as we consider changes to our policy stance,” Powell said in his speech at the Kansas City symposium. "Nonetheless, with policy in restrictive territory, the baseline outlook and the shifting balance of risks may warrant adjusting our policy stance."

INFLATION TOO HIGH

The price effects of tariffs have been somewhat muted so far, as firms pulled forward purchases and delayed having to raise prices. Now that demand has cooled in the second half, business leaders are keen to preserve market share, knowing consumers are feeling stretched.

Still, surveys and anecdotal evidence signal prices will rise further, and some firms not directly affected by tariffs also anticipate raising prices along with their competitors – mechanisms that could see price pressures spreading.

Core non-housing services CPI spiked 0.5% in July after coming in at a three-month average rate of 0.25%, setting off concerns among some Fed officials that tariff effects aren't staying in their lane. A record high 2.6% jump in dental services prices in the month may be traced partly to the higher cost of imported dental supplies, for example. (See: MNI INTERVIEW: Fed Inflation Woes Extend Beyond Tariffs-Lacker)

RISKS MORE BALANCED

Views differ among FOMC officials over whether a still-low U.S. unemployment rate of 4.2% masks more weakness in the labor market.

Some employers are allowing attrition to whittle their payrolls, and some are choosing to invest in technology instead of hiring. That the supply of workers has slowed at the same time due to immigration curbs and retirements has kept the labor market in what Powell called a "curious" balance. (See: MNI POLICY: Job Revisions Pressure Fed To Cut In September)

Quits rates and vacancies continue to look reasonably healthy, assuaging fears of an imminent deterioration in jobs. At the same time, a less tight labor market creates fewer conditions for wages-driven inflation.

"We can cut now and see how the data evolves," Fed Governor Chris Waller said after dissenting in favor of a cut in July. "If the tariff effects do not lead to a major shock to inflation, the Committee can continue reducing the rate at a moderate pace. If we do get significant upside surprises to inflation and employment, we can pause."

MNI INTERVIEW: Fed Inflation Woes Extend Beyond Tariffs-Lacker

By Pedro Nicolaci da Costa (Aug 27, 2025)

WASHINGTON - The Federal Reserve has not yet finished the job of taming inflation and cutting interest rates now could reignite price pressures, especially at a time when the central bank's credibility is under threat from attacks on its independence, former Richmond Fed President Jeffrey Lacker told MNI.

“I think they've got an inflation problem apart from the tariff effects. When they started cutting rates last year, inflation stopped falling and they haven't had any disinflation since,” Lacker said in an interview Wednesday.

“The underling ex-tariff inflation rate has not come down, it's around 3%. It just seems like they ought to be leaning against the inflation pressures more than worrying about downside risks” to employment and growth, he said.

Instead, Lacker noted that Fed Chair Jerome Powell's Jackson Hole speech last week all but cemented the prospect of a September rate cut, though uncertainty about the path of policy after that remains.

“It seems pretty clear they're headed towards a cut in September,” he said. “They've signaled they're going to take it as the data indicate after that. It's not clear how they'll play it.” (See MNI POLICY: Job Revisions Pressure Fed To Cut In September)

JOBS IN BALANCE

The former policymaker took issue with Powell's focus on downside risks to employment, a shift from the chair's earlier description of the job market as solid.

“The chair's observations were puzzling to me. He noted that the labor market seemed in balance, because while employment growth was lower, it looks like the demand was growing more slowly and supply was growing more slowly. And that's obviously demonstrated by the stability of the unemployment rate,” Lacker said.

“But a downside risk is a departure from the steady state that you're on, and if you're in some steady path where demand is growing at the same rate of supply, it's not obvious the risks are any higher. If that growth rate is low and if both of them are growing at a high rate, if the unemployment rate is stable, I'm not sure why lower supply growth would signal downside risk.”

DOLLAR RISK

President Donald Trump's strong-arming of the Fed to lower interest rates, including public pressure on Powell and most recently the attempt to fire Fed Governor Lisa Cook, is putting the credibility of the American financial system on the line, Lacker said. (See MNI: Experts Say Fed's Cook Will Prevail Against Trump)

“I do think the value of the dollars is at stake. I think that the role of the Treasury market as the market that people pile into whenever there's uncertainty, even if it's uncertainty about the United States, that's in question going forward,” he said. “A replay of something that maybe rhymes with the 1970s if it doesn't replicate it exactly, is a scenario people are going to start taking more seriously if the Fed independence crumbles."

Lacker noted how then-Chair Arthur Burns famously lacked the political will to raise interest rates when it was needed, as Burns himself later confessed.

“After he left office, he expressed, in his famous speech about the anguish of central banking, that he just didn't feel like he had the political cover, that it would have been politically acceptable for the Fed to do what it needed to do,” said Lacker. “I think we could find ourselves in the same situation – guided by leaders who either aren't willing to do what they need to do to bring inflation under control or don't want to – and that would be a really disturbing outcome, a disturbing place for our country to be in.”