Consumer price index for July shows inflation stayed steady

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The pace of consumer inflation remained steady in July, the Bureau of Labor Statistics [reported Tuesday](https://www.bls.gov/news.release/cpi.nr0.htm), as food and energy prices remained subdued.

Yet a measure excluding those categories, which tend to be more volatile, showed the inflation rate increasing, suggesting the U.S. economy remains hampered by rising price pressures amid President Donald Trump’s tariffs push.

The year-on-year increase of 2.7% for the broadest inflation measure was essentially unchanged from June and undershot forecasts for a 2.8% pickup. But the “core” measure climbed 3.1%, up from 2.9% in June, the highest reading since February.

Some economists are now raising the prospect that tariffs are nudging the U.S. economy toward stagflation, where the job market weakens even as price growth accelerates.

The report showed mixed effects from the trade duties. Furniture price growth picked up in July, while apparel price growth decelerated and appliance prices declined outright. The main drivers of inflation last month were largely in categories outside of trade, like housing, airfare and car insurance.

“There is some sign of tariff pass through to consumer prices but, at this stage, it is not significant enough to ring alarm bells,” Seema Shah, chief strategist at Principal Asset Management, said in a note following the report’s release.

That could still change, however, as stockpiled inventories purchased before the tariffs went into effect are depleted, she said. While the Federal Reserve is now even more likely to cut interest rates at its next meeting in September, more impact from tariffs could still be in the offing, Shah said.

“The tariff-induced boost to inflation is likely to grow over the coming months, meaning that inflationary pressures are likely to pick up just as the Fed starts to resume rate cuts,” she said.

In a social media post following the report's release, Trump continued his [haranguing of Fed Chair Jerome Powell](https://www.nbcnews.com/business/economy/white-house-keeps-pressure-fed-chair-powell-trump-appeared-back-down-rcna221097) to lower interest rates.

"Jerome 'Too Late' Powell must NOW lower the rate," he wrote, adding: "Fortunately, the economy is sooo good that we’ve blown through Powell and the complacent Board."

The U.S. is now set to maintain tariff levels on goods imported from China at 30% after [Trump on Monday announced](https://www.nbcnews.com/business/economy/us-china-trade-deal-tariff-extension-what-to-know-rcna221774) an additional 90-day extension on negotiations. That suggests further uncertainty on the inflation outlook depending on talks between the two countries.

Tuesday’s report is likely to be viewed favorably by the president, who has spent the past months haranguing Fed Chair Jerome Powell to lower interest rates. Stocks rose ahead of the market open in anticipation of borrowing costs easing.

Monday evening, Trump [named E.J. Antoni, chief economist at the far-right Heritage Foundation](https://www.nbcnews.com/politics/trump-administration/trump-plans-nominate-ej-antoni-bureau-labor-statistics-commissioner-rcna224438), to head the Bureau of Labor Statistics after he fired its most recent commissioner earlier this month after the release of a poor jobs report. Trump had accused the BLS's top official, Erika McEntarfer, of allowing the agency to manipulate jobs data, an allegation that remains unsubstantiated. Her Aug. 1 firing has raised alarms across Washington and among most mainstream economists, who say it could affect the integrity of the Labor Department’s data. While such data is routinely subject to revisions, there is no evidence that the most recent changes were politically motivated.

A BLS spokesperson said Tuesday’s Consumer Price Index report, which measures the growth of prices paid by consumers, would not be affected by the ouster of McEntarfer. No official changes to the bureau's methodology have been announced in the past week.

The president is particularly keyed into the data amid growing signs that his unprecedented tariffs strategy is disrupting the economy. Even as he maintains that the trade duties [are making the U.S. “strong and rich,](https://truthsocial.com/%40realDonaldTrump/115010049469121326)” recent job growth [has been anemic and increasingly concentrated in a narrow set of sectors,](https://www.nbcnews.com/business/economy/us-jobs-report-july-downward-revisions-worse-than-thought-rcna222442) like health care and state and local government.

The impact on consumer prices looks to be even more pronounced. Tariffs are taxes collected by the government on imported goods, hundreds of billions of which flow into the U.S. each month.

There has been debate about who actually ends up footing the cost of the import taxes, which economists agree shows up as inflation. Analysts with Goldman Sachs now estimate that consumers paid approximately 22% of tariff costs through June. In a note to clients, they said that figure could climb to as much as 67% by year’s end as businesses and supply chains adjust to the new regime. In that scenario, a separate inflation measure preferred by the Federal Reserve would rise to 3.2% in December, well ahead of the central bank’s official 2% target, the analysts said.

Some economists are now [raising the prospect](https://www.nytimes.com/2025/08/10/opinion/stagflation-trump-economy.html) that the tariffs are nudging the U.S. economy toward stagflation, where the job market weakens even as price growth accelerates.

This is considered one of the worst scenarios for the Federal Reserve, which is tasked by Congress with keeping both unemployment and the rate of inflation low. Fed Chair Jerome Powell has indicated that if it weren’t for Trump’s tariffs, the Fed would have lowered interest rates by now in order to make borrowing in the economy cheaper and thus help boost employment.

Under current conditions, with price pressures increasing, cutting rates becomes more difficult.

“In a stagflationary environment, it is dangerous to cut without clear evidence that inflation has peaked,” Bank of America economists wrote in a recent note to clients. In other words, lowering rates too soon risks further stoking inflation pressures by increasing overall economic activity.

Two of Trump’s Fed appointees have a different view. In remarks delivered Saturday, Michele Bowman, the Fed’s vice chair for supervision, said any inflationary impact from tariffs should only be considered a “one-off,” and that excluding those effects reveals a pace of price growth that is much more subdued. Fed Governor Christopher Waller [offered a similar view earlier this month](https://www.federalreserve.gov/newsevents/speech/waller20250801a.htm).

“Standard central banking practice is to ‘look through’ such price-level effects as long as inflation expectations are anchored, which they are,” Waller said.

That view is not shared by Powell, who said it remains unclear whether the inflationary impact from tariffs will prove to be short-lived.

“It is also possible that the inflationary effects could instead be more persistent,” [he said in congressional testimony in June](https://www.federalreserve.gov/newsevents/testimony/powell20250624a.htm). “Avoiding that outcome will depend on the size of the tariff effects, on how long it takes for them to pass through fully into prices, and, ultimately, on keeping longer-term inflation expectations well anchored.”

Some economists estimate it could take [as long as 18 months](https://x.com/DianeSwonk/status/1949558284048056649) for the tariffs’ impact to fully make their way through the economy.

“The bulk of the effects are still ahead of us,” Diane Swonk, chief economist at KMPG consulting firm, [told the "TODAY](https://www.today.com/video/trump-s-new-tariffs-go-into-effect-how-are-americans-impacted-244669509665)" show.

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From the US Bureau of Labor Statistics, Consumer Price Index Summary

Transmission of material in this release is embargoed until

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CONSUMER PRICE INDEX - JULY 2025

The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent on a seasonally adjusted basis in

July, after rising 0.3 percent in June, the U.S. Bureau of Labor Statistics reported today. Over the last 12 months,

the all items index increased 2.7 percent before seasonal adjustment.

The index for shelter rose 0.2 percent in July and was the primary factor in the all items monthly increase. The

food index was unchanged over the month as the food away from home index rose 0.3 percent while the food at home

index fell 0.1 percent. In contrast, the index for energy fell 1.1 percent in July as the index for gasoline

decreased 2.2 percent over the month.

The index for all items less food and energy rose 0.3 percent in July, following a 0.2-percent increase in June.

Indexes that increased over the month include medical care, airline fares, recreation, household furnishings and

operations, and used cars and trucks. The indexes for lodging away from home and communication were among the few

major indexes that decreased in July.

The all items index rose 2.7 percent for the 12 months ending July, after rising 2.7 percent over the 12 months

ending June. The all items less food and energy index rose 3.1 percent over the last 12 months. The energy index

decreased 1.6 percent for the 12 months ending July. The food index increased 2.9 percent over the last year.

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Changes to wireless telephone services source data and methodology

With this release, BLS has replaced survey data collected for the CPI's wireless telephone services index

with secondary source data and non-traditional index methods.

Additional information is available on the CPI website,

www.bls.gov/cpi/additional-resources/alternative-data-wireless-telephone.htm, and in a new factsheet

"Measuring Price Change in the CPI: Wireless Telephone Services,"

www.bls.gov/cpi/factsheets/wireless-telephone-service.htm.