



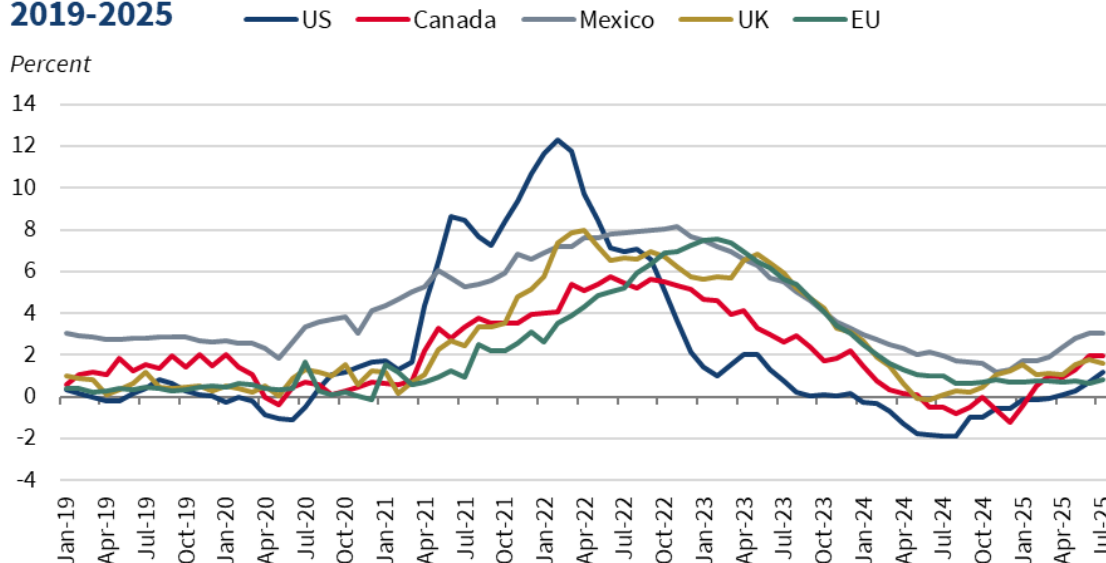
U.S. Goods Inflation Lower Than Other Countries

Overall inflation in the United States has eased. Headline CPI increased at a 1.9 percent annualized rate from January through July. Under the hood, there has been a shift in relative prices. Core goods (which exclude food and energy) inflation has risen modestly, which has been more than offset by a decline in services inflation. Some commentators have been quick to attribute the increase in goods inflation to trade policy. However, placing the increase in an international context highlights the following facts:

- Core goods inflation has increased globally over the past 12 months.
- Even with the increase, core goods inflation in the United States remains at a low level (1.2 percent over the 12 months through July and 1.1 percent annualized since January). It's also lower than in other countries.
- Based on core goods inflation in other countries this year, we would have expected core goods prices to have increased by more than they actually increased from January through July.

Looking at core goods inflation across European and North American economies over the past year, we see a pickup in the pace of year-over-year changes across many countries in North America and Europe.¹ The following figure shows core goods inflation in the United States, Canada, Mexico, the United Kingdom (U.K.), and the European Union (EU) since Jan 2019.^{2,3}

Figure 1-1. Core Goods Inflation, 12 Month Percentage Change, 2019-2025



Sources: Bureau of Labor Statistics (USA), Statistics Canada, Inegi (Mexico), Office for National Statistics (UK), Eurostat

¹ Note that inflation measures across countries may not be exactly comparable as there can be differences in methods and scope.

² For core goods in the US, we use the CPI for “commodities less food and energy”. The series names for the other countries are “goods excluding food purchased from stores/energy” (Canada), “core cpi: other merchandise” (Mexico), “nonenergy industrial goods” (UK and EU).

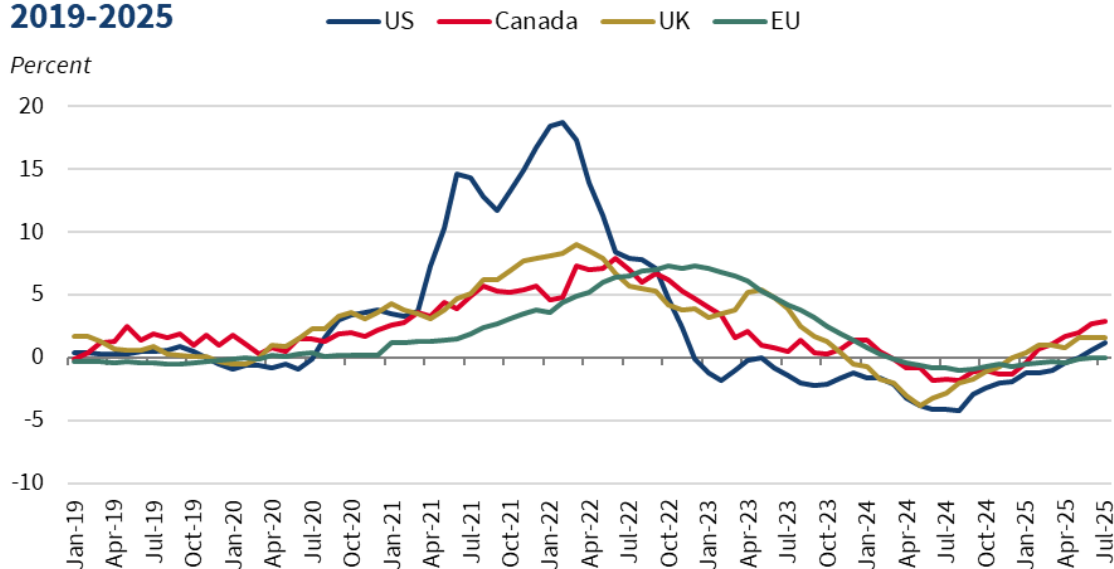
³ Chinese and Japanese consumer inflation tend to exhibit much lower correlation to global inflation, so we exclude them from this analysis.



Despite the recent uptick, core goods inflation is lower in the United States than in Canada, Mexico, and close to the U.K. and EU. Over the past year, an increase in core goods inflation is common across all of these countries except for the EU, which has had stable core goods inflation.

The next figure shows durable goods inflation for the United States, Canada, the U.K., and the EU since January 2019 (*note: Mexico does not publish durable goods CPI*):

Figure 1-2. Durable Goods Inflation, 12 Month Percent Change, 2019-2025



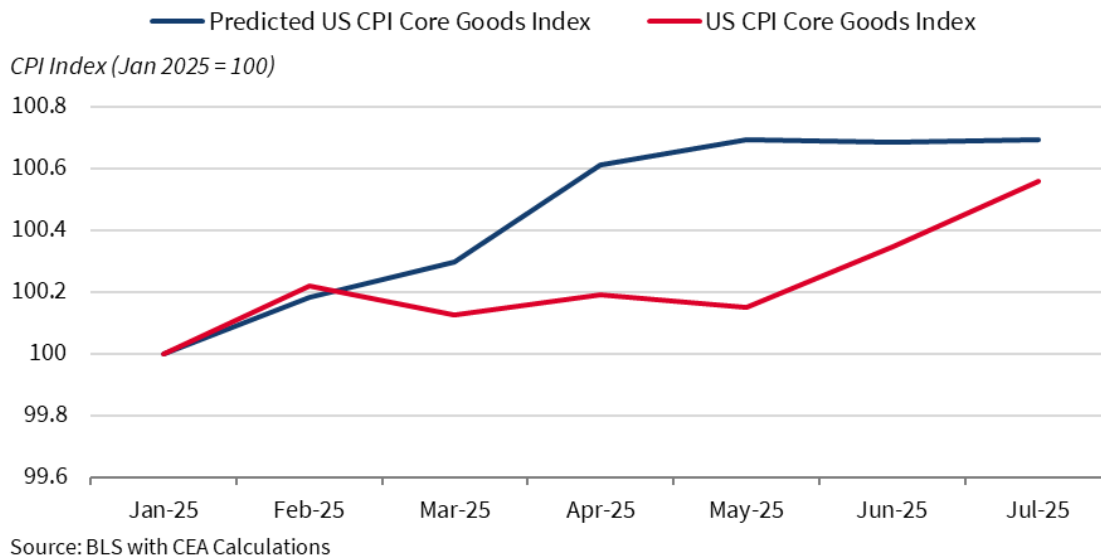
Sources: Bureau of Labor Statistics (USA), Statistics Canada, Office for National Statistics (UK), Eurostat

All countries show an increase in durable goods inflation over the past year. Despite the recent increase, the United States currently has lower durable goods inflation than Canada and similar durable goods inflation as the U.K.



As a simple exercise, we can ask what would we expect core goods inflation for the United States would be based on core goods inflation in other countries. We regress monthly not seasonally adjusted (NSA) core goods inflation for the United States on the monthly NSA core goods inflation for Canada, Mexico, the U.K., and the EU using data for the past 10 years through December 2024. Then, we generate predicted values for U.S. NSA core goods inflation for January 2025 – July 2025 using the monthly inflation in the other countries and seasonally adjust using the seasonal factors for the published CPI. The following figure compares the change in the actual CPI core goods index since January with the predicted change based on other country's core goods inflation:

Figure 1-3. US Core Goods CPI Change Since January: Actual vs. Predicted

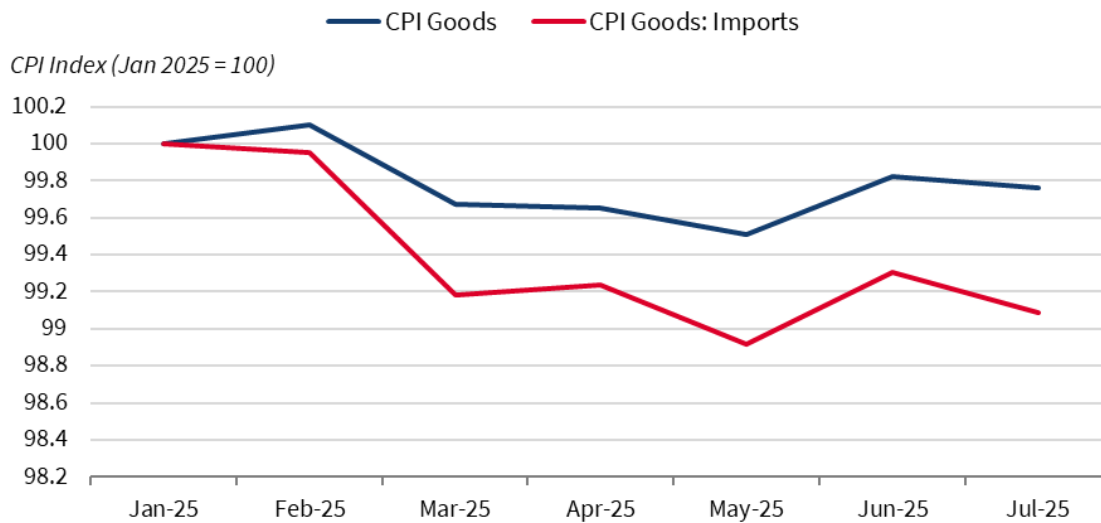


Based on the goods inflation experienced in other countries, we would expect U.S. core goods prices to have increased by about 0.7 percent from January to July. Actual core goods inflation was 0.55 percent. This exercise should be interpreted with some caution as much of the variation in U.S. monthly inflation cannot be explained by the monthly inflation from other countries. However, there is no indication that U.S. goods inflation is substantially higher than what would be expected given the level of goods inflation in other countries.



Finally, we update our prior [analysis](#) of the import contribution to CPI goods inflation with data through July. The import contribution of the CPI goods index is calculated by aggregating the CPI category indexes using weights that reflect the import shares for each category.

Figure 1-4. CPI Goods and Import Contribution to CPI Goods Since January 2025

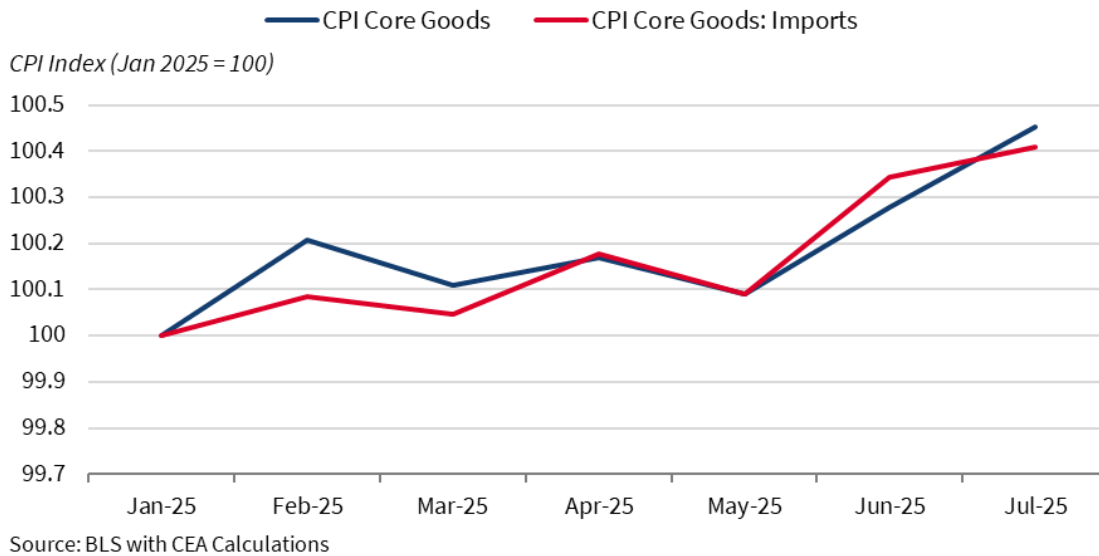


Source: BLS with CEA Calculations



The import intensive categories of goods have had larger price declines since January as overall goods. We also calculate the import contribution to core goods CPI.

Figure 1-5. CPI Core Goods and Import Contribution to CPI Core Goods Since January 2025



Since January 2025, the import contribution to CPI core goods has similar price increases as overall core goods.

With the typical caveat that absence of evidence is not evidence of absence, this analysis underlines the lack of evidence that tariffs are leading to higher goods inflation.