

Week Ahead Economic Preview

US interest rate outlook under scrutiny amid inflation update

22 August 2025

The Fed's preferred measure of inflation is updated to hopefully add some clarity to the forward path for US interest rates alongside consumer spending, household confidence and durable goods orders. GDP updates are also provided for the US and Canada, as well as India, France and Italy. PMI data for mainland China will meanwhile be a key focus for APAC alongside tier one economic data for Japan and central bank policy meetings in South Korea and the Philippines.

At the time of writing, the market is pricing in a 70% chance of the FOMC reducing interest rates at its next policy meeting in September. To the increasing frustration of President Donald Trump, the Fed has held rates steady at 4.25-4.50% over the year-to-date so far, but the perception in the market is that the balance of power is shifting to the dovish side among FOMC members. It is likely, however, that the price gauges from the personal consumer expenditure (PCE) release, due on Friday, will need to bring some reassuring news on inflation to persuade the majority of policymakers that such an imminent rate cut is warranted.

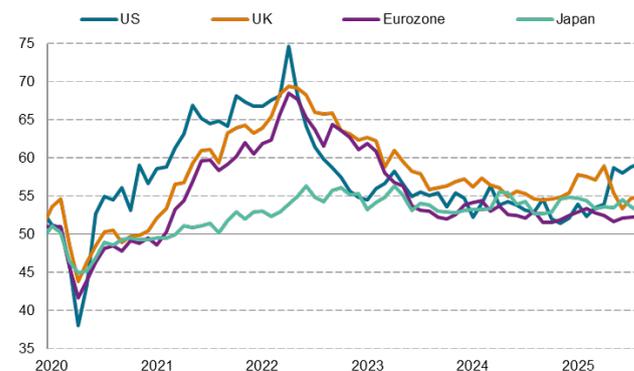
To recap, June's PCE data showed a 0.3% rise after a 0.2% gain in May. That took the annual rate of increase from 2.4% to 2.6%, so increasingly above the FOMC's 2% target. Core PCE inflation held at 2.8%. Since then, consumer price inflation (CPI) data brought some relief by holding steady at 2.7% in July, but core CPI inflation accelerated to 3.1% and producer price inflation hit 3.3%, the highest since January.

Survey data have been even less encouraging for the doves. The latest data from S&P Global's flash PMI surveys showed that average prices charged for goods and services rose in the US at the steepest rate for three years in August, building on especially strong rises in the prior three months. The price rises were overwhelmingly blamed on companies passing higher costs linked to tariffs through to customers.

Key to the consumer inflation outlook and Friday's PCE data is therefore whether retailers and other consumer-facing firms will soak up some of these price increases through squeezed margins, or whether we will start to see some greater pass-through of tariff costs on to households. A further question is whether this tariff impact will merely cause a one-off lift in the price level, or lead to more entrenched, stickier inflation. It is likely that the answers to these questions will not be known before the September FOMC meeting, encouraging some scepticism that rates will be cut.

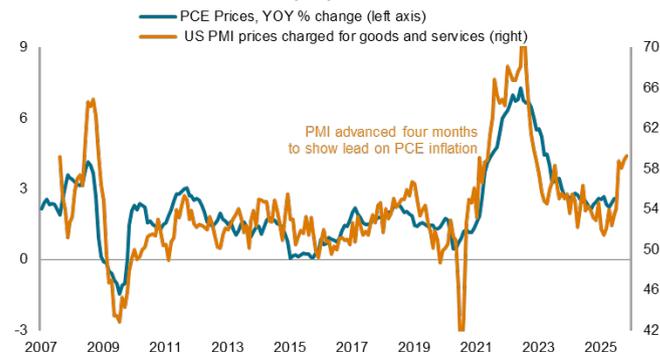
The US also once again reported by far the sharpest rise in prices of the major developed economies, blamed on tariffs, according to August's flash PMI data.

Flash PMI output price indicators



Data compiled August 21, 2025.
PMI covers manufacturing and services. 50 = no change on prior month.
Source: S&P Global PMI with HCOB (Eurozone).
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US PCE inflation and the PMI output prices index



Data compiled August 21, 2025.
PMI covers manufacturing only prior to 2009 but manufacturing & services thereafter.
Source: S&P Global PMI, BEA via S&P Global Market Intelligence.
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Chris Williamson, Chief Business Economist
Jingyi Pan, Economics Associate Director
S&P Global Market Intelligence

Key diary events

Monday 25 Aug

UK, Philippines Market Holiday

Germany Ifo Business Climate (Aug)
United States Chicago Fed National Activity Index (Jul)
United States Dallas Fed Manufacturing Index (Aug)

Tuesday 26 Aug

Australia RBA meeting Minutes (Aug)
Singapore Industrial Production (Jul)
Taiwan Industrial Production (Jul)
Hong Kong SAR Trade (Jul)
United States Durable Goods Orders (Jul)
United States S&P/Case-Shiller Home Price (Jun)
United States CB Consumer Confidence (Aug)

Wednesday 27 Aug

India Market Holiday

South Korea Business Confidence (Aug)
Australia Monthly CPI Indicator (Jul)
China (Mainland) Industrial Profits (Jul)
Germany GfK Consumer Confidence (Sep)
Mexico Balance of Trade (Jul)

Thursday 28 Aug

South Korea BoK Interest Rate Decision
Philippines BSP Interest Rate Decision
Switzerland GDP (Q2, final)
Eurozone Economic Sentiment (Aug)
India Industrial Production (Jul)
Canada Current Account (Q2)
United States GDP (Q2, 2nd est.)
United States Pending Home Sales (Jul)

Friday 29 Aug

Japan Industrial Production, Retail Sales, Unemployment Rate (Jul)
Japan Consumer Confidence (Aug)
Germany Retail Sales (Jul)
Sweden GDP (Q2, final)
United Kingdom Nationwide Housing Prices (Aug)
France Inflation (Aug, prelim)
France GDP (Q2, final)
Spain Inflation (Aug, prelim)
Germany Unemployment Rate (Aug)
Italy GDP (Q2, final)
Italy Inflation (Aug, prelim)
Germany Inflation (Aug, prelim)
India GDP (Q2)
Canada GDP (Q2)
United States Core PCE (Jul)
United States Personal Income and Spending (Jul)
United States Goods Trade Balance (Jul, adv.)
United States Wholesale Inventories (Jul)
United States UoM Sentiment (Aug, final)

Sunday 31 Aug

China (Mainland) NBS PMI (Aug)

* Access press releases of indices produced by S&P Global and relevant sponsors [here](#).

What to watch in the coming week

Americas: US GDP, core PCE, durable goods orders, new home sales, consumer confidence, personal income and spending data; Canada GDP

The US updates second quarter GDP data following an initial print of 3.0%. Additionally, we will also get the core PCE price index data for July. CPI data showed a lower-than-expected headline reading with a steady 2.7% increase, but core CPI rose to the fastest rise since January at 3.1%, and producer price inflation was higher than expected at 3.3%. Indications from the Fed's preferred inflation gauge will be crucial for expectations relating to the interest rate path ahead of the September meeting, for which markets are pricing in a strong likelihood of a rate cut. Other key US economic data releases include durable goods orders, new home sales and personal income and spending.

Separately, Canada also releases GDP data for the second quarter. According to [PMI data](#), the worst of the US tariff shock appears to be over in the near term for the Canadian economy, but growth clearly remains subdued.

EMEA: Germany, Italy, France and Spain inflation; Eurozone economic sentiment; Germany Ifo business climate and GfK consumer confidence; Switzerland GDP

Preliminary August inflation data from Germany, Italy, France and Spain will be released at the end of the week. This comes after the latest [HCOB Flash Eurozone PMI](#) continued to suggest muted inflation in the months ahead.

Additionally, economic sentiment data from Germany and the eurozone will also be released during the week with [early flash PMI data](#) showing a slight cooling of business optimism among German companies, but with further signs of manufacturing starting to recover from its post-pandemic decline.

APAC: BoK, BSP meetings, RBA meeting minutes; China NBS PMI data; India GDP; Australia CPI, Japan consumer confidence, industrial production and unemployment data

A busy economic data calendar is expected in the new week for APAC, in addition to central bank meetings in South Korea and the Philippines. PMI data from mainland China's National Bureau of Statistics (NBS) will be due over the weekend. Meanwhile, GDP for the April to June period will be released for India.

Other key releases in the week include monthly CPI data from Australia and Japan's consumer confidence and industrial production numbers. The latest [S&P Global Flash Japan PMI](#) revealed that manufacturing output returned to growth in August, albeit only marginally, after contracting in July.

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Recent PMI and economic analysis from S&P Global

Global	Flash PMIs show broad-based developed world upturn in August	22-Aug	Chris Williamson
	Monthly PMI Bulletin: August 2025	8-Aug	Jingyi Pan
	Faster expansion of emerging market services contrasts with renewed manufacturing downturn	7-Aug	Jingyi Pan
	Decline in global trade driven by manufacturing in July	7-Aug	Jingyi Pan
	US leads global PMI selling price inflation to 26-month high in July	6-Aug	Chris Williamson
	Global PMI rises in July to highest in year to date, but future expectations slip lower	6-Aug	Chris Williamson
	Using PMI® survey data to rebalance a portfolio of country equity indices	4-Aug	Joe Hayes, Jingyi Pan
EMEA	Eurozone flash PMI hits 15-month high in August as manufacturing conditions improve for first time since mid-2022	21-Aug	Chris Williamson
	UK flash PMI signals fastest growth for a year in August despite persistent job cuts	21-Aug	Chris Williamson
Americas	Flash US PMI signals faster growth and hiring, but also shows tariff-driven inflation	21-Aug	Chris Williamson
	Central bank policy seen as less supportive of US equity market returns as uncertainty over the inflation outlook persists	13-Aug	Jingyi Pan
Asia-Pacific	Acceleration in business activity growth in Japan masks mixed sectoral demand trend	21-Aug	Jingyi Pan

S&P Global Market Intelligence highlights

Using PMI data to better understand monetary policy decisions



In this paper, we use Purchasing Managers' Index™ (PMI®) data from S&P Global to calculate the likelihood of changes in monetary policy at the world's major central banks. PMI data are advantageous as a tool for central banks, providing timely sets of macroeconomic information that are released monthly and not revised. This contrasts with official data, such as GDP, employment or the Consumer Price Index (CPI), which have a longer publication lead times and are often subject to revision.

[Click here to access our research and analysis](#)

The Decisive | PMI in Focus: Inflation Insights and Expectations for 2026



In this episode of The Decisive Podcast, S&P Global Market Intelligence's team of Purchasing Managers' Index economists decodes inflation, highlighting the stark differences between the US and Eurozone. Join host Paul Smith and fellow economists Andrew Harker and Phil Smith as they explore the underlying factors driving these trends, including tariffs and exchange rate movements.

[Click here to listen to this podcast by S&P Global Market Intelligence](#)

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- [Running commentary on the PMI survey findings](#)
- [PMI Frequently Asked Questions](#)
- [Background to the PMIs \(video\)](#)
- [Understanding the headline PMI and its various subindices](#)
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CONTACT US

Chris Williamson

Chief Business Economist
S&P Global Market Intelligence
London

T: +44 779 5555 061
chris.williamson@spglobal.com

Jingyi Pan

Economics Associate Director
S&P Global Market Intelligence
Singapore

T : +65 6439 6022
jingyi.pan@spglobal.com

The Americas

+1-877-863-1306

EMEA

+44-20-7176-1234

Asia-Pacific

+852-2533-3565

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