CIBC CAPITAL MARKETS

Economics

ECONOMIC FLASH!

economics.cibccm.com

Sep 11, 2026

US CPI (Aug): Hot core print cements Fed hike odds

Helen Lao Helen.Lao@cibc.com

Consumer Price Index (monthly change, %)	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Aug NSA YoY%
All items	0.4	0.1	-0.4	0.5	0.6	0.9	3.4
Ex-food/energy	0.3	0.2	0.0	0.2	0.4	0.2	2.4
• Ex-food	0.4	0.1	-0.5	0.5	0.7	1.0	3.5
• Ex-energy	0.3	0.2	0.0	0.2	0.4	0.2	2.5
Energy	2.1	-1.5	-5.7	3.9	3.8	10.9	16.3
Services	0.3	0.2	0.0	0.3	0.6	0.2	3.1
Housing	0.2	0.1	0.0	0.2	0.7	0.3	3.1
Fuels & util.	0.1	0.3	-0.7	0.4	1.4	1.0	5.0
Food/beverages	0.1	0.1	0.2	0.2	0.5	0.0	2.6
• Food	0.1	0.1	0.2	0.2	0.5	0.0	2.7
Apparel	0.0	0.1	-0.6	0.3	0.6	1.0	3.6
Transportation	1.2	-0.5	-2.5	1.3	1.3	4.3	6.2
Medical care	-0.2	0.4	-0.1	0.3	-0.1	-0.2	1.6
Recreation	0.0	0.2	0.5	0.3	0.1	0.0	2.7
Education, comm.	1.6	0.6	-0.8	0.8	0.0	0.2	2.1
Other good, serv.	0.2	0.1	0.1	1.0	0.7	-0.4	4.2
Commodities	0.6	-0.2	-1.1	0.8	0.8	2.0	4.0

Source: Haver Analytics.

- A hotter than expected core reaffirms the odds of a Fed hike at the next FOMC meeting. Although total CPI was in line with the consensus expectation at 0.4% m/m in August, core CPI surprised on the upside at 0.3% (consensus: 0.2%). The acceleration on headline was driven largely by a rebound in gasoline prices as expected. The core measure rose 0.3% after a 0.2% monthly pace in July. Although core goods posted a modest 0.1% gain, shelter accelerated due to a rebound of lodging away from home (hotels) after two consecutive monthly declines. Public transportation services also posted a solid increase for the month due to a small pick up in air fares, which could have been impacted by higher fuel prices. The annual pace of total CPI held steady at 3.4% from July to August, while core CPI eased slightly from 2.5% to 2.4% (saved by rounding; unrounded was 2.446%). With core CPI running hotter than consensus on a monthly basis, and accelerating from July's pace, we now think this would tip most FOMC members over in favour of a hike in the upcoming FOMC meeting next week.
- Gasoline was the biggest inflationary driver in the month, accounting for over a third of the monthly total CPI increase. Food posted a modest 0.1% monthly increase, the same pace as July. Food at home was flat on the month, fruits and vegetable prices fell and lettuce continued its descent to find a floor. Restaurant prices held steady at 0.3%, the increase was led by full-service (sit-down) meals (0.4%), while fast food was flat on the month. Hence, the restaurant side of food is still seeing steadier pressure than groceries, which are being held down by produce weakness.

- Core CPI grew 0.3% in August, accelerating from 0.2% in July and higher than consensus expectation of 0.2%. The pick up in core was mainly due to shelter and core services excluding shelter. Shelter accelerated from 0.1% to 0.3% in August. While rent and owners' equivalent rent were up a steady 0.2%, lodging away from home (hotels) accelerated after two consecutive monthly declines. Shelter carries a weight of 45% in core CPI, so it contributed close to the entire 0.1 percentage point pick up in monthly core CPI from July to August.
- Core services excluding rent of shelter also accelerated, though by less than shelter (from 0.35% to 0.43% in August). Notable increases were seen in communication prices, which jumped 2.3% and airfares, which spiked 2.7%, potentially impacted by higher oil prices. Education posted a solid monthly growth of 0.8%. Partially offsetting these gains were motor vehicle insurance, which continues to decline as the industry normalizes. Medical services declined 0.2%, driven by dental services.
- Commodities less energy and food posted a modest 0.1% increase, decelerating from 0.2% in July. New and used vehicles were the closest thing to upward pressure, while apparel was flat, and medical care commodities extended their monthly declines due to the Trump Administration's continued efforts to bring down prescription drug prices. Other categories such as recreational goods and education commodities were flat. So core goods inflation is running cool this month and nothing in this bucket looks anywhere near "hot" as in core services. It is possible that the waning impact of tariffs could be putting some downward pressure on core goods.

Implications & actions

Re: Economic forecast — With core CPI accelerating on a monthly basis, and higher than consensus expectations, we believe this cements the case for a hike for the next FOMC meeting next week.

Re: Markets — Short-term yields ticked up after the release as the probability of a September Fed rate hike surged to close to 90% from 70% yesterday.