

12 August 2025

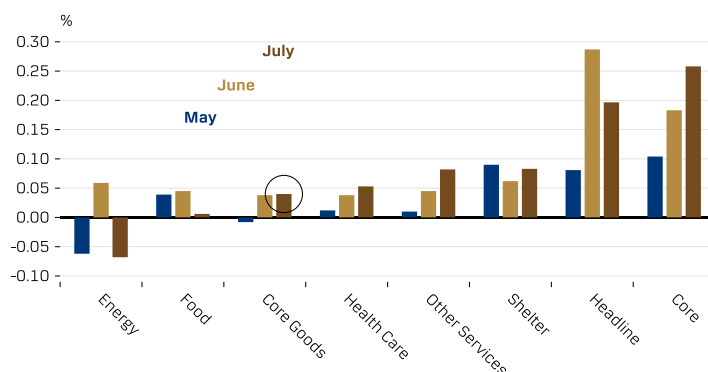
Global Inflation Watch

Still no clear signs of tariff-driven inflation

- **Overview:** July inflation data offered few surprises – and still no clear signs of tariff-driven inflation. Underlying price pressures remain on a moderating trend in both the US and the euro area. Oil prices have edged lower amid OPEC's production hikes and concerns of weaker economic outlook. We think the ECB is already done with rate cuts but expect the Fed to resume its easing cycle in September.
- **Inflation expectations:** Both survey and market-based inflation expectations measures have remained relatively stable over the past month. Short-term US expectations remain elevated due to the tariffs, but longer-term expectations are well anchored on both sides of the Atlantic.
- **US:** July CPI landed close to expectations on both headline (+0.19% m/m SA, June +0.29%, forecast +0.2%) and core terms (+0.32% m/m, June +0.23%, forecast +0.3%). Surprisingly, the modest uptick in core inflation was mostly driven by services. This would typically be seen as a sign of sticky inflation and hence interpreted as a hawkish signal. However, the fact that core goods and food inflation remained stable at still modest levels alleviated markets' concerns of rapid pass-through of tariff-related costs. While we do expect core goods inflation to pick up speed towards fall, the reading supports the case for the Fed's September rate cut.
- **Euro:** Euro area inflation remained steady at 2.0% y/y in July, slightly above expectations of a decline 1.9%. The primary driver was food price inflation, which rose to 3.3% y/y from 3.1% in June, while core inflation remained at 2.3% y/y as expected. Services inflation eased to 3.1% y/y, with monthly price increase in services at only 0.19% m/m. This brought the 3m/3m momentum down to 3% for the first time since January, indicating an easing momentum in services. The ECB's June staff projections estimated headline inflation for Q3 2025 to average 1.9%, and as we anticipate inflation to rise in August and September, it will likely exceed the ECB's expectations.
- **China:** CPI for July dropped to 0.0% y/y from 0.1% y/y while core CPI increased again from 0.7 % y/y to 0.8% y/y. PPI deflation was flat at -3.6% y/y.

Core goods inflation remained steady in July

Contribution to US CPI m/m growth, %-points

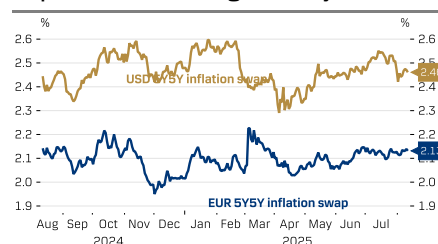


Source: Macrobond Financial, U. S. Bureau of Labor Statistics (BLS)

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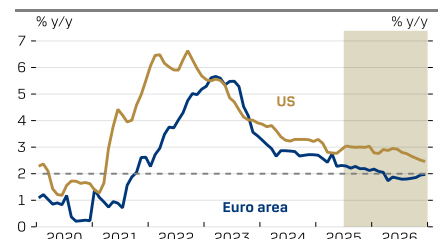
Market based long-term inflation expectations moving sideways.



Note: Past or current performance is no guarantee of future performance

Source: Bloomberg, Macrobond Financial

Core inflation outlook



Source: BLS, Eurostat, Danske Bank, Macrobond Financial

Senior Analyst, US

Antti Ilvonen
antti.ilvonen@danskebank.com

Analyst, euro area

Rune Thyge Johansen
rujo@danskebank.dk

Chief Analyst, China

Allan von Mehren
aivo@danskebank.dk

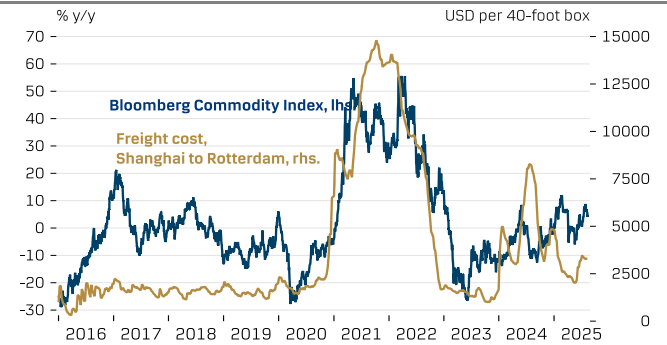
Top down overview

Overview of inflation drivers

Inflation Dashboard (3-6M trend)		
Commodity prices	Oil	→
	Metals	→
	Food stuff	→
Supply Chains	Freight rates	→
Wage pressure		↓
Productivity growth		→
Inflation expectations		→
Pricing power		→

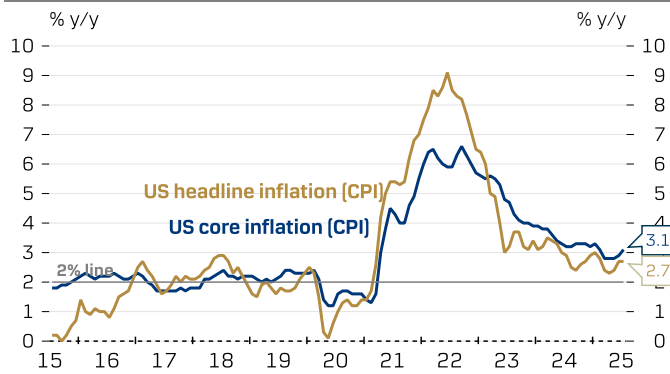
Source: Danske Bank

Commodity price and freight inflation



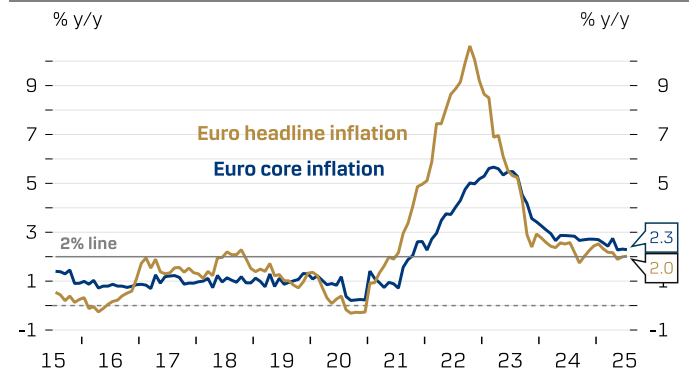
Source: Macrobond Financial, Eurostat, Bloomberg

US headline and core inflation (CPI)



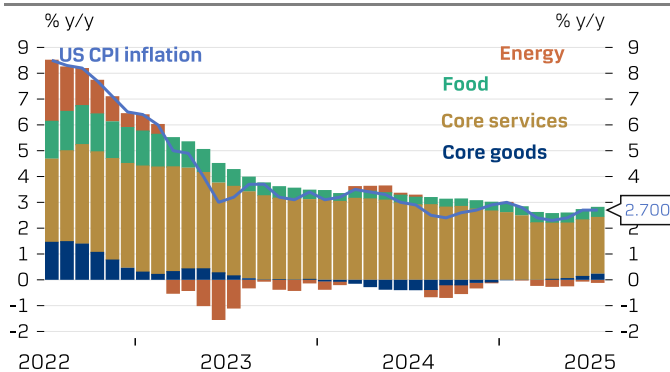
Source: Macrobond Financial, BLS

Euro headline and core inflation



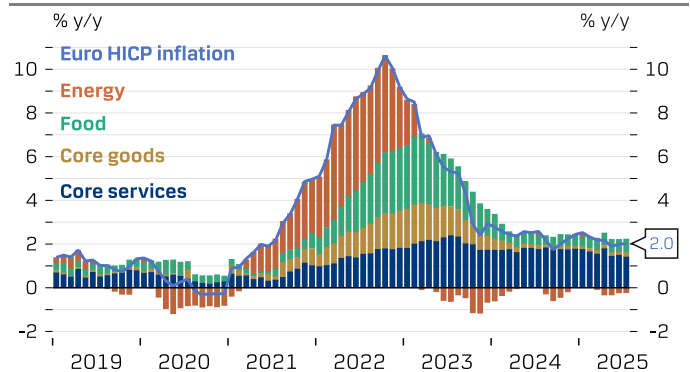
Source: Macrobond Financial, Eurostat

Contributions to US inflation



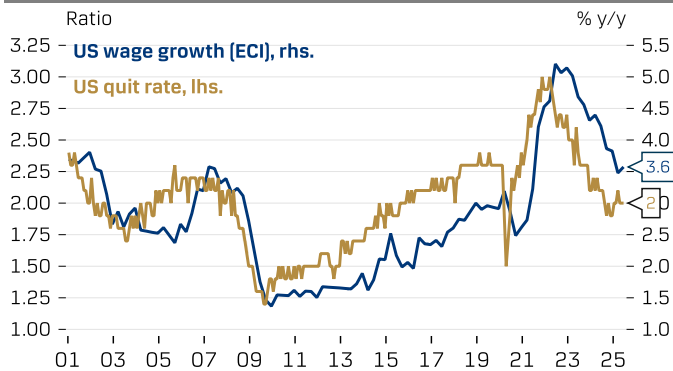
Source: Macrobond Financial, BLS

Contributions to euro inflation



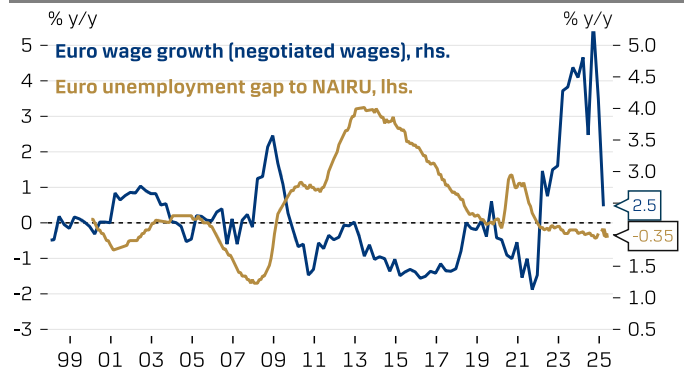
Source: Macrobond Financial, Eurostat

US wage growth and labour market tightness



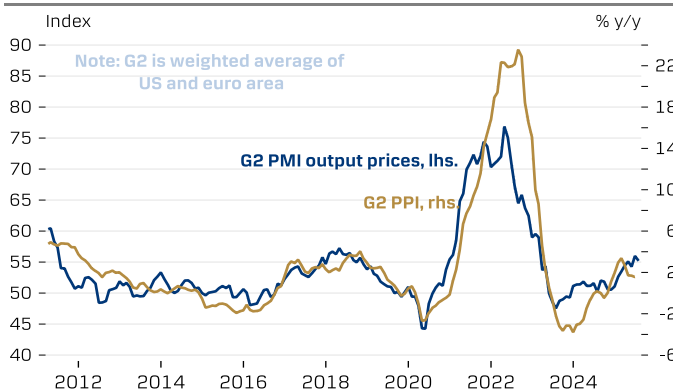
Source: Macrobond Financial, BLS

Euro wage growth and labour market tightness



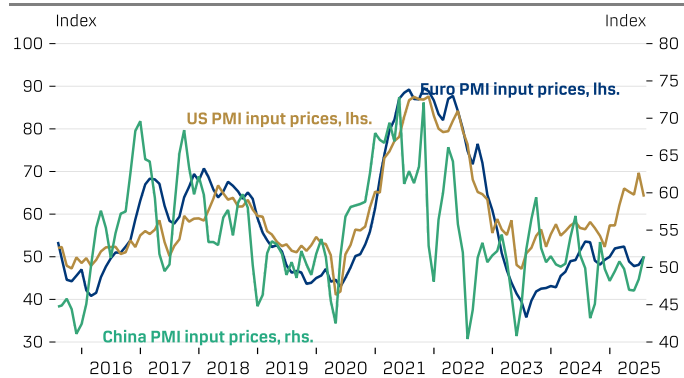
Source: Macrobond Financial, Eurostat, ECB

G2 PPI inflation vs oil price inflation



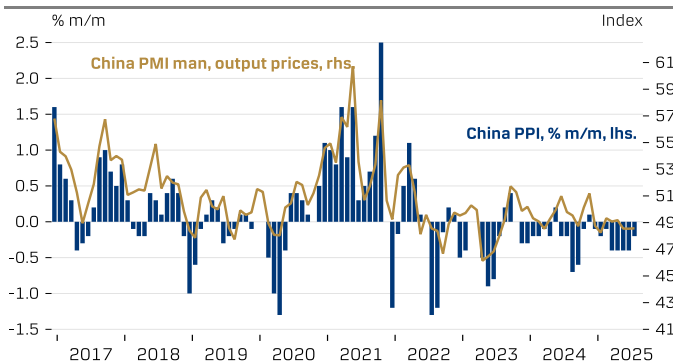
Source: Macrobond Financial, BLS, Eurostat

PMI input price indices US, Euro and China



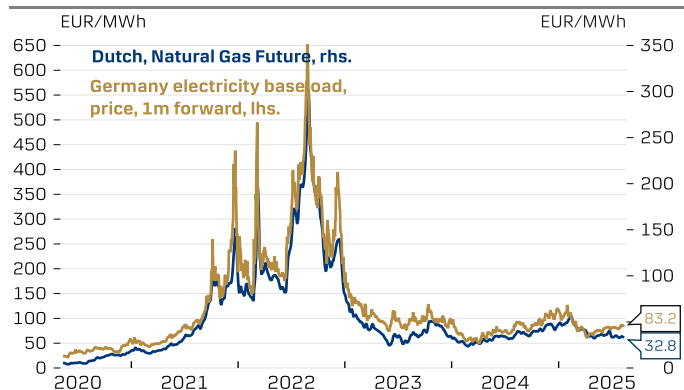
Source: Macrobond Financial, Markit

China PPI inflation momentum



Source: Macrobond Financial, Markit

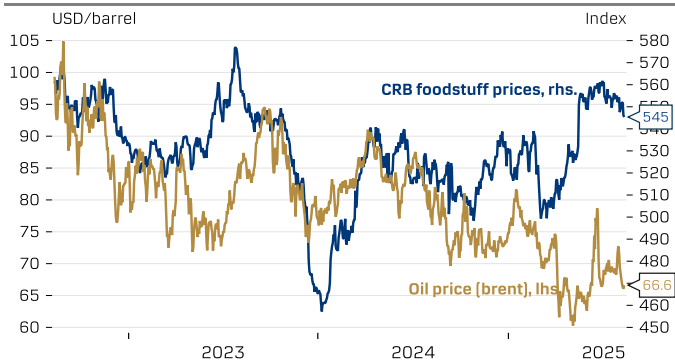
European natural gas and electricity prices



Note: Past or current performance is no guarantee of future performance

Source: Macrobond Financial, PBoC, Danske Bank

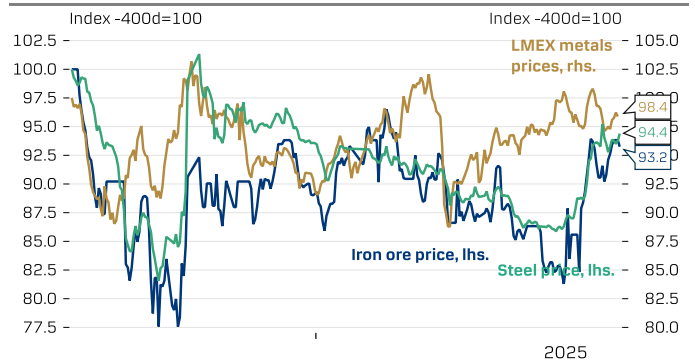
Commodity price levels – oil and food



Source: Macrobond Financial, Bloomberg

Note: Past performance is not a reliable indicator of future performance.

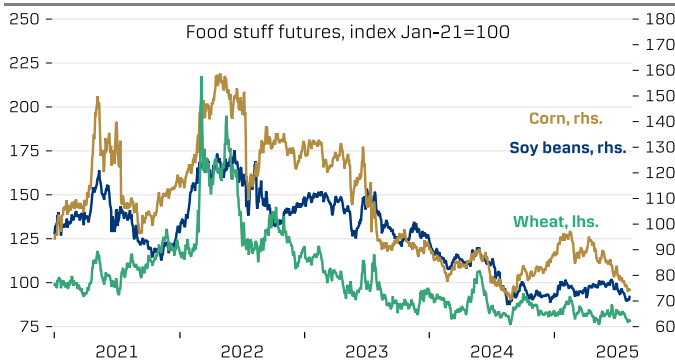
Commodity price levels – metals and iron ore



Source: Macrobond Financial, Bloomberg

Note: Past performance is not a reliable indicator of future performance.

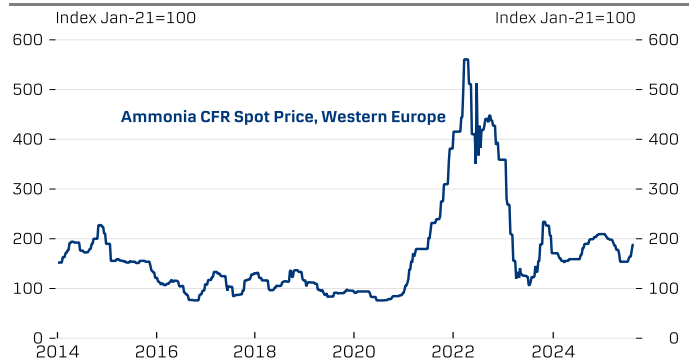
Grain prices



Source: Macrobond Financial, Bloomberg

Note: Past performance is not a reliable indicator of future performance.

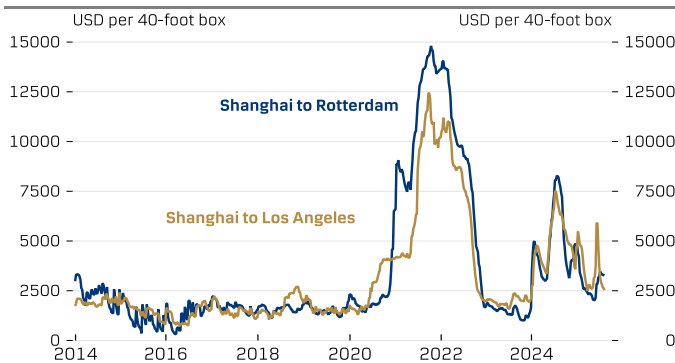
Fertilizer input prices



Source: Macrobond Financial, Bloomberg

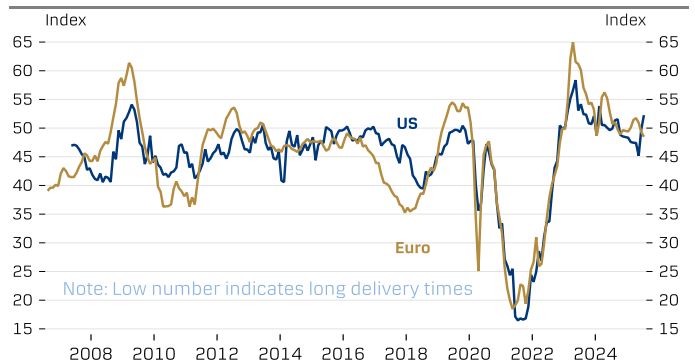
Note: Past performance is not a reliable indicator of future performance.

Freight rates



Source: Macrobond Financial, Bloomberg, WCI

Bottle necks – PMI supplier delivery indices



Source: S&P Global, Macrobond Financial

Country details - US

Top down

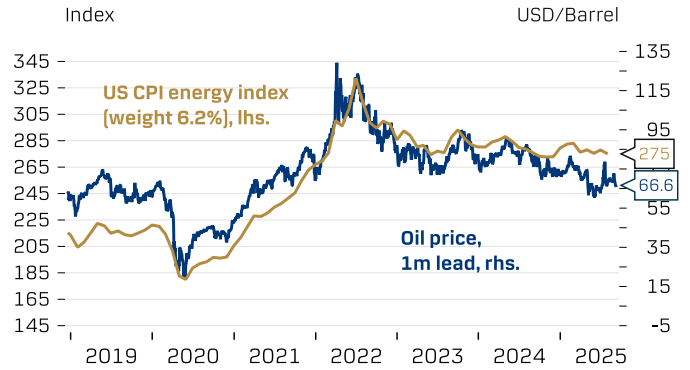
Headline CPI inflation vs. oil prices



Source: Macrobond Financial, BLS.

Note: Past performance is not a reliable indicator of future performance.

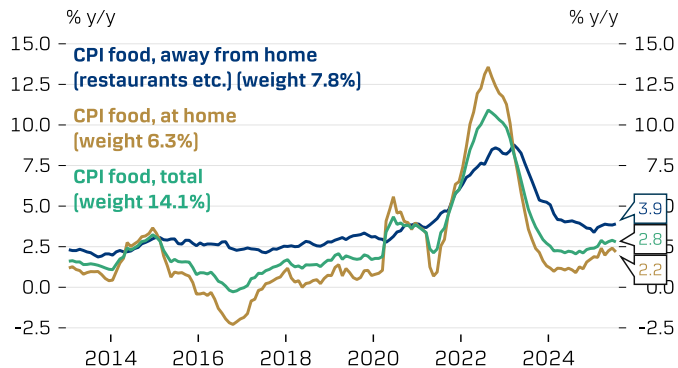
CPI energy prices vs oil



Source: Macrobond Financial, BLS.

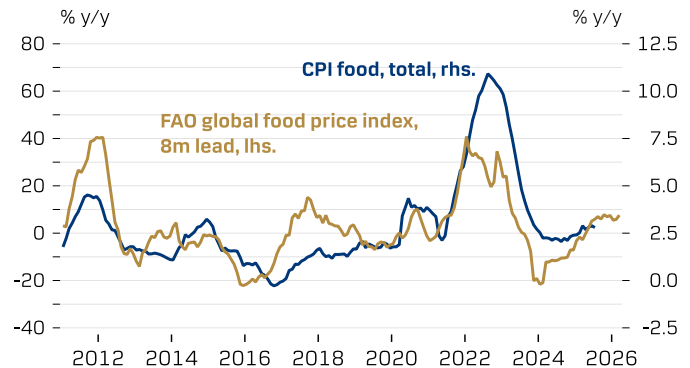
Note: Past performance is not a reliable indicator of future performance.

Food prices



Source: Macrobond Financial, BLS

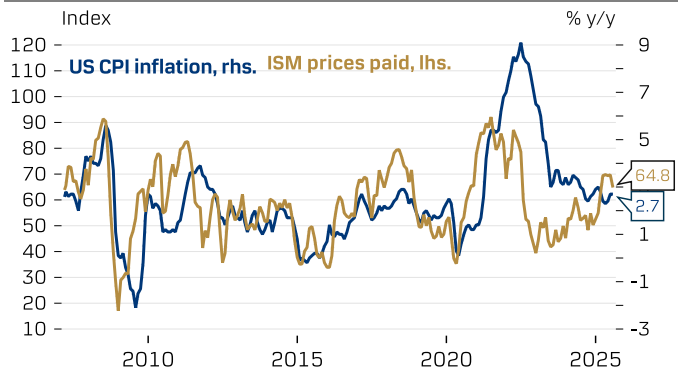
Food prices vs FAO food price index



Source: Macrobond Financial, FAO, BLS

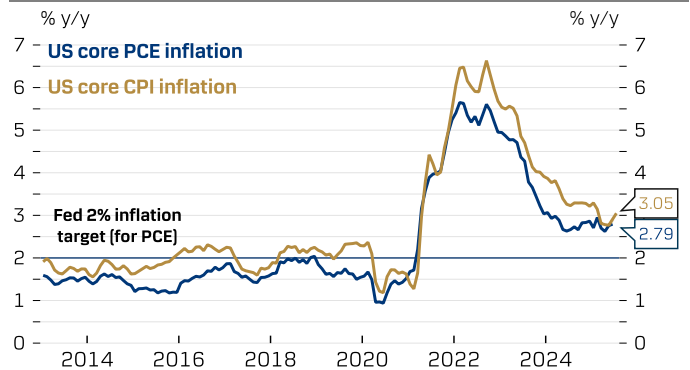
Note: Past performance is not a reliable indicator of future performance.

US PMI output prices vs CPI inflation



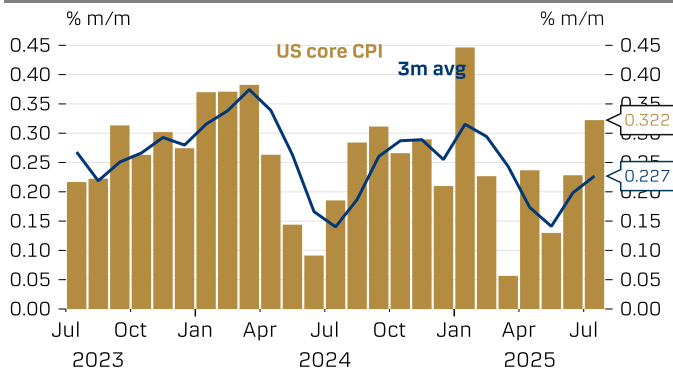
Source: Macrobond Financial, BLS, Markit

Core PCE inflation vs core CPI inflation



Source: Macrobond Financial, BLS, BEA

Core CPI momentum



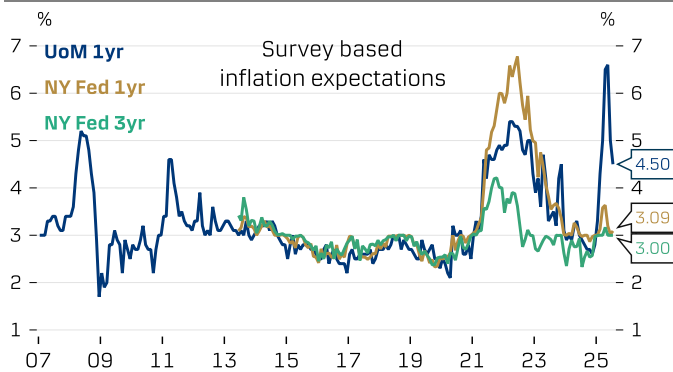
Source: Macrobond Financial, BLS

Headline CPI since 1980



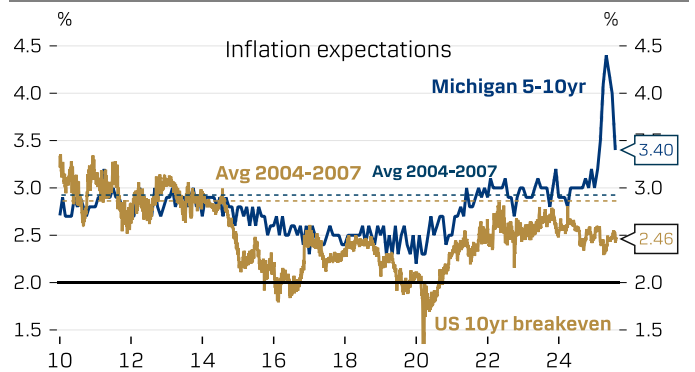
Sources: BEA, BLS, Macrobond Financial

Survey-based inflation expectations



Source: NY Fed, University of Michigan, Macrobond Financial

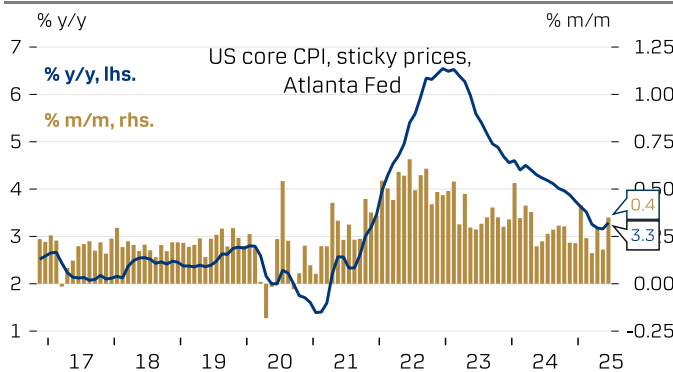
Long-term inflation expectations



Source: Macrobond Financial, University of Michigan

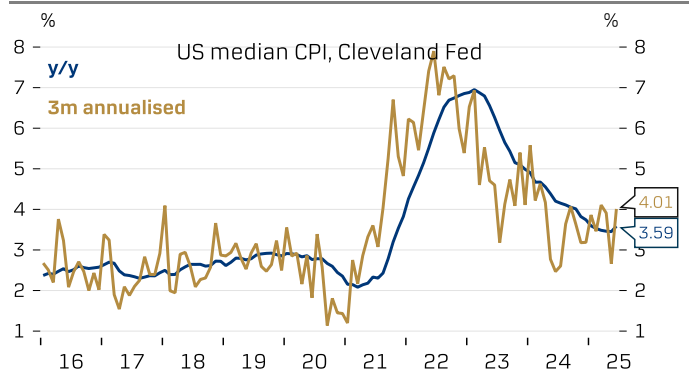
Note: Past performance is not a reliable indicator of future performance.

Core sticky prices inflation (prices changed less frequently)



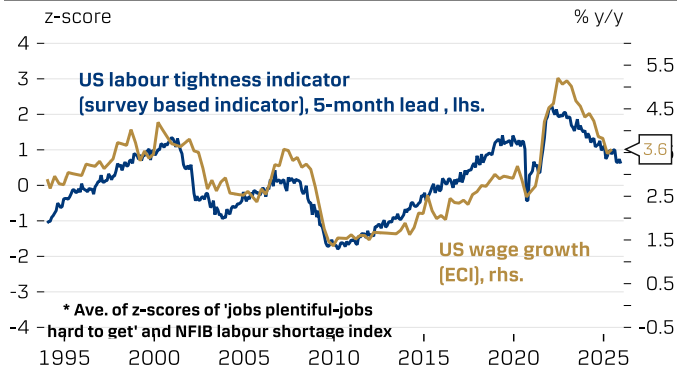
Source: Macrobond Financial, Atlanta Fed

Median CPI inflation



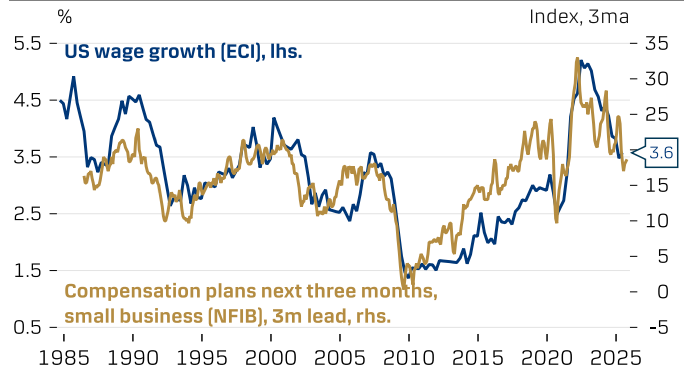
Source: Macrobond Financial, Cleveland Fed

Labour market tightness: wage growth vs tightness



Source: Macrobond Financial, Conference Board, NFIB, BLS, Danske Bank

Labour market tightness: job openings and shortage



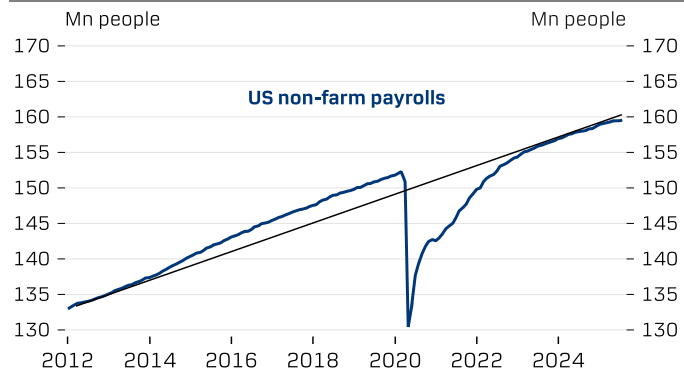
Source: Macrobond Financial, NFIB, BLS

Labour market tightness: Jobs hard to get and unemployment



Source: Macrobond Financial, Conference Board, BLS

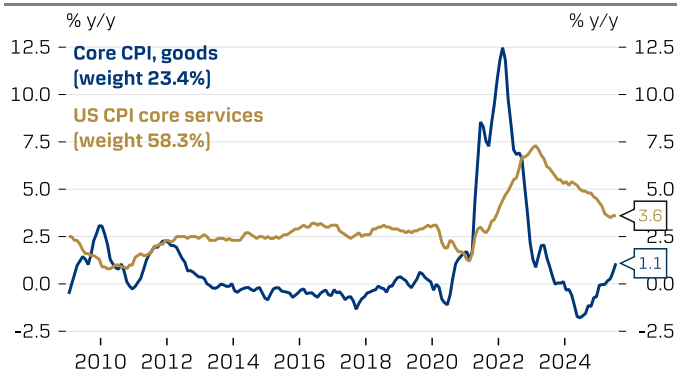
Employment gap



Source: Macrobond Financial, BLS

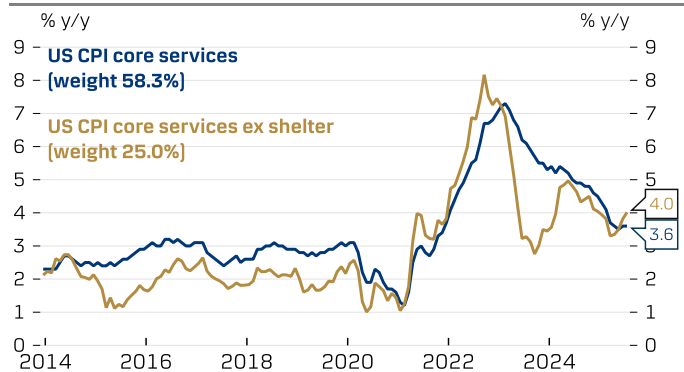
Bottom up

Core goods vs. services



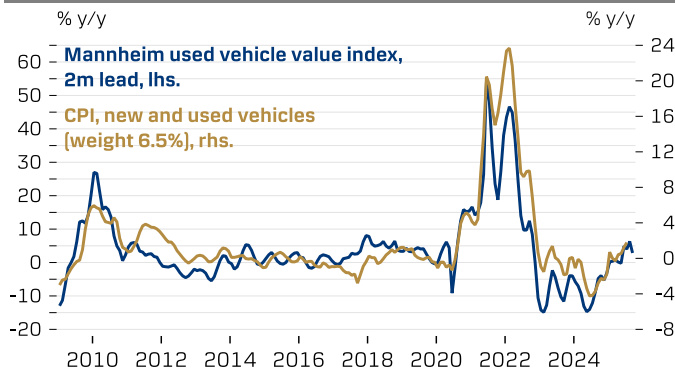
Source: Macrobond Financial, BLS

Core services ex shelter



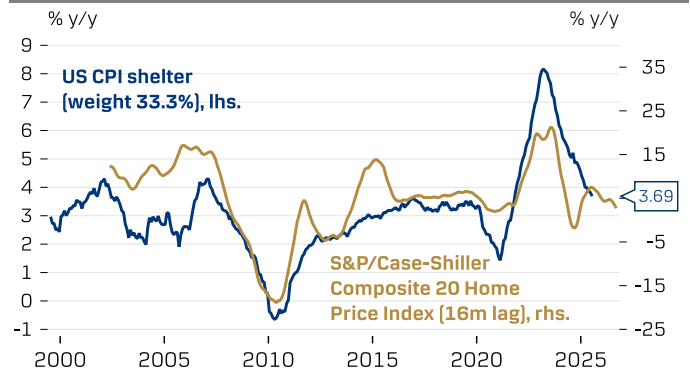
Source: Macrobond Financial, BLS

Used car prices



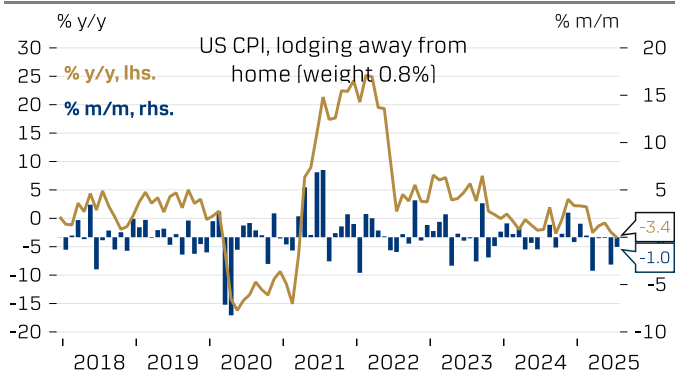
Source: Macrobond Financial, BLS, Manheim Consulting

Rent of shelter



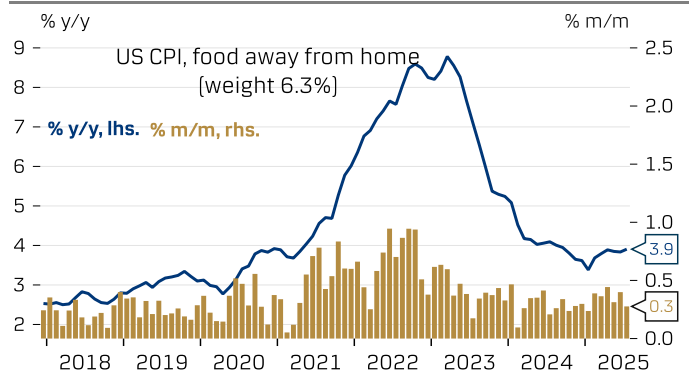
Source: Macrobond Financial, BLS, S&P Dow Jones

Lodging away from home (hotels etc.)



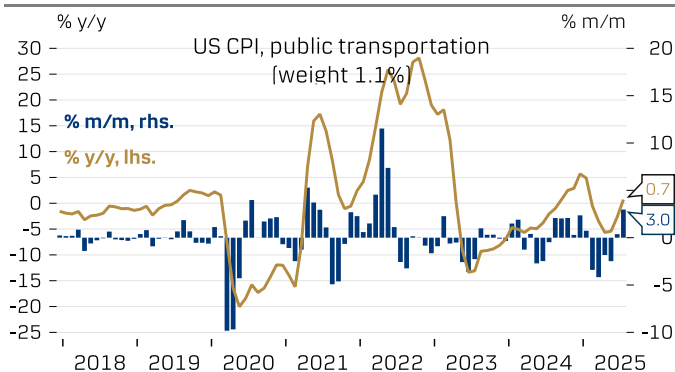
Source: Macrobond Financial, BLS

Food away from home (restaurants etc.)



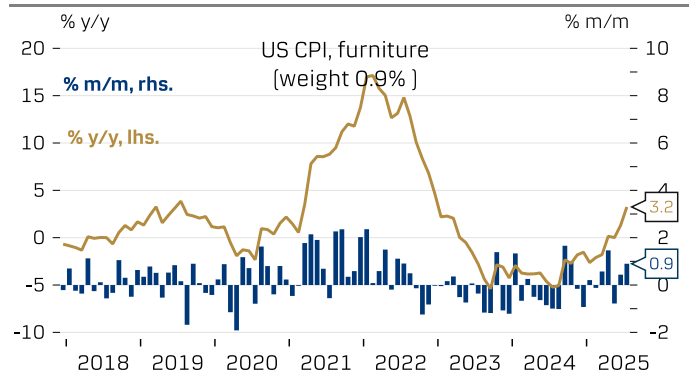
Source: Macrobond Financial, BLS

Public transportation (airfares etc.)



Source: Macrobond Financial, BLS

Furniture

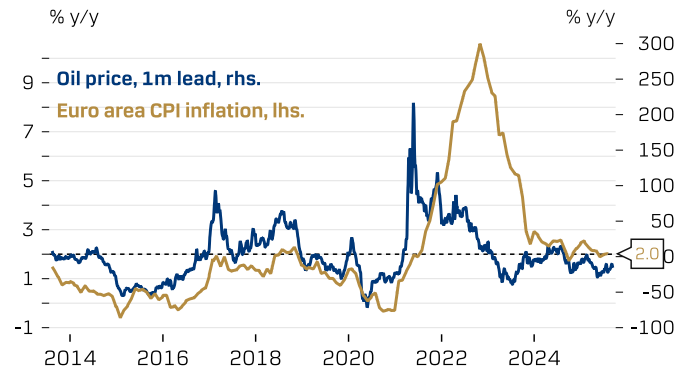


Source: Macrobond Financial, BLS

Country details – Euro area

Top Down

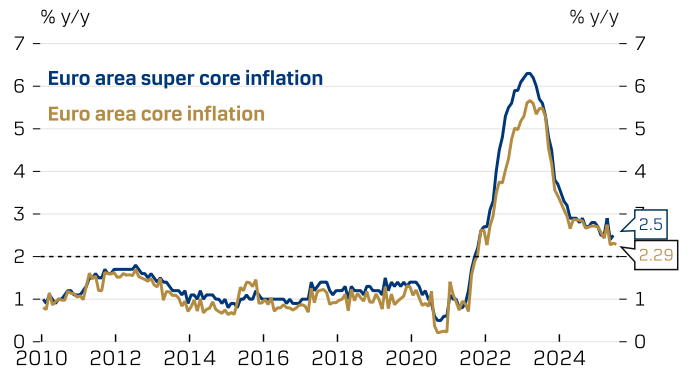
Headline vs. oil prices



Source: Macrobond Financial, Eurostat

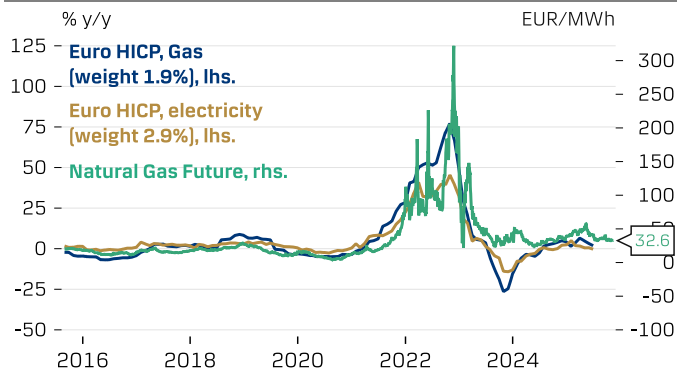
Note: Past performance is not a reliable indicator of future performance.

Core inflation



Source: Macrobond Financial, Eurostat, Danske Bank

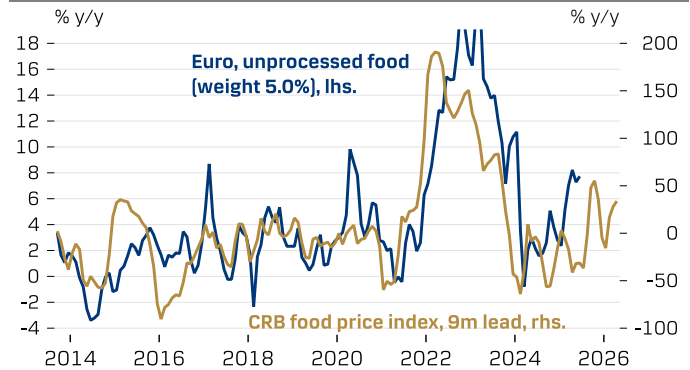
Natural gas & electricity



Source: Macrobond Financial, Eurostat

Note: Past performance is not a reliable indicator of future performance.

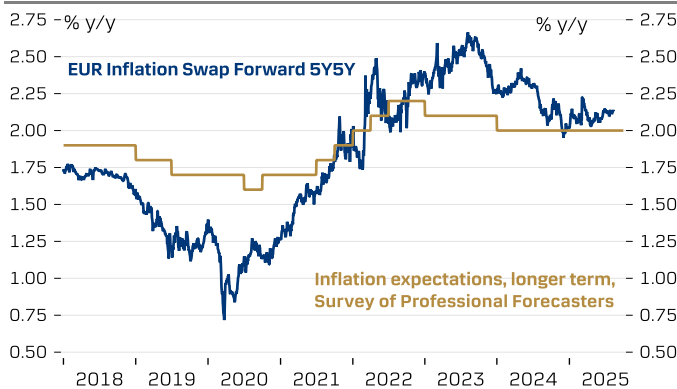
Food



Source: Macrobond Financial

Note: Past performance is not a reliable indicator of future performance.

Inflation expectations



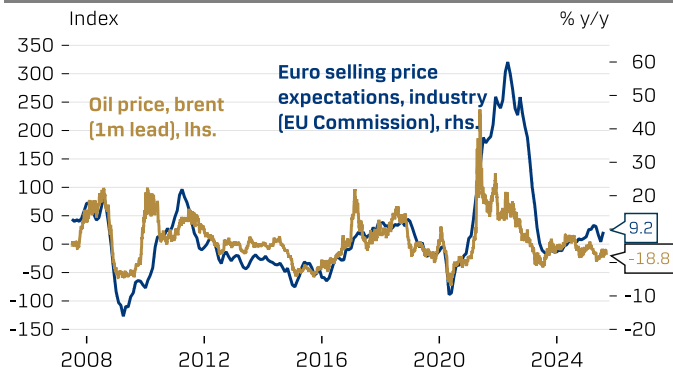
Source: ECB, Bloomberg, Macrobond Financial

Consumer confidence - price expectations



Source: Macrobond Financial, EU Commission, Eurostat

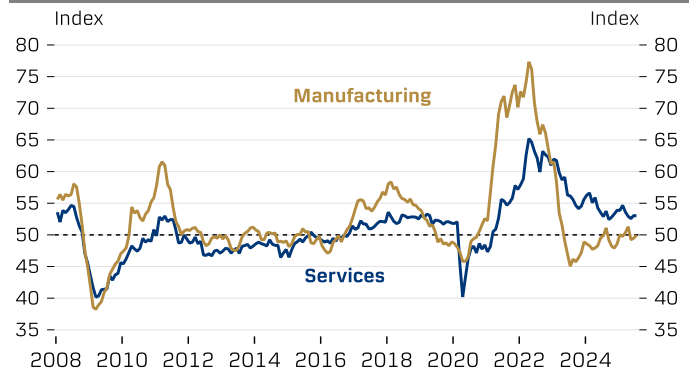
Selling price expectations from companies



Source: Macrobond Financial, EU Commission

Note: Past performance is not a reliable indicator of future performance.

PMI output prices



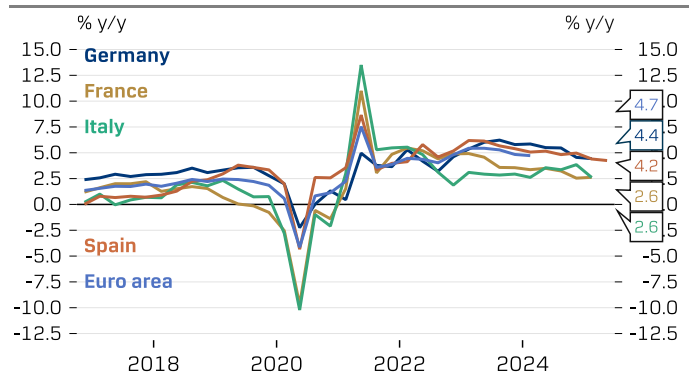
Source: Macrobond Financial, Markit

Labour shortage and wage growth



Source: Macrobond Financial, EU Commission

Wage growth (compensation per employee)

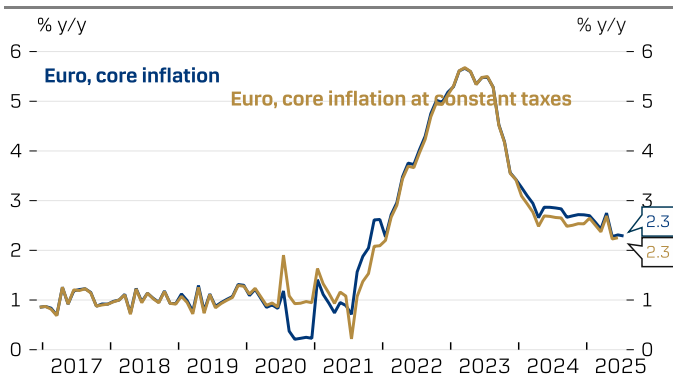


Source: Macrobond Financial, ECB.

Note: Compensation is affected by changes in working hours in contrast to negotiated wages, which is per hour worked.

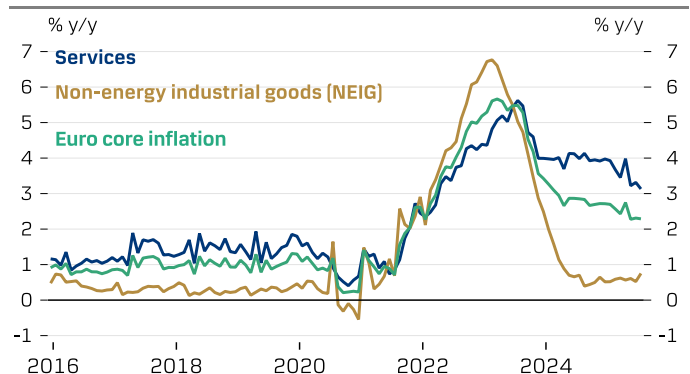
Bottom up

Core inflation, effect from taxes



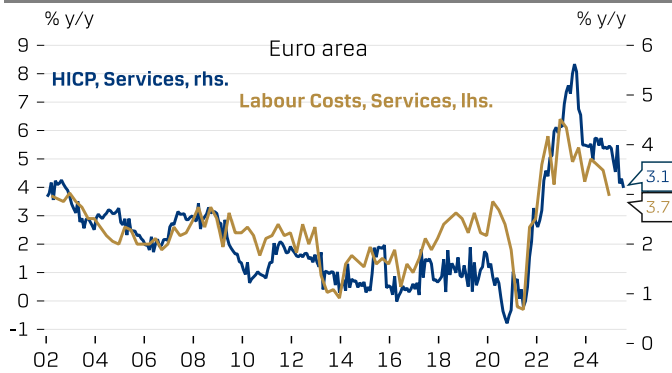
Source: Macrobond Financial, Eurostat

Core inflation components

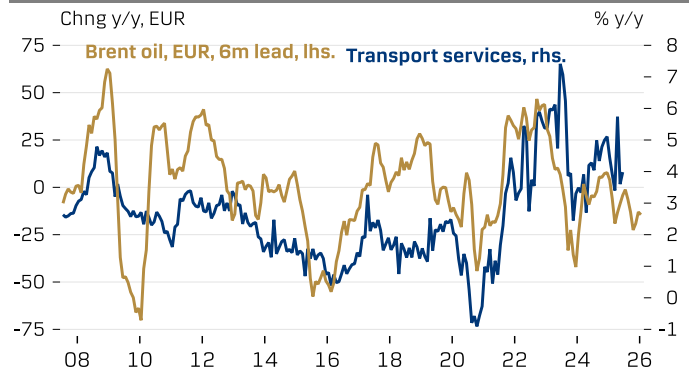


Source: Macrobond Financial, Eurostat, ECB

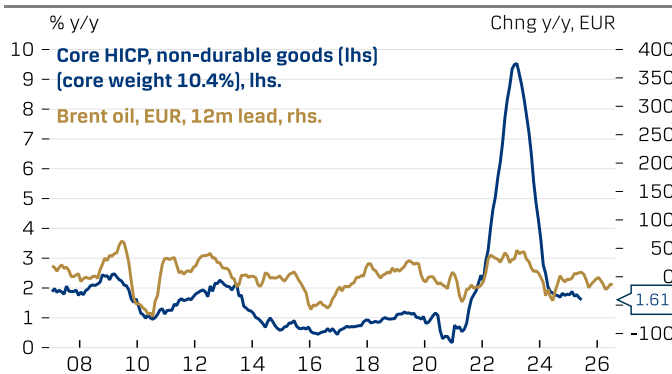
Service inflation vs. labour costs



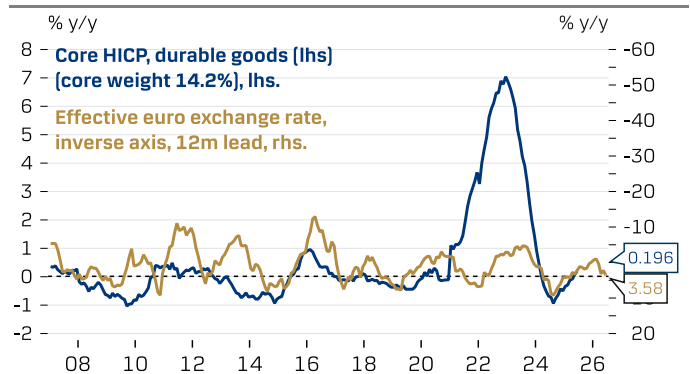
Transport services vs. oil



Core non-durable goods

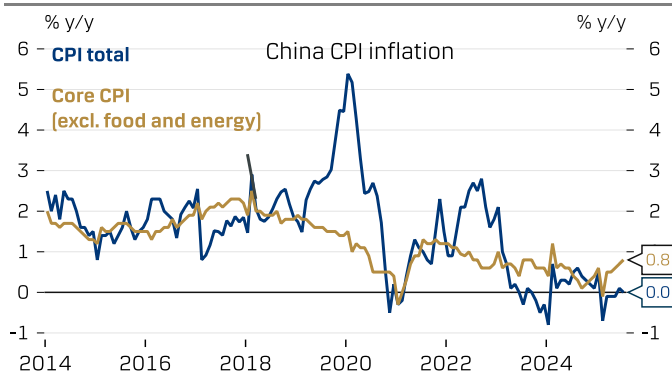


Core durable goods

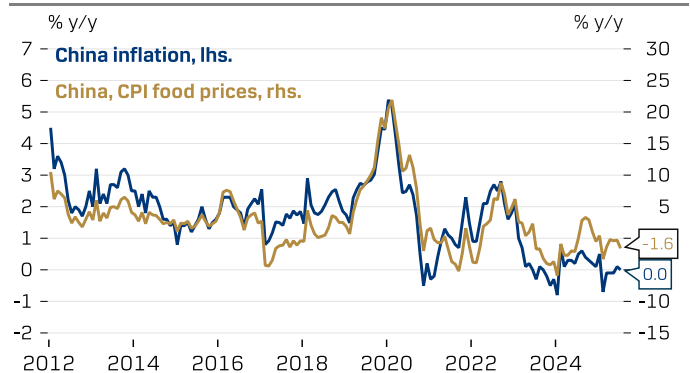


Country details – China

CPI and core CPI



CPI and food prices



PPI vs. CPI



Source: Macrobond Financial, NBS

PPI vs. commodity prices



Source: Macrobond Financial, NBS, Danske Bank

Note: Past performance is not a reliable indicator of future performance.

Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The authors of this research report are Antti Ilvonen, Senior Analyst, Rune Thyge Johansen, Analyst and Allan von Mehren, Chief Analyst

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Monthly

Date of first publication

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