Headline inflation rose to 3.7% y/y (above 3.6% consensus) in August, up from 3.2% in the prior month, as the 10.6% m/m surge in gasoline prices resulted in a 5.6% m/m gain in energy inflation. On a monthly basis, headline CPI rose 0.6% m/m, while core CPI rose 0.3% m/m (above 0.2% consensus). Core inflation edged down to 4.3% y/y, the smallest annual gain since September 2021. Despite the acceleration in August, markets continue to expect the Fed to remain on pause at its upcoming September meeting.

**Breakdown of CPI by components**

Core services and core goods both declined to 5.9% y/y and 0.2% y/y, respectively. Shelter costs, the largest services component and 1/3 of overall CPI, rose 0.3% m/m. Higher interest rates and tighter lending standards continued to drive core goods price lower.

**August US inflation by sector (y/y)**

- Core goods: 4.3%
- Core services: 5.9%
- Core goods: 0.2%
- Core services: 5.9%

**Core goods and services inflation, y/y**

While m/m inflation data provides very useful information on the recent momentum in inflation, a look at today’s CPI data on a y/y basis provides a useful lens on the categories in which the consumer is feeling the most cost pressure (and relief) relative to one year ago.

**Core services**

- Housing: -2%
- Health: 0%
- Communication: 2%
- Education and communication services: 4%
- Services less energy commodities: 4%
- Personal care: 5%
- Medical care: 6%
- Transportation: 6%
- Recreation: 6%
- Apparel: 3%

**Core goods**

- Food at home: 4%
- Food away from home: 3%
- Housing: 5%
- Apparel: 3%
- Transportation: 2%
- Recreation: 4%
- Medical care: 4%
- Personal care: 4%
- Communication: 4%
- Health: 3%
- Education and communication services: 4%

**Energy**

- Energy commodities: 7%
- Electricity: 5%
- Gas: 6%
- Gasoline: 5%

**Food**

- Cereals & bakery products: 3%
- Fruits & vegetables: 3%
- Meats: 2%
- Milk: 2%

**Source:** Bureau of Labor Statistics. CPI Report August 2023. Bloomberg. Data as of September 13, 2023. Goods is commodities category in which the consumer is feeling the most cost pressure (and relief) relative to one year ago.