

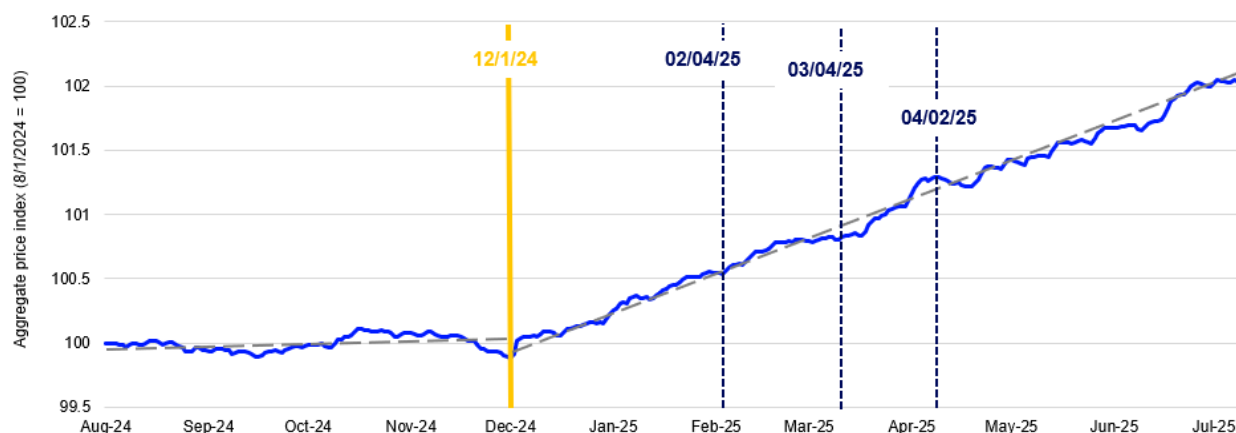
## Case Study: State Street PriceStats Indicators and the Real-Time Detection of Tariff-Driven Inflation

### Executive Summary

In early 2025, the United States introduced a new round of broad tariffs on imports from several countries, raising concerns about renewed inflationary pressures. Leveraging high-frequency, detailed price data from State Street PriceStats Indicators, we were able to identify early signs of inflationary changes in specific categories that were not visible in overall inflation measures. This case study demonstrates how granular inflation data and analytics can provide timely, actionable insights into the real-world impact of trade policy shocks.

### Aggregate vs. Sectoral Signals

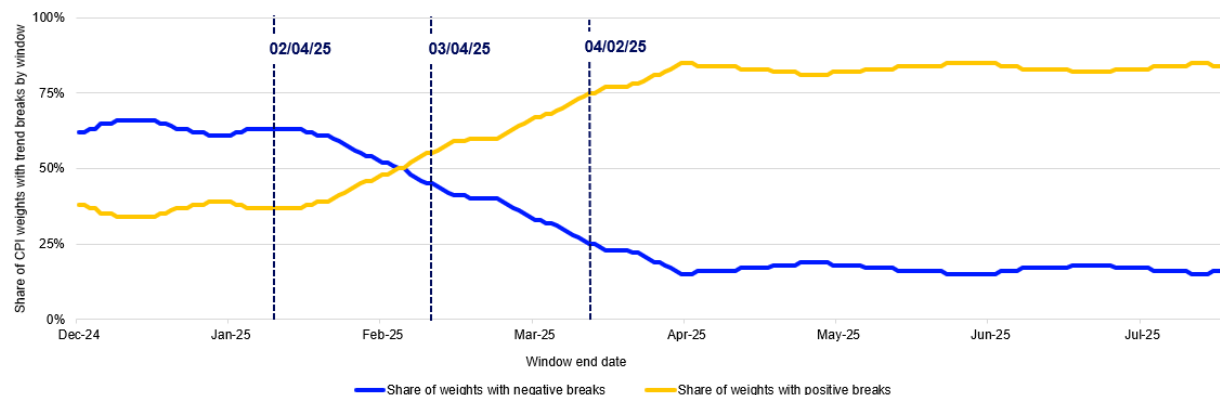
While the aggregate U.S. price index remained stable during the tariff implementation period, category-level analysis revealed a broad-based acceleration in underlying price pressures. More specifically, we observe trend breaks in inflation across a number of categories. Here, we define a trend break as a statistically significant and persistent shift in the underlying trajectory of price changes, typically identified by a change in the slope of the price index. Such a break marks a turning point when a price index begins to accelerate or decelerate. The chart below shows the U.S. aggregate price index from August 2024 to July 2025, highlighting the absence of a significant uptick in inflation at the time of tariff implementation in February 2025.



**Figure 1: U.S. Aggregate Price Index (Aug 2024 - Jul 2025).** This figure shows the daily U.S. Aggregate price index computed from all sectors covered by State Street PriceStats. We normalize the index to 100 on August 1, 2024. The orange vertical line indicates a break in inflation trend. The grey dashed lines represent estimated linear inflation trends before and after the jump.

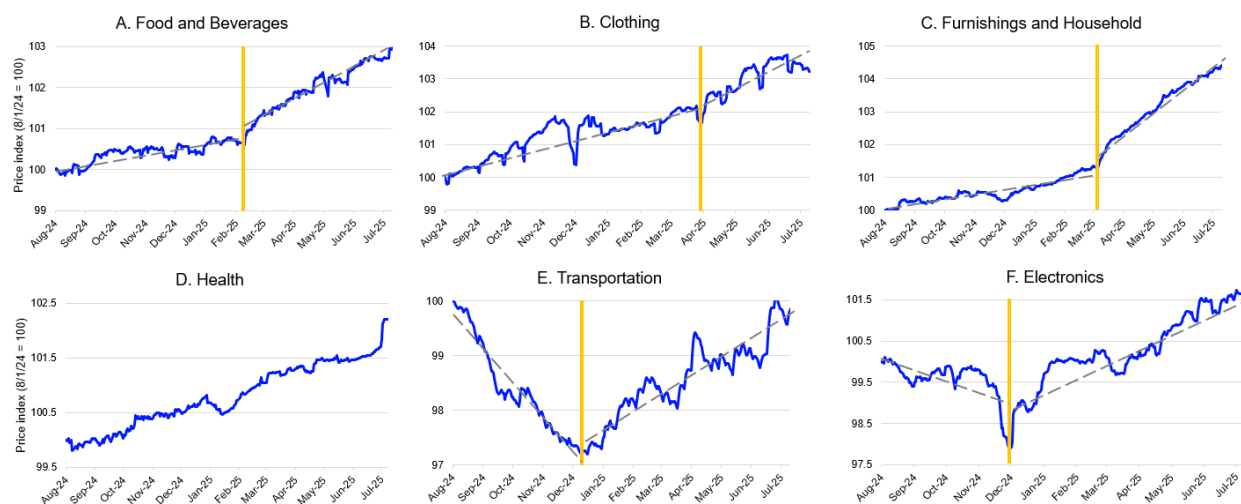
At the aggregate level, there was no clear inflationary jump coinciding with the timing of the U.S. tariff announcements or implementation in early 2025. Instead, a notable change was observed in December 2024, reflecting rising prices in transportation and energy, consistent with seasonal patterns seen in prior years. After December, the aggregate index remained relatively stable, with no additional shifts directly attributable to the tariff measures.

However, when we examined the data by price category, a different pattern emerged. After the additional tariffs on China were enacted in February, we find a clear increase in the share of CPI weights with positive trend breaks in Figure 2. This sector-level response points to a broad-based turning point occurring at the end of February, even as the aggregate index remained stable.



**Figure 2: Share of CPI Weights with Trend Breaks (Dec 2024 - Jul 2025) in Each 12-Month Rolling Window.** Positive trend breaks increased significantly after February 2025.

Taken together, these findings indicate that while overall inflation appeared stable, there was a widespread uptick in inflation trends across individual categories. Figure 2 highlights the critical value of granular, real-time analysis, especially when inflation is driven by specific policy interventions like tariffs. To identify specific areas that were most impacted, we examined price changes across key categories. The results show that household furnishings and clothing experienced the most pronounced inflationary shifts around the time the tariffs were enacted, suggesting these categories were particularly sensitive to the new trade policies (Figure 3).



**Figure 3: The Effect of Tariffs on Key Categories (Dec 2024 - Jul 2025).** This figure shows the daily U.S. price indices for six different categories. We normalize indices to 100 on August 1, 2024. The orange vertical lines indicate a break in inflation trend, whereas the grey dashed lines represent the estimated linear inflation trends before and after the jump.

## Conclusion

The 2025 U.S. tariff episode illustrates the value of State Street's approach: while aggregate inflation measures may mask the effects of targeted policy actions, high-frequency, granular inflation data can reveal the true dynamics at play with speed and precision.

## References

Cavallo, A., & Garcia Zavaleta, G. (2025). *Turning Points in Inflation: A Structural Breaks Approach with Micro Data* (NBER Working Paper No. 34102). National Bureau of Economic Research. <https://www.nber.org/papers/w34102>

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