



# Economics Group

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## Rising Gasoline Prices Pushed the CPI Up in August

**The Consumer Price Index rose 0.4 percent in August, thanks largely to a 9.1 percent spike in gasoline prices. Excluding gasoline prices, the inflation figures were well-behaved, with the core rising just 0.1 percent.**

### Rebounding Gasoline Prices Pushed the CPI Higher in August

Consumer prices rose 0.4 percent during August with a 9.1 percent gain in gasoline prices accounting for over 80 percent of the overall increase. Gasoline prices have been bouncing around the last couple of months and have accounted for the majority of the month-to-month swings in the headline CPI. Despite the monthly volatility, prices remain 30 percent below their year-ago level, which is the major reason the headline CPI remains 1.5 percent below its year-ago level. Volatility is likely to continue in coming months, as prices have fallen in recent weeks.

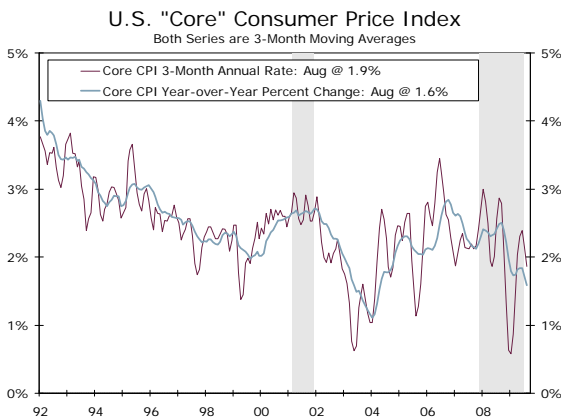
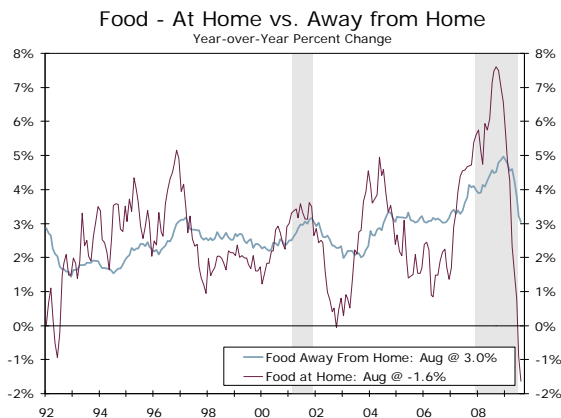
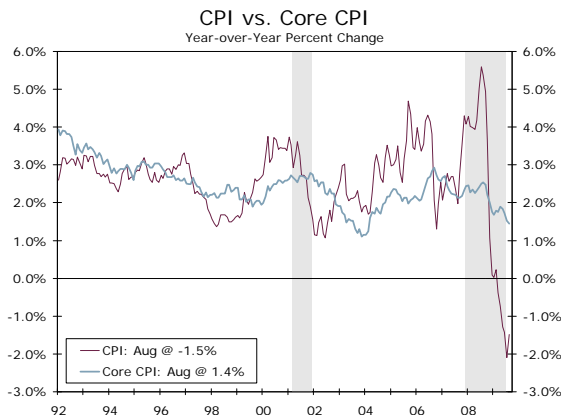
### Food Prices Continued to Moderate

Prices for food and beverages rose just 0.1 percent in August and are now up just 0.6 percent over the past year. Grocery store prices were unchanged in August and are currently down 1.6 percent over the past year. Declines in the prices for fruits and vegetables, dairy products and cereal and bakery products were offset by slightly higher prices for meats, poultry, fish and eggs and nonalcoholic beverages. Dairy prices have now fallen for nine months in a row and are down 10.4 percent over the past year. Prices for fruits and vegetables are down 5.6 percent year-to-year and prices for meats, poultry, fish and eggs are down 2.2 percent. The drop in grocery store prices is helping consumers stretch their budgets a little farther at a time that they really need it. By contrast, prices for food away from home, which includes restaurants and canteens, rose 0.1 percent in August and are up 3.0 percent over the past year.

### Core Inflation Remains Tame

Excluding food and energy, the core CPI rose just 0.1 percent, which was right in line with expectations. Prices picked up slightly for used cars and airline fares during the month. Lodging costs also increased somewhat. The increases, however, did little to offset earlier declines. Used car prices are currently 5.4 percent below their year-ago level and prices for public transportation, which includes airfares, are down 11.0 percent. Lodging costs are down 7.8 percent year-to-year.

Housing costs, which make up 39 percent of the core CPI, rose 0.1 percent in August. Residential rent was unchanged and owners' equivalent rent rose 0.1 percent in August. Both remain exceptionally tame over the past year and are continuing to moderate. Residential rent is up 2.0 percent over the past year and rose at just a 0.1 percent annual rate over the past three months. Owners' equivalent rent is up 1.7 percent year-over-year and has increased at just a 0.4 percent pace over the past three months. The moderation in the housing components should allow the core CPI to continue to moderate on year-to-year basis, which should further quell any fears that inflation will reaccelerate anytime soon.



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