

Special Update

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Expectations for August 2025 CPI and PPI Releases

Executive Summary

The Consumer Price Index (CPI) and Producer Price Index (PPI) are key inflation indicators in the United States, providing insights into price changes at the consumer and producer levels, respectively. These metrics are closely watched by policymakers, particularly the Federal Reserve, as they influence decisions on interest rates. For August 2025 data, the PPI is scheduled for release on September 10, 2025, at 8:30 a.m. ET, followed by the CPI on September 11, 2025, at the same time. Consensus forecasts suggest modest monthly increases for both indices, with year-over-year (YoY) figures indicating persistent but cooling inflation pressures. Expectations are shaped by recent trends, including tariff impacts and service sector dynamics, amid anticipation of a potential Federal Reserve rate cut in September.

Background on CPI and PPI

The CPI, published by the Bureau of Labor Statistics (BLS), measures the average change over time in prices paid by urban consumers for a market basket of goods and services. It includes volatile components like food and energy. The core CPI excludes these to provide a clearer view of underlying inflation trends. The PPI tracks changes in selling prices received by domestic producers for their output, serving as an early indicator of inflationary pressures that may pass through to consumers.

These releases are critical this week, as they come ahead of the Federal Open Market Committee (FOMC) meeting later in September. July 2025 data showed CPI YoY at 2.7% (up from 2.6% in June) and core CPI at 3.1%, while PPI YoY held at 3.3% with a sharp 0.9% monthly rise. Economists anticipate August figures to reflect a slight uptick in headline inflation due to base effects and external factors like tariffs, but overall cooling in core measures could support rate cut expectations.

Expectations for August 2025 Producer Price Index (PPI)

The PPI for August 2025 is expected to show continued moderation in monthly gains compared to July's surprise surge, which was the largest in over three years. Consensus forecasts point to a 0.3% month-over-month (MoM) increase in the headline final demand PPI, down from 0.9% in July. This aligns with nowcasting models and market surveys, reflecting stabilizing input costs despite persistent pressures in services and goods.

For the YoY measure, expectations are for a steady 3.3%, matching July's figure. Core PPI, excluding food and energy, is also forecasted at 0.3% MoM, a deceleration from prior months. Analysts note that while July's hot reading raised concerns about tariff-induced inflation, August data is likely to show contained pass-through effects, with wholesale prices for services (a major component) expected to rise modestly.

Broader context includes potential upside risks from energy prices and supply chain disruptions, but downside from softening demand. A reading in line with or below these expectations would reinforce the case for a 25 basis point Fed rate cut, as it signals easing producer-level inflation.

| Metric | Consensus Forecast (Aug 2025) | Previous (Jul 2025) | Source |
|------------------|-------------------------------|---------------------|-------------------------|
| Headline PPI MoM | 0.3% | 0.9% | Investing.com consensus |
| Headline PPI YoY | 3.3% | 3.3% | Investing.com consensus |
| Core PPI MoM | 0.3% | 0.9% | MSD Weekly Update |

Market Implications and Risks

Both releases are pivotal for financial markets, with futures pricing in over 90% odds of a September rate cut. A hotter-than-expected PPI on Wednesday could temper enthusiasm, signaling upstream inflation risks, while Thursday's CPI will provide the final consumer-level confirmation. Upside risks include tariff implementations and wage growth, while downside factors encompass weaker global demand and falling commodity prices. S&P Global highlights that while July data showed tariff effects, August may reveal if these are transitory.

In summary, expectations point to "Goldilocks" inflation—not too hot, not too cold—supporting monetary easing without reigniting fears of overheating.



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