

## U.S. Consumer Price Index — August Inflation Cessation

Sal Guatieri, Senior Economist • sal.guatieri@bmo.com • 416-359-5295

**Bottom Line:** So much for wage and tariff pass-through to consumers.

The U.S. CPI rose 0.2% in August and **just 0.1% excluding food and energy**. This pulled the yearly rates down a couple notches to 2.7% and 2.2%, respectively, from near 7-year and 10-year highs. Clothing prices plunged 1.6%, the most since 1949 and a third straight monthly decline, likely due to the stronger dollar. Medical care costs fell for a second month in a row. After showing some acceleration in response to the metal tariffs, new vehicle prices were flat and little changed from a year ago. Some upward pressure emerged from gasoline, rent, education and airfares. Still, the 3-month annualized core rate has pulled back to 2.0% after popping above 3% earlier this year.

The soft CPI report will ease concerns about businesses passing higher wage costs and tariffs along to customers, as cited in the latest Beige Book. While it won't discourage the Fed from raising rates in two weeks, it could **slow the tightening train next year** if the puzzling relative calmness in both wages and prices at this late stage of the business cycle persists.



### Consumer Price Index

United States (month/month % change : s.a.)	(% change : a.r.)				
	Aug	Jul	Jun	6-month	12-month
All Items	0.2	0.2	0.1	1.8	2.7
Ex. Food and Energy	0.1	0.2	0.2	1.9	2.2
Food	0.1	0.1	0.2	1.7	1.4
Energy	1.9	-0.5	-0.3	1.1	10.2
Clothing	-1.6	-0.3	-0.9	-6.2	-1.4
Transportation	0.9	0.3	0.4	2.1	6.4
New Vehicles	0.0	0.3	0.4	1.3	0.3
Gasoline	3.0	-0.6	0.5	5.3	20.3
Medical Care	-0.2	-0.2	0.4	1.4	1.5
Recreation	-0.1	0.2	0.2	-0.1	0.1
Education	0.5	0.3	0.2	3.0	2.7
Owners' Equivalent Rent	0.3	0.3	0.3	3.5	3.3

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