BEA 東亞銀行

Economic Indicators Analysis

14 September 2026

US Inflation Data Raised Rate Hike Odds

Summary:

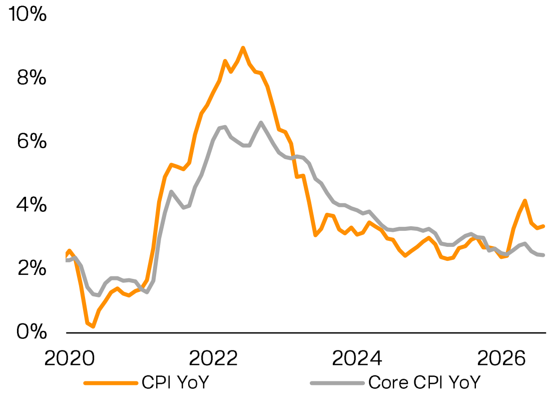
- Headline CPI inflation remained elevated at 3.4% YoY in August, while core CPI inflation edged lower to 2.4%.
- Energy prices continued to surge as geopolitical tensions in the Middle East remained unresolved. Meanwhile, other CPI categories were mixed.
- Probability of a September rate hike rose following the report.

The August 2026 CPI report revealed that inflation regained momentum, as rising energy prices drove headline inflation up. Headline CPI inflation remained sticky, holding steady at 3.4% year-on-year (YoY), matching July's pace and remaining elevated above policy targets. On a monthly basis, headline CPI accelerated by 0.4% month-on-month (MoM) after July's modest rise of 0.1%. Meanwhile, core CPI inflation (which excludes volatile food and energy prices) edged lower to 2.4% YoY from 2.5% in July. However, on a MoM basis, the core figure rose by 0.3%, slightly faster than July's pace of 0.2%. While annual core CPI inflation edged lower, the reacceleration in monthly headline figures underscored lingering price pressures from oil-price shocks.

Energy prices served as the primary catalyst for August's monthly surge. The overall energy index jumped 2.1% MoM after declining 1.5% in July, with gasoline prices expanding 3.9% over the month and accounting for over one-third of the total headline CPI increase. Fuel oil posted a sharp monthly advance of 10.1%. Energy services prices, however, dipped by 0.4% MoM in August after rising by 0.3% in July. Global energy markets continue to react to geopolitical tensions and supply bottlenecks around critical transit corridors, keeping crude oil prices elevated and passing cost pressure directly onto domestic retail prices.

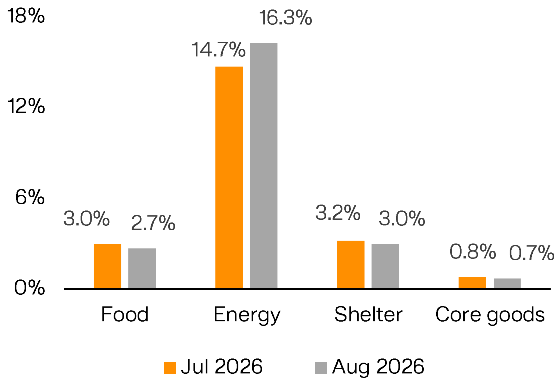
Outside of energy, trends in other CPI components were mixed. Shelter costs rose 0.3% MoM after a 0.1% gain in July, while remaining the largest structural contributor to core sticky services. Food prices edged up a modest 0.1% MoM, the same as in July. Elsewhere, core goods experienced a modest increase of just 0.1% MoM, down from 0.2% in July. Meanwhile, categories like medical care services (-0.2%) and motor vehicle insurance (-0.8%) registered declines, while airline fares (+2.7%) continued to rise, likely tied to the rise in energy prices.

US CPI Inflation



Source: Bloomberg

US CPI Inflation by Component (YoY)



Source: Bloomberg

The August inflation print arrives at a critical juncture for monetary policy ahead of the upcoming Federal Open Market Committee (FOMC) meeting. Financial markets have increasingly priced in an upcoming 25-basis point rate hike following the release of the CPI report, coupled with Federal Reserve (Fed) Chairman Kevin Warsh's hawkish remarks at the Jackson Hole symposium. Such a move would underscore the Fed's commitment to bringing inflation back toward its target.

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