Daily Dose of Macro & Markets 11th September 2025: "US CPI – What To Watch For"

The 'Daily Dose of Macro & Markets' is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

US CPI –> What To Watch For

After much better than expected producer price inflation yesterday*, it's all eyes on US consumer price inflation later today (1:30pm London time; 8:30am EST). This is the **last key** data point before the Fed meeting next week** (Wednesday 17th Sept). With that, it has the potential to push the market closer to believing that a **50bps cut** is possible. As of last night's close (according to CME Fed Watch), 25bps is all but guaranteed, while there is an 8.0% chance of 50bps (in September). With a weak CPI data point, that probability could rise significantly later today.

Critical factors to watch for include:

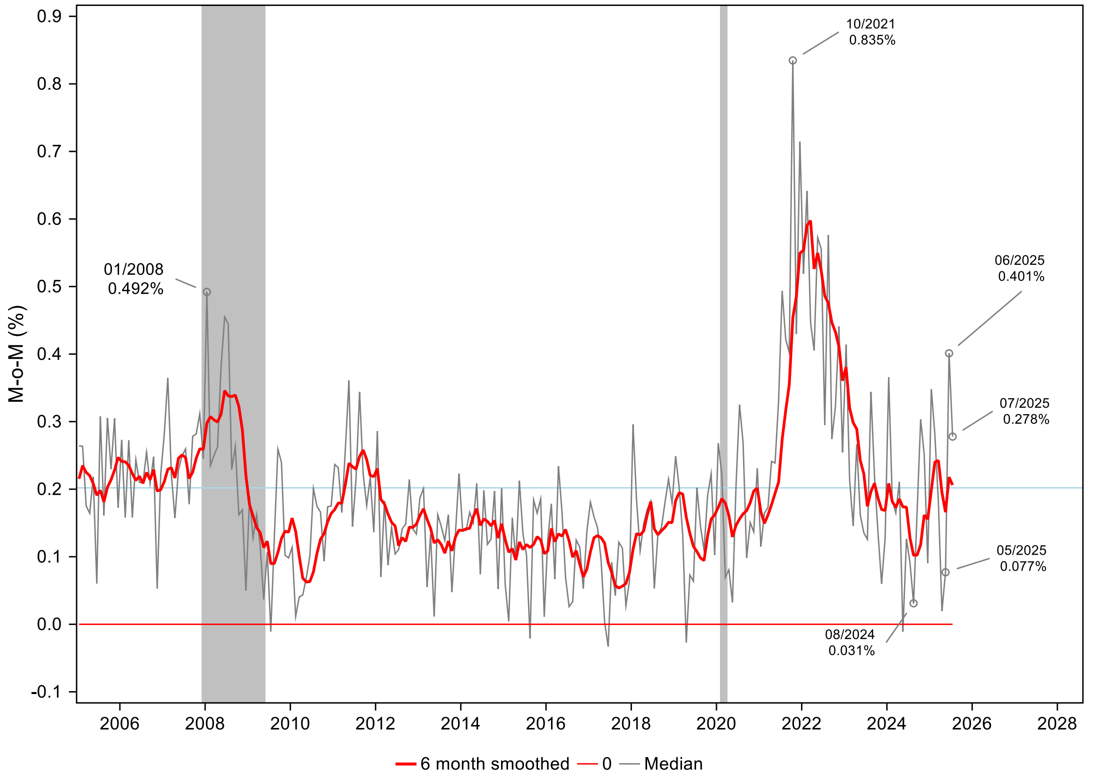
i) The behaviour of **monthly median inflation** (FIG 1). This has been a good indication of the impact of tariffs on US consumer prices. By tracking the median (middle) inflation rate of all the key CPI subcomponents it shows how the bulk of underlying prices are moving. The debate, to date, has been that the running down of retail inventories has delayed the tariffs effect. As such, the 'inflation bears' are (implicitly) expecting a pick-up in median monthly inflation. Yesterday's better than expected producer price inflation suggests otherwise.

ii) Following on from (i) above, the **top level breakdown of US CPI between 'durable goods", 'non-durable goods' and 'services' inflation is also key**. Tariffs' main impact is on goods prices. Goods inflation, though, is also a global price, and moves in sync across western economies (see FIG 2). Equally, and while goods prices have picked up recently (no doubt in part induced by tariffs), it's service sector inflation which has been the main driver of CPI – see the split of CPI into durables, non-durables (i.e. perishables) and services, FIG 3 (NB all indices are rebased to 100 as at January 2020).

iii) **Within 'services'** various component parts bear watching closely (e.g. see FIG 4). Shelter inflation, in particular, is a key focus (FIG 5). Despite 30% of US counties having negative annual house price inflation (& over 60% generating negative monthly inflation – see HERE), shelter inflation has remained at high levels. Largely that reflects the way it's put together. It has, though, been trending down in recent months (and that should continue later today).

Consensus expectations are for 0.3% m-o-m (both core & headline inflation). The outcome at the top level relative to expectations will be critical. More importantly, though, is how the underlying component parts move in August (relative to July and trend). Data is released at 1:30pm London time (8:30am EST).

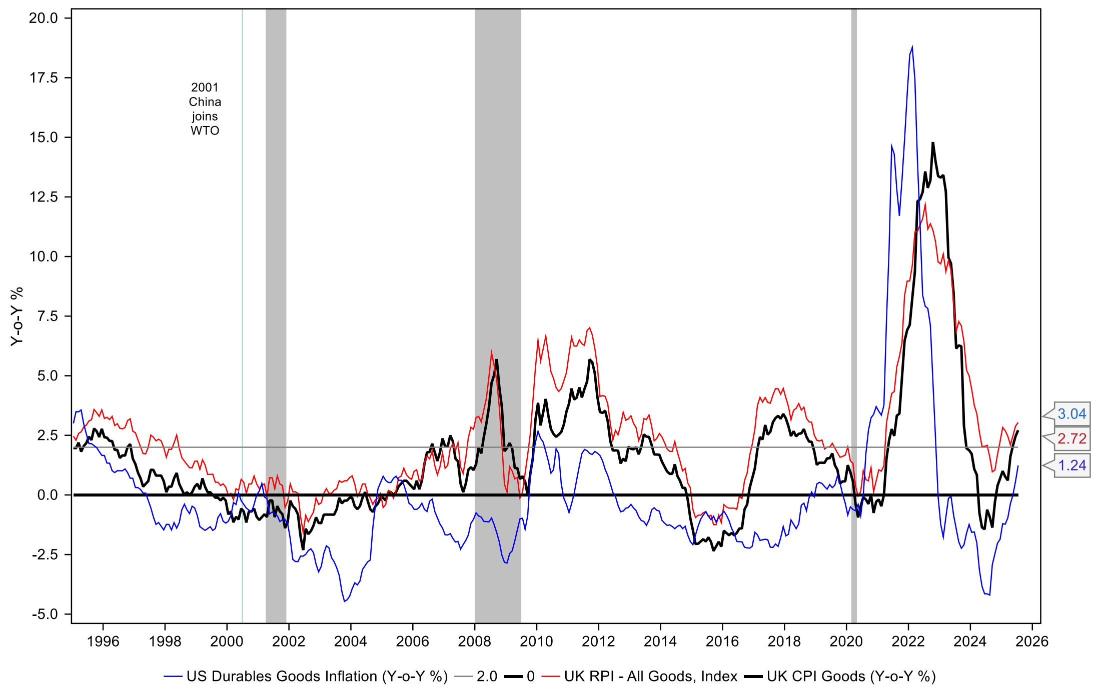
FIG 1: US median inflation (m-o-m %, 1 & 6 months smoothed)



Source: Longview Economics, Macrobond

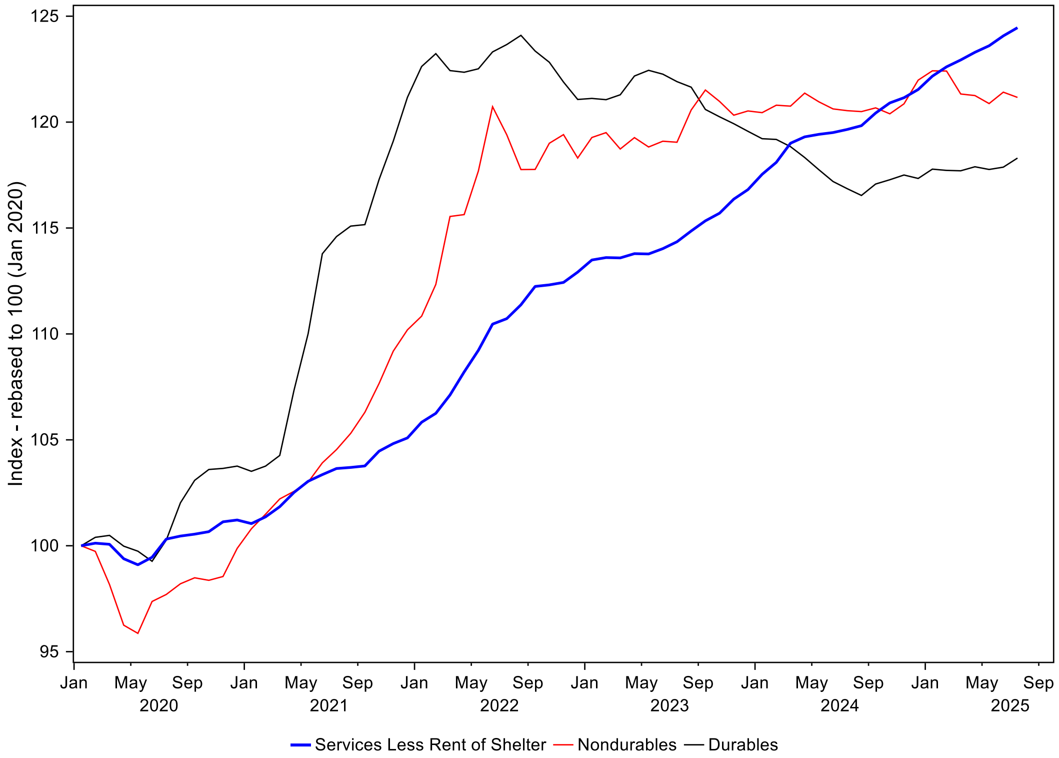
*Producer price inflation was -0.1% m-o-m (core PPI) vs. expectations of +0.3% m-o-m and after +0.7% last month.
**Albeit there is other US macro data that will be published pre next Wednesday's Fed meeting including Michigan sentiment survey (Friday, 1st estimate), retail sales (Tuesday), US NAHB housing market index (Tuesday) & building starts and permits (Wednesday). None of it, though, is likely to be as significant as today's inflation data.

FIG 2: US, UK & EZ goods inflation (Y-o-Y %)



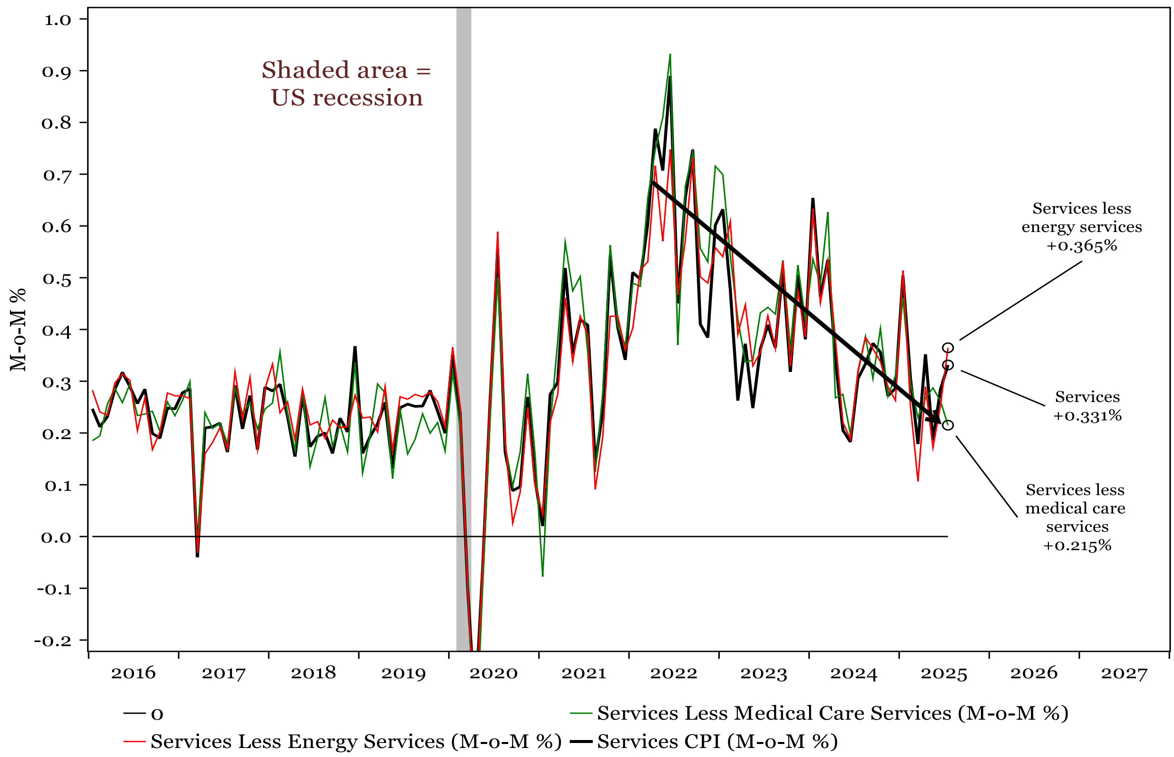
Source: Longview Economics, Macrobond

FIG 3: Top level breakdown of US inflation (rebased to 100 Jan 2020, index level)



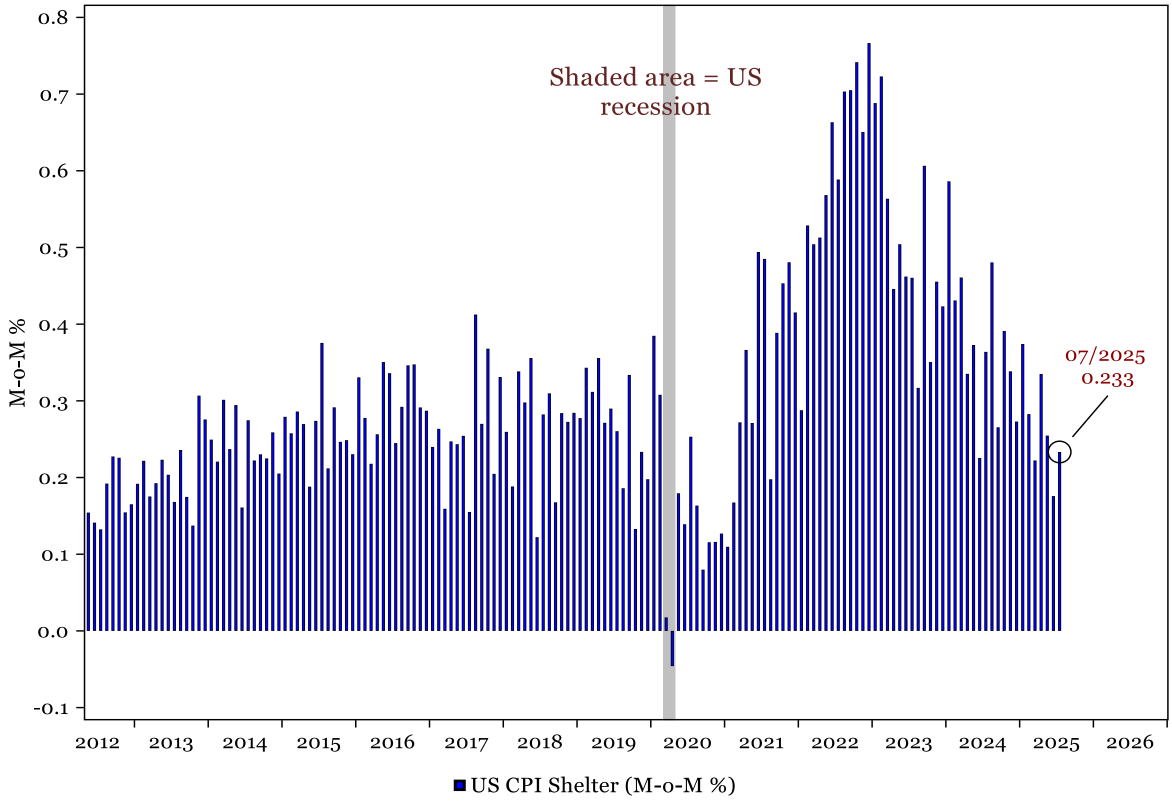
Source: Longview Economics, Macrobond

FIG 4: US service sector inflation – various measures (m-o-m %)



Source: Longview Economics, Macrobond

FIG 5: US shelter inflation (m-o-m %)



Source: Longview Economics, Macrobond