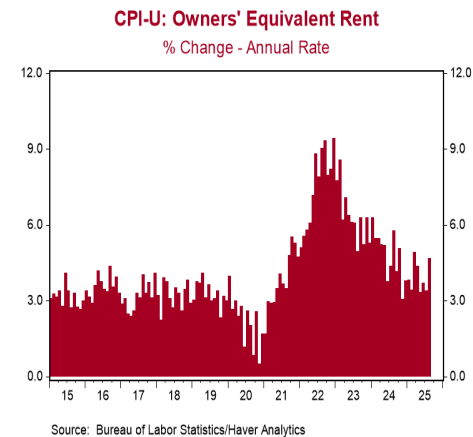
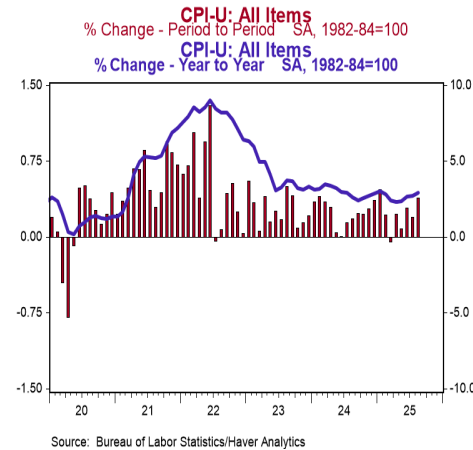


August CPI

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- The Consumer Price Index (CPI) rose 0.4% in August, above the consensus expected +0.3%. The CPI is up 2.9% from a year ago.
- Energy prices increased 0.7% in August, while food prices rose 0.5%. The “core” CPI, which excludes food and energy, increased 0.3% in August, matching consensus expectations. Core prices are up 3.1% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.1% in August, but are up 0.7% in the past year. Real average weekly earnings are up 0.4% in the past year.

Implications: Inflation came in above expectations in August, with the Consumer Price Index increasing 0.4%, and the year-ago comparison climbing to 2.9%. “Core” prices, which strip out food and energy, rose a consensus expected 0.3%, while the twelve-month core comparison stood pat at 3.1%. Looking at the details of the report, the volatile energy and food categories led overall prices higher, with energy prices rebounding 0.7%. Notably, airline fares contributed the most to core inflation in August, with prices for the category jumping 5.9% after a 4.0% increase in July. Those are the two largest monthly increases for the airline fare since mid-2022. In the past year, the main driver of core inflation has been housing rents, which rose 0.4% in August. Other core categories to increase were prices for used cars and trucks (+1.0%), motor vehicle repair (+2.4%), and apparel (+0.5%). Meanwhile, the category for medical care dropped 0.2% in August, as both prices for prescription drugs (-0.2%) and nonprescription drugs (-0.9%) declined. In other news this morning, initial jobless claims jumped 27,000 to 263,000: the highest level since 2021. Meanwhile continuing claims remained at 1.934 million. These figures are consistent with a job market that is barely trading water in September, although the Labor Day holiday may have affected the report. Given the softening labor market and slow growth in the M2 measure of the money supply, we believe it’s time for the Fed to begin reducing short-term rates slightly in the months ahead, but cautiously. We expect the Fed to cut rates by 25 bps at the meeting next week. Yes, inflation remains above the 2% target. But tepid economic and job growth suggests monetary policy is tight and inflation will decline in the year ahead.



CPI - U	Aug-25	Jul-25	Jun-25	3-mo % Ch.	6-mo % Ch.	Yr to Yr
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<i>annualized</i>	<i>annualized</i>	<i>% Change</i>
Consumer Price Index	0.4%	0.2%	0.3%	3.5%	2.3%	2.9%
Ex Food & Energy	0.3%	0.3%	0.2%	3.6%	2.7%	3.1%
Ex Energy	0.4%	0.3%	0.2%	3.6%	2.7%	3.1%
Energy	0.7%	-1.1%	0.9%	2.2%	-4.3%	0.2%
Food	0.5%	0.0%	0.3%	3.4%	3.0%	3.2%
Housing	0.4%	0.2%	0.3%	3.6%	3.9%	4.0%
Owners Equivalent Rent	0.4%	0.3%	0.3%	3.9%	4.1%	4.0%
New Vehicles	0.3%	0.0%	-0.3%	-0.2%	-0.5%	0.7%
Medical Care	-0.2%	0.7%	0.5%	3.9%	3.9%	3.4%
Services (Excluding Energy Services)	0.3%	0.4%	0.3%	3.9%	3.1%	3.6%
Real Average Hourly Earnings	-0.1%	0.2%	-0.1%	0.0%	1.3%	0.7%

Source: Bureau of Labor Statistics