

ECONOMIC NEWS

United States: Rise in Prices Eases Slightly

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HIGHLIGHTS

- ▶ The consumer price index (CPI) rose 0.3% in August, after gaining 0.5% in July and 0.9% in June.
- ▶ Energy prices climbed 2.0% in August, after advancing 1.6% in July. Food prices were up 0.4% in August.
- ▶ Excluding food and energy, core CPI edged up only 0.1% in August, after gains of 0.3% in July and 0.9% in June.
- ▶ The annual variation in total CPI slipped from 5.4% to 5.3% in August. The slowdown in core inflation was sharper, pulling back from 4.3% to 4.0%.

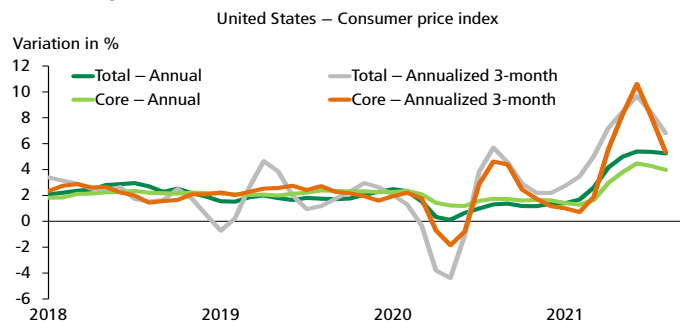
COMMENTS

It is really too early to say that the surge in U.S. inflation that began at the end of last winter is on its last legs. That being said, the last two months were somewhat calmer after an alarming escalation in prices. The 0.3% monthly gain in total CPI was the slimmest since January, while the 0.1% gain in core CPI was the lowest since February. Admittedly, the annual variations in these two indicators remain very high and well above the 2% mark traditionally targeted by the Federal Reserve (Fed), but the annualized quarterly variations show us that the upward trend has likely changed directions.

Several of the components that were major inflation drivers in the spring are now logging far more modest growth. This is particularly the case for the auto industry, a key source of inflation from April to June. Declines of 1.5% in used vehicle prices, 8.5% in vehicle leasing costs and 2.8% in vehicle insurance sparked the auto industry's first negative contribution to the variation in CPI since January. Other sectors in which price pressures were fuelled by a reopening economy also grew at slower pace in August, particularly airfares (-9.1%) and hotels (-3.3%). These lulls may well be an effect of the spread of the Delta variant south of the border.

GRAPH 1

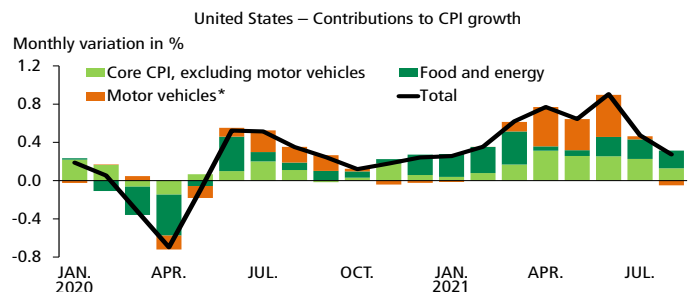
1-year and 3-month variations in consumer prices remain high, but the upward trend has reversed



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

GRAPH 2

The auto industry made a negative contribution to the variation in consumer prices in August



CPI: Consumer price index; * New vehicles, used vehicles, parts and equipment, rentals, repair services, insurance and fees.

Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

IMPLICATIONS

The variation in CPI suggests that the worst of the inflationary surge is already behind us. However, inflation risks remain high, which should prompt the Fed to begin tapering quantitative policy by the end of the year.