



The Daily Dish

August Consumer Prices

DOUGLAS HOLTZ-EAKIN | SEPTEMBER 12, 2024

Yesterday the Bureau of Labor Statistics released the August [report](#) on the Consumer Price Index (CPI). According to [Marketwatch](#), the consensus was that both the CPI and the core CPI (non-food, non-energy) would rise by 0.2 percent in August, leaving the top-line at 2.5 percent year over year and the core at 3.2 percent year over year.

At one level, the report was a total snore. The CPI rose 0.2 percent in August and 2.5 percent year over year, while the core CPI rose 3.2 percent year over year. Just as expected. The only tiny news was that the one-month rise in the core rounded to 0.3 percent.

On the other hand, maybe the news was the absence of news. In August, energy prices fell at an annualized rate of 19.8 percent, while food prices rose at only a 0.7-percent annual rate. These contributed greatly to the modest overall inflation rate. (The blue line in the graph, below.)

But that also means the core inflation rate (orange line) lies above the CPI as a whole. Even more troubling, the core appears to be flattening out, while remaining above 3 percent. One reason for this is that shelter inflation remains elevated – above 5 percent – and has actually risen somewhat in recent months.

None of this means that the Fed isn't confident that inflation will return to its 2 percent target and remain there. But it does suggest some caution in the pace at which the Fed moves the federal funds rate down. It seems unlikely that the Fed will hold rates steady when it meets next week, but these data suggest a cautious 25-basis-point cut, and not the aggressive 50-basis-point cut some have been looking for.

Consumer Price Inflation

(year-over-year)

