

Inflation Ticks Up in June as Consumer Spending Posts Modest Gains

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Inflation in the United States rose in June, as import tariffs contributed to rising costs for certain goods, according to new government data. At the same time, consumer spending showed a modest increase, reinforcing expectations that price pressures may build in the second half of the year.

According to the U.S. Commerce Department's Bureau of Economic Analysis (BEA), the Personal Consumption Expenditures (PCE) price index a key inflation gauge monitored by the Federal Reserve, rose 0.3% in June. This followed an upwardly revised 0.2% increase in May. On a year-over-year basis, the PCE index increased 2.6% in June, up from 2.4% in May. These figures were part of the advance Gross Domestic Product (GDP) report for the second quarter, which indicated that inflation, while easing, remains above the Federal Reserve's 2% target.

Economists point to the delayed impact of President Donald Trump's wide-ranging tariffs on imported goods as a contributing factor. Many businesses had been relying on inventories accumulated before the tariffs were enacted, but with those supplies dwindling, companies are beginning to pass higher import costs on to consumers. Procter & Gamble recently announced it would raise prices on select products in the United States to offset these added expenses.

The Federal Reserve, which uses the PCE index to help guide its monetary policy, left its benchmark interest rate unchanged on Wednesday at a range of 4.25% to 4.50%, a level maintained since December. This decision came despite political pressure to lower rates. Looking ahead, many economists anticipate the central bank will begin easing policy again in September. Speaking to reporters, Fed Chair Jerome Powell acknowledged that tariff-related price effects could be temporary but warned that the process of adjustment would likely be gradual.

Core inflation, which strips out the often-volatile food and energy prices, also rose 0.3% in June, following a 0.2% gain the previous month. On an annual basis, core prices increased 2.8%, matching May's year-over-year figure.

Meanwhile, consumer spending, which drives more than two-thirds of U.S. economic activity, rose 0.3% in June. In contrast, spending was flat in May. The latest GDP report showed that consumer spending grew at a 1.4% annualized rate in the second quarter, a recovery from near-zero growth in the first quarter.

Overall, the economy expanded at a 3.0% annualized rate in the second quarter. This growth was aided by a reduced trade deficit, as imports declined sharply following a record surge earlier in the year. The first quarter had seen a 0.5% contraction in GDP, highlighting the significance of the recent rebound.

As the second half of the year unfolds, both inflationary pressures and consumer activity will remain key factors in shaping economic policy and growth momentum.