A Modest Rise in Inflation Keeps September Cut Intact

Scott McIntyre

The Fed's preferred inflation measure continued to edge higher in August, although not enough to persuade Fed officials to abandon expected plans to trim the overnight target rate next month.

The Personal Consumption Expenditures (PCE) Index for August climbed +0.2% for the month and held steady at a +2.6% annual pace. Core PCE, generally considered the Fed's preferred inflation gauge, rose +0.3% (0.27), essentially matching the previous month's gain, while the annual core pace edged up from +2.8% to +2.9% (2.87), the highest since February. *Although it's clear that inflation is warming, concerns of more extensive tariff-related price pressures appear overblown.*

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