



The Daily Dish

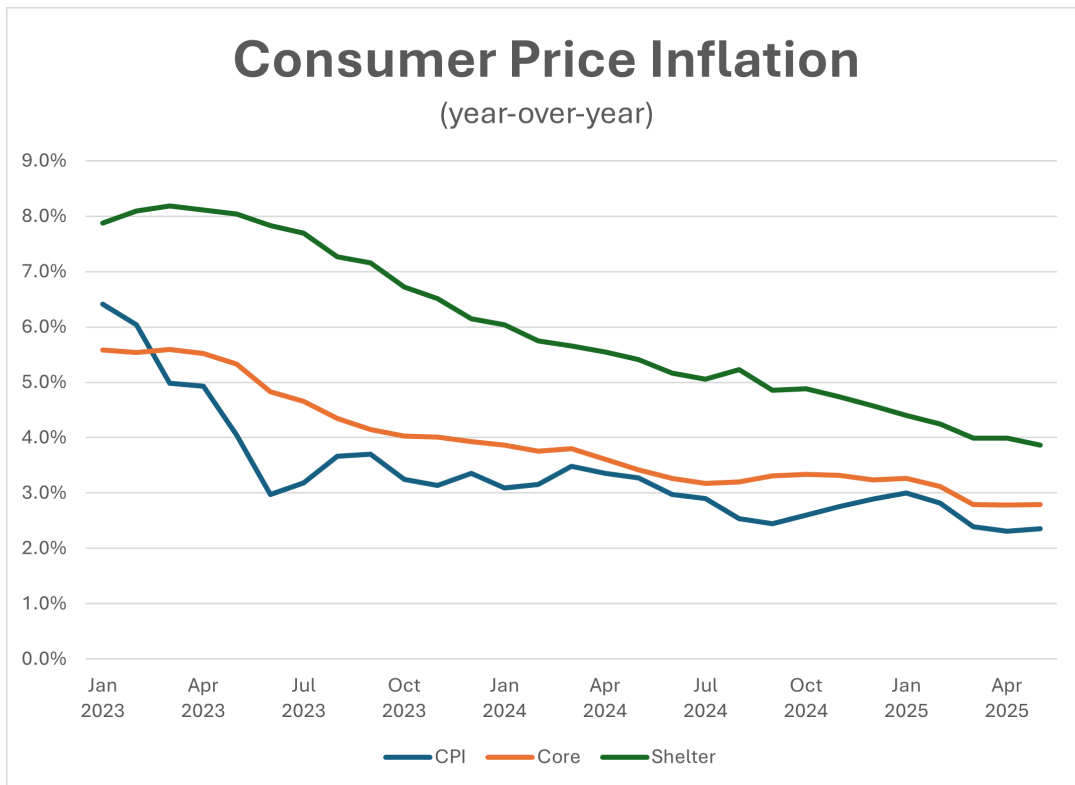
May Consumer Prices and the Fed

DOUGLAS HOLTZ-EAKIN | JUNE 12, 2025

Inflation in May, as measured by the [Consumer Price Index](#) (CPI), came in milder than expected, despite the fact that it was the first full month after the imposition of tariffs on April 2. For the month, CPI inflation was 2.5 percent (at an annual rate), core inflation was 2.6 percent, and shelter inflation was 3.8 percent. These represented declines from 3.8 percent, 3.3 percent, and 4.2 percent, respectively.

With these data, the year-over-year inflation rate (see chart below) is now 2.4 percent, up a tick from 2.3 percent in April. Core inflation held steady at 2.8 percent, while shelter inflation fell 0.1 percentage points to 3.9 percent.

As the chart illustrates, the all-important shelter component - long the bane of the Federal Reserve - continues its steady decline. This has helped offset inflation pressures elsewhere and has kept the broader indices flat in recent months.



With respect to the tariffs, there was upward pressure present in appliance prices - exactly the kind of imported durable goods one would expect to be affected - that one might attribute to tariffs. But auto prices declined during the month; not exactly what analysts expected. Looking forward, it appears that the tariff impacts will phase in slowly over the summer instead of showing a sharp uptick.

These data were released as the Federal Open Market Committee is meeting in Washington. Their policy decision will be announced today, and it is likely that this more-of-the-same CPI report will generate a more-of-the-same policy announcement: No change in rates.