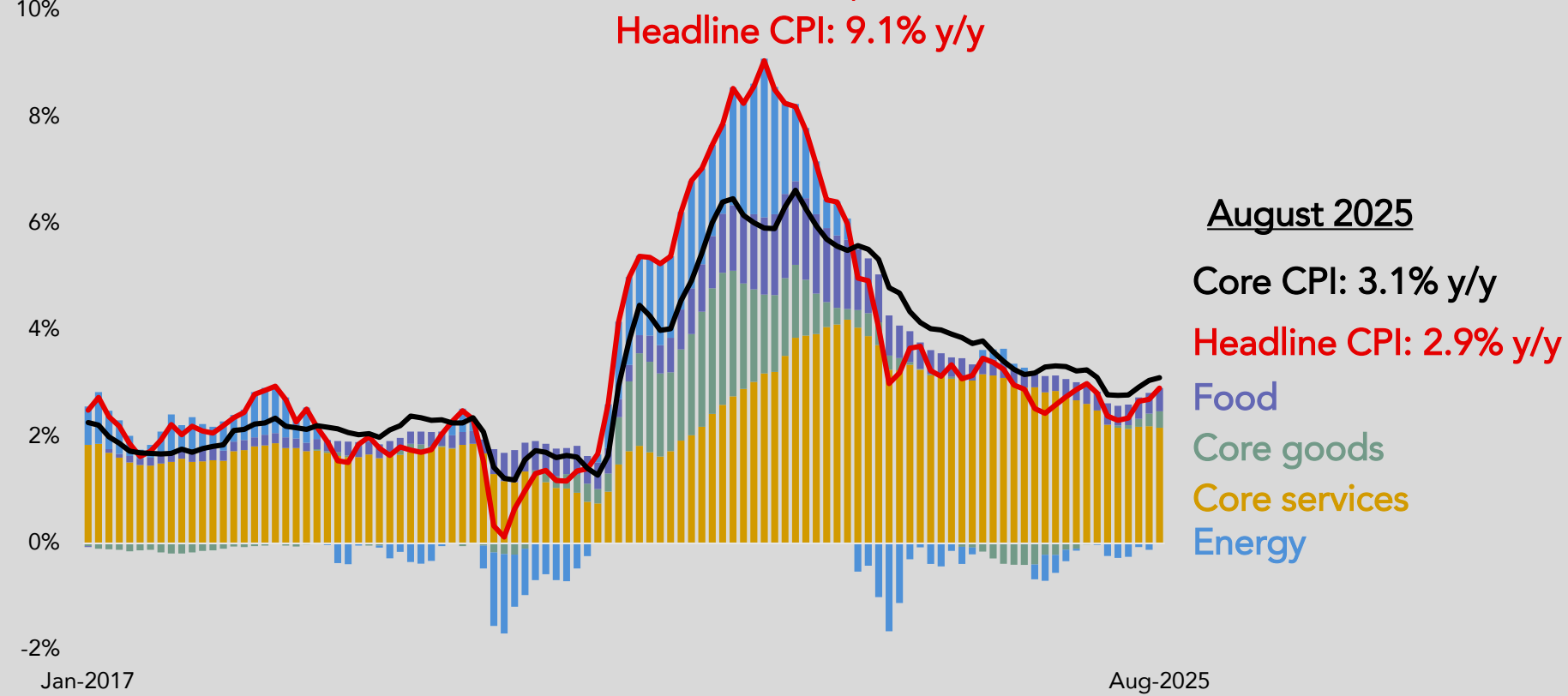


The August inflation report was generally in-line with estimates, though there are pockets of the economy starting to feel price pressures. Goods prices accelerated, reflecting an increase in new and used cars, apparel and appliances. A softening in services prices helped keep core inflation steady at 3.1% y/y. A relatively tame inflation reading, combined with additional data showing labor market weakness, opens the door for the Fed to cut rates at the Sept 16-17 meeting next week.

Breakdown of CPI by components



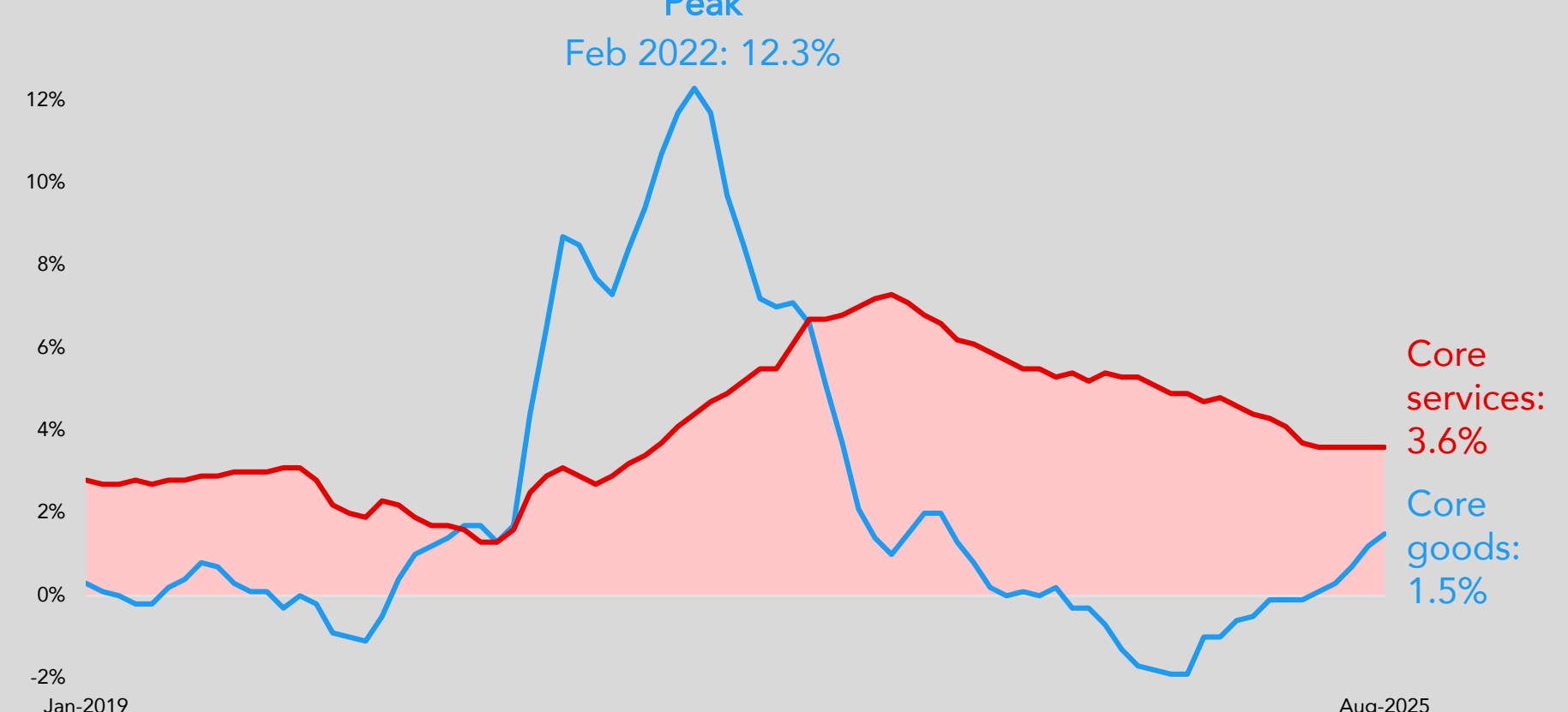
Headline inflation for August came in a little hotter than expected, rising 0.4% m/m (vs. 0.3% expected) and 2.9% y/y, an acceleration from 2.7% in July. Core CPI rose 0.3% m/m and 3.1% y/y, in-line with consensus expectations.

August CPI inflation actual vs. estimates

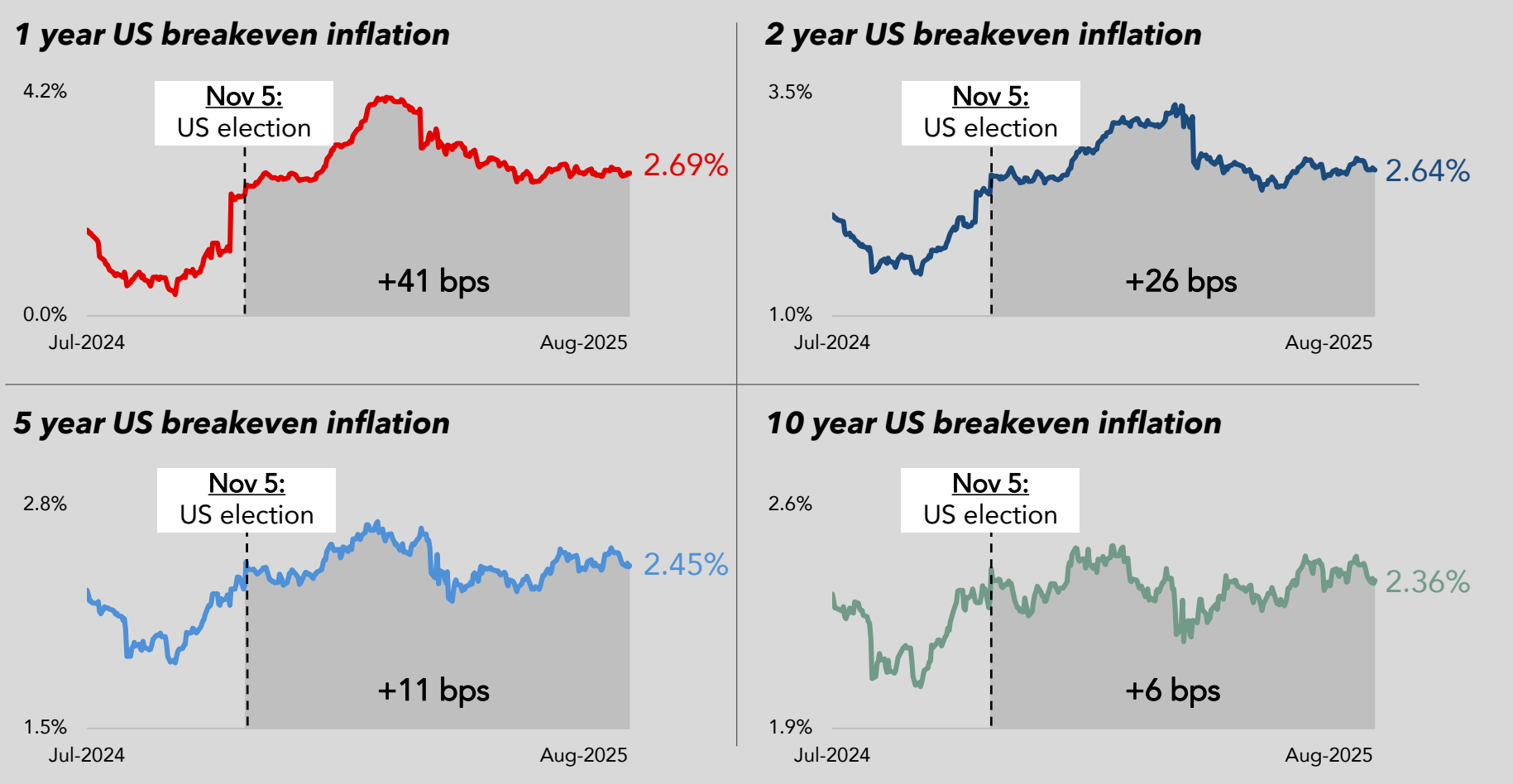
Metric	Actual	Estimate	Difference
Headline CPI y/y	2.9%	2.9%	+0.0%
Headline CPI m/m	0.4%	0.3%	+0.1%
Core CPI y/y	3.1%	3.1%	+0.0%
Core CPI m/m	0.3%	0.3%	+0.0%

Core goods and services prices both rose by 0.3% m/m in August, suggesting that while relatively modest, inflation pressures continue to linger. Food prices rose and certain import-exposed categories accelerated last month. The index for shelter rose 0.4% m/m in August, the largest increase since the start of the year. Airfares rose 5.9% m/m, the most in over three years. The extent to which companies pass price increases from tariffs on to consumers will be an important factor for Fed policy through the remainder of the year.

US core goods and services inflation, y/y



As tariffs and outsized fiscal expansion begin to filter through the economy, US inflation break-evens remain elevated vis-a-vis expectations one year ago.



While m/m inflation data provides very useful information on the recent momentum in (dis)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.

August US inflation by sector (y/y)

			Energy	Food	Core goods	Core services
Utility gas service	14%	Owners' equivalent rent	4%	Land-line phone services	1%	
Audio equipment	12%	Food away from home	4%	Cereals & bakery products	1%	
Eggs	11%	Tires	4%	Personal care products	1%	
Motor vehicle maint. & Repair	9%	Rent of shelter	4%	Moving, storage, freight expense	1%	
Delivery services	8%	Shelter	4%	Housekeeping supplies	1%	
Energy services	8%	Recreation services	4%	New vehicles	1%	
Meats	7%	Services less energy services	4%	New trucks	1%	
Garbage & trash collection	7%	Transportation services	4%	Appliances	0.3%	
Veterinarian services	6%	Physicians' services	4%	Cosmetics	0.3%	
Tobacco & smoking products	6%	Professional services	4%	Apparel	0.2%	
Electricity	6%	Motor vehicle parts and equipment	3%	Energy	0.2%	
Used cars and trucks	6%	School tuition	3%	Toys	0.1%	
Jewelry and watches	6%	Airline fares	3%	Pets & pet products	0.1%	
Tools, hardware & supplies	6%	Household furnishings & supplies	3%	Medicinal drugs	(-0.2%)	
Day care and preschool	5%	Food at home	3%	Internet services	(-1%)	
Music instruments & acces.	5%	Funeral expenses	3%	Sporting goods	(-1%)	
Water & sewerage maint.	5%	Outdoor equip. & supplies	3%	Computers and smart home assistants	(-2%)	
Laundry & cleaning services	5%	College tuition and fees	2%	Wireless phone services	(-2%)	
Motor vehicle insurance	5%	Technical & bus. school tuition	2%	Lodging away from home	(-3%)	
Financial services	5%	Public transportation	2%	Computer software and accessories	(-5%)	
Photo equipment & supplies	5%	Vehicle accessories	2%	Car & truck rental	(-5%)	
Furniture & bedding	5%	Intracity mass transit	2%	TVs	(-6%)	
Nonalcoholic beverages	5%	Alcoholic beverages	2%	Energy commodities	(-6%)	
Nursing homes	5%	Fruits and vegetables	2%	Motor fuel	(-7%)	
Health insurance	4%	Recreational reading	2%	Smartphones	(-14%)	
Medical care services	4%	Milk	2%			
		Footwear	1%			

Source: (1-8) Bureau of Labor Statistics. CPI Report August 2025. Bloomberg. Data as of September 11, 2025. Goods is commodities less food and energy commodities. Services is less energy.

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“Macro stability isn’t everything, but without it, you have nothing.”