Inflation picked up in June as tariffs began to lift prices across the economy

Economists have been watching closely for indications that the White House's trade policy is beginning to hit consumers' wallets.

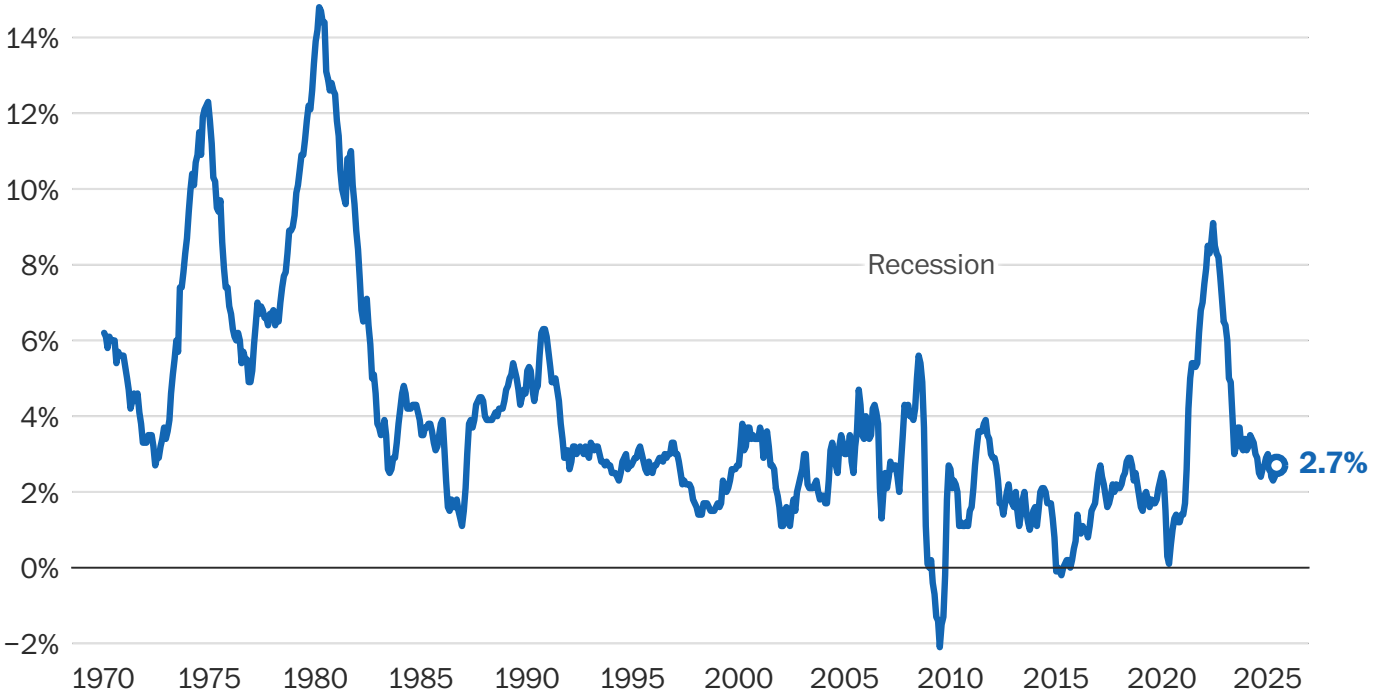
Updated July 15, 2025

By Abha Bhattarai and Andrew Ackerman

Inflation picked up in June, a sign that President Donald Trump's tariffs are beginning to push up costs of appliances, furniture, clothing and other everyday goods across the economy.

Prices have risen 2.7 percent in the past year, according to the latest figures from the Labor Department, released Tuesday. That's up from a 2.4 percent annual pace a month earlier.

Annual inflation rate, consumer price index



Source: Bureau of Labor Statistics

The price increases in June were broad-based, affecting imports such as cosmetics, shoes and toys, as well as services like medical care, car insurance and education. Meanwhile, vehicle prices and airfares fell, in part because of dampened demand.

Core inflation, which excludes volatile food and energy prices, rose 2.9 percent from a year earlier, which was also slightly hotter than the prior month's increase. If monthly gains continue, annual rates could edge toward 4 percent by the end of the year, economists say.

"Inflation has begun to show the first signs of tariff pass-through," Ellen Zentner, chief economic strategist for Morgan Stanley Wealth Management said, adding the June figures are "likely the first of greater price pressures to come."

That uncertainty surrounding future inflation is complicating matters for the Federal Reserve, which has been trying to tamp down on a burst of pandemic-era price hikes. The consumer price index, which peaked at 9.1 percent three years ago, had recently come down to as low as 2.3 percent. The Fed generally tries to keep annual inflation at about 2 percent.

But the pickup in prices in June — the largest monthly gain since January — is reigniting fears among some economists that tariffs, mass deportations and other White House policies could worsen inflation. A fresh round of threatened tariffs, scheduled to take effect Aug. 1, could further cloud the outlook and prompt the Federal Reserve to hold off on interest-rate cuts.

“This CPI print puts the Fed in a tight corner, with inflation drifting away from its target as the effects of tariffs take hold,” Eswar Prasad, an economics professor at Cornell University, wrote in an email.

Still, he noted, many businesses have so far held off on major price increases while they waited to see whether the Trump administration pulled back on its trade threats. But if tariffs remain high, economists expect to see real damage over time — in the form of both higher prices and slower job growth.

“The pass through of tariffs into domestic prices is likely to intensify over time,” Prasad said.

Trump, though, applauded the latest report as a sign that inflation is under control. “Consumer Prices LOW,” he posted Tuesday on Truth Social, his social media platform. “Bring down the Fed Rate, NOW!!!”

Minutes later, he called on the Fed to cut interest rates by 3 percentage points, saying such a move would save “One Trillion Dollars a year.” The Federal Funds Rate, which is controlled by the central bank, is currently between 4.25 percent and 4.5 percent.

Wall Street also appeared largely unfazed Tuesday. The S&P 500 and Nasdaq were both up modestly in the first hour of trading, while the Dow Jones Industrial Average was down about 0.3 percent.

Inflation data so far has mostly defied concerns that Trump’s tariffs would ignite price increases, surprising analysts who had braced for higher inflation and weaker hiring amid the unpredictable trade moves.

Economists say the full impact of Trump’s trade policy will take time to materialize. Big companies, in particular, seem to have prepared well by stocking inventories ahead of the tariffs. Many also found alternative suppliers, improved productivity and pressured wholesalers and distributors to absorb some of the extra costs.

The White House has repeatedly highlighted the monthly data to argue that Trump is beating inflation, while simultaneously calling on the Fed to lower interest rates to boost economic activity. After lowering rates by a full percentage point between September and December, the Fed has left rates unchanged at a range of 4.25 percent to 4.5 percent.

Despite near-daily pressure from Trump and his top officials, the Fed is unlikely to lower rates this month at its next scheduled meeting.

“We’re simply taking some time,” Fed Chair Jerome H. Powell said recently at a conference in Portugal. “As long as the U.S. economy is in solid shape, we think the prudent thing to do is wait and learn more and see what those effects might be.”