

Economics

ECONOMIC FLASH!

economics.cibccm.com

July 15, 2025

US CPI (May): Car prices masking tariff impact

by **Ali Jaffery** ali.jaffery@cibc.com & **Katherine Judge** katherine.judge@cibc.com

Consumer Price Index (monthly change, %)	June 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025	June NSA YoY%
All items	0.3	0.1	0.2	-0.1	0.2	0.5	2.7
Ex-food/energy	0.2	0.1	0.2	0.1	0.2	0.4	2.9
• Ex-food	0.3	0	0.3	-0.1	0.2	0.5	2.6
• Ex-energy	0.2	0.2	0.2	0.1	0.2	0.4	2.9
Energy	0.9	-1.0	0.7	-2.4	0.2	1.1	-0.8
Services	0.3	0.2	0.4	0.2	0.3	0.5	3.8
Housing	0.3	0.3	0.5	0.3	0.4	0.3	4.0
Fuels & util.	0.8	0.4	1.1	1.1	1.2	0.5	6.7
Food/beverages	0.3	0.3	-0.1	0.4	0.2	0.4	2.9
• Food	0.3	0.3	-0.1	0.4	0.2	0.4	3.0
Apparel	0.4	-0.4	-0.2	0.4	0.6	-1.4	-0.5
Transportation	0.1	-0.7	0	-1.8	-0.4	1.2	-0.1
Medical care	0.5	0.3	0.5	0.2	0.3	0.2	2.8
Recreation	0.4	0.1	0	-0.1	0.3	1.0	2.1
Education, comm.	0.1	0.1	-0.1	0.3	0.2	0.3	0.5
Other good, serv.	0.4	0.5	0.1	1.0	0.6	-0.3	3.7
Commodities	0.3	-0.1	0	-0.4	0.1	0.4	0.6

Source: Haver Analytics.

- Price pressures picked up in the US in June as headline prices rose by 0.3% m/m, in line with the consensus expectation and boosted by a rebound in energy prices, which left the annual rate three ticks faster at 2.7%. Core prices (ex. food/energy) were a tick softer than expected at 0.2% m/m, leaving the annual rate one tick higher at 2.9%. Core goods inflation rose by 0.2% m/m, that comes after three consecutive months of essentially flat price growth. Service inflation modestly picked up driven by a jump in medical care services costs. The passthrough of tariffs continues to be modest given businesses stocking up on pre-tariff inventories, particularly of autos, in addition to absorbing some of the costs in margins. However, those inventories are becoming thinner and we expect to see more tariff passthrough ahead, which will keep the Fed on the sidelines for now.
- While the overall impact of tariffs remains modest, that is mostly because car prices remained subdued (-0.3% for new cars, -0.7% for used cars), a sign of softening demand and dealer lots full of cars imported before the administrations tariffs were imposed. Outside of autos, there are more clear signs of tariffs showing up. Apparel (+0.4%), recreational commodities (+0.8%) and household furnishings and supplies (+1.0%) all showed material price increases. As we get through to the fall and 2026 models start to show up on dealer lots, auto prices too we likely turn and core goods inflation will look even hotter.

- Services inflation modestly picked up (+0.3%) from May as services excluding shelter rose modestly due to higher medical services costs. But shelter moderated on a further drop in hotel prices, a sign of weak tourism demand. Rent and OER were about unchanged from the prior month.
- Overall, inflation modestly surprised to the downside but it's really car prices masking the tariff impact on core goods and the drop in hotel prices also contributed to somewhat softer service inflation. The Fed will be focused on the durability of those trends and will take their time to assess given the labor market looks healthy.

Implications & actions

Re: Economic forecast — The underlying details on US inflation showed greater tariff pass-through on some categories and there was some extra help from very weak hotel prices that kept core inflation a bit weaker. The Fed will be focused on the durability of those trends. We continue to expect one cut from the Fed this year in December.

Re: Markets — Bond yields and the broad dollar have modestly risen since the release.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC