

Register-Guard Capital

INFLATION REGISTER 9/11/26

The August 2026 Consumer Price Index released by the Bureau of Labor Statistics on September 11, 2026, showed the all-items index up 0.4% on the month, seasonally adjusted, with headline CPI inflation holding at 3.4%, year-over-year, and core CPI inflation easing to 2.4%, year-over-year, on a 0.3% monthly increase.¹ Our prediction, published the morning ahead of the release, called for headline inflation to rise to 3.5% and core to rise to 2.5%, on monthly builds of roughly +0.45% headline and +0.29% core.² The FactSet consensus, as reported by Morningstar, called for +0.4% on the month, +0.2% core, and annual rates of 3.3% and 2.4%; the Reuters survey had the annual headline rate at 3.4%.³

Scorecard

Headline CPI, year-over-year:

RGC predicted 3.5%.

Consensus predicted 3.3%.

Actual was 3.4%. RGC overshoot by 10-basis points; consensus undershot by 10-basis points.

Core CPI, year-over-year:

RGC predicted 2.5%.

Consensus predicted 2.4%.

Actual was 2.4%. RGC overshoot by 10-basis points; consensus exact.

Monthly change, seasonally adjusted:

RGC built roughly +0.45% headline and +0.29% core.

Consensus called +0.4% and +0.2%.

Actual was +0.4% and +0.3%. Consensus exact on headline and a tenth low on core; we ran five-hundredths high on headline and one-hundredth low on core.

By the scorecard convention we use in these pages, that is 2 of 4: the annual headline call was a match, equidistant from the print with the consensus; the core monthly build was a beat; the annual core call and the headline monthly build were misses. The monthly builds were the substance of the Guard, and both printed within a few hundredths. Both annual calls were published as rounding-boundary judgments taken on the high side, and both boundaries broke below us by margins we set out in the section on the miss.

Key Findings

¹ Bureau of Labor Statistics, “Consumer Price Index—August 2026,” news release USDL-26-1496, U.S. Department of Labor, September 11, 2026. Component detail, relative importances, and index levels per Table 1; monthly history per Table A.

² *Register-Guard Capital*, Inflation Guard 9/11/26 (September 11, 2026).

³ Colin Laidley, “August CPI Seen Cooling, but Will It Prevent a Fed Rate Hike?,” Morningstar, September 9, 2026; Indradip Ghosh, “Fed to Hold Rates Steady in Rest of 2026; Rising Number of Analysts See at Least One Hike: Reuters Poll,” Reuters, September 9, 2026.

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The August report is the one we said would carry the Strait of Hormuz closure into the monthly average, and it did: energy rose 2.1% seasonally adjusted after two months of declines, gasoline rose 3.9%, and the all-items increase of 0.4% was the largest since May. Energy stands 16.3% above a year ago, gasoline 27.4%, and fuel oil 52.0%. Beneath the energy story, core inflation firmed to 0.3% on the month, its largest increase since April, on shelter's return to 0.3%, a 2.4% rebound in lodging away from home, airline fares up 2.7%, used cars up 0.4%, and increases in communication and education, against declines in medical care services and motor vehicle insurance. The annual core rate nonetheless eased to 2.4%, its lowest of the year, because the 0.3% of August 2025 dropped out of the twelve-month window; the underlying disinflation we have described since July is real in the annual figures and stalled in the monthly ones. Set against average hourly earnings growth of 3.1%, headline inflation at 3.4% leaves real earnings slightly negative, as they have been since spring.⁴

Eight months into the year, the index tells a story in three acts. In January and February, before the war, headline inflation ran at 2.4% over the year and core at 2.5%, on monthly all-items changes of 0.2% and 0.3% and core changes of 0.3% and 0.2%: an economy at the tail of a long disinflation, with goods flat and services still carrying the residual.⁵ From March through May, the war reached the pump: energy rose 10.9%, 3.8%, and 3.9% in consecutive months, a cumulative 19.6%, the all-items index rose at an 8.3% annualized pace, and the annual headline rate climbed from 2.4% to 3.3%, 3.8%, and 4.2%, while core ran at a 3.2% annualized pace and its annual rate rose from 2.5% to 2.9% as tariff pass-through into goods and a firm April in shelter arrived at the same time. From June through August, the ceasefire, its collapse, and the second closure whipsawed energy, down 5.7% and 1.5% and then up 2.1%, and the all-items index rose at just a 0.4% annualized pace over the three months while the annual rate retraced to 3.4%; core over the same three months ran at a 2.0% annualized pace, its softest stretch of the year, and its annual rate fell from 2.9% to 2.4%. Over the eight months the all-items index has risen at a 4.0% annualized pace and core at 2.7%, with energy up 12.4% cumulatively. The war added roughly two percentage points to the annual headline rate at the May peak and roughly one point still; underneath it, core inflation is running closer to 2% than to 3% on a three-month basis, and the question for the rest of the year is whether September's energy prices, set after the strikes of September 7 and 8, restart the second act or merely extend the third.

Component Analysis

Energy

The energy index rose 2.1% seasonally adjusted, an effect of roughly +0.16 percentage points on the all-items change, with gasoline up 3.9%, fuel oil up 10.1%, electricity down 0.2%, and utility gas service down 1.1%. We built energy near +2.7% and a contribution near +0.20 points, so the leg that had printed to the digit for two months ran four-hundredths high. Two things went wrong. The EIA monthly average rose 3.15%, and the CPI gasoline index rose 2.5% unadjusted, a pass-through of 0.8 rather than the one-for-one we carried; with the August

⁴ Bureau of Labor Statistics, "The Employment Situation—August 2026," news release, September 4, 2026.

⁵ Bureau of Labor Statistics, "CPI, August 2026," Table A; *Register-Guard Capital*, Inflation Guard 3/11/26 (March 11, 2026) and Inflation Guard 4/10/26 (April 10, 2026), citing the January and February 2026 releases.

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seasonal difference of 1.4 points rather than the 1.5 we assumed, gasoline printed +3.9% seasonally adjusted against our +4.6%.⁶ And we penciled in “the usual late-summer firmness in electricity” without a number behind it; electricity and utility gas fell, as their trailing three-month averages had suggested they might. What energy says about the economy is that the shock remains a supply event, priced at the pump and in distillates, and has not yet become a demand event: fuel oil and diesel are the extreme readings, electricity and gas are soft, and the categories that would carry an energy shock into wages and margins, airfares aside, are not accelerating. The war premium is still a tax on households rather than a spiral.

Shelter

Shelter rose 0.3% after two months at 0.1%, accounting for roughly a quarter of the monthly all-items increase, and its composition inverted our build. Rent of primary residence and owners’ equivalent rent each rose 0.2%, below the 0.26% and 0.27% we carried from Zillow’s July forecast and closer to the 0.20% and 0.24% pace Zillow said the indexes were trending toward.⁷ Lodging away from home rose 2.4% after falling 2.3% and 2.8%, the rebound we had identified and then declined to carry when the August producer index for traveler accommodation fell 1.0%.⁸ The two errors offset: lodging added roughly three-hundredths of a point to the index that we had left out, and rent and owners’ equivalent rent gave back roughly two-hundredths we had put in. Shelter’s annual rate eased to 3.0%, with owners’ equivalent rent at 3.1% and rent at 2.7%. The economic reading is that the largest component of the index is now behaving as the private rent data said it would a year ago: new-lease rents troughed in the spring and are rising again, but the CPI measures the stock of leases, not the flow, and the renewal cycle is still passing the 2025 softness through. Shelter is neither the disinflationary tailwind it was in the winter nor the threat we feared in the spring; it is a 3% component drifting toward the high 2s, and the volatility that decided two of our calls sits in the 1.4% of the index that hotels represent.

Core services excluding shelter

Non-housing services were mixed in a way that netted close to our figure. Airline fares rose 2.7%, near the 3% we carried on jet fuel and the producer index, and now stand 23.4% above a year ago. Motor vehicle insurance fell 0.8%, a fifth consecutive decline, where we had carried it flat; medical care services fell 0.2% after July’s 0.6% payback, where we had carried +0.3%. Communication and education rose, lifting the residual core services we anchor at their trailing average well above it. Transportation services as a group rose 0.5%. The reading here is the one the San Francisco Fed’s decomposition points to: the categories moving are the acyclical ones.⁹ Insurance is unwinding a repricing cycle that peaked in 2024 and now subtracts from core every month; airfares are jet fuel; medical services are administered prices oscillating around a flat trend. The cyclical services that respond to slack, recreation, personal care, and food away

⁶ U.S. Energy Information Administration, “Weekly U.S. All Grades All Formulations Retail Gasoline Prices,” Petroleum & Other Liquids Data, accessed September 9, 2026; Bureau of Labor Statistics, “CPI, August 2026,” Table 1. The gasoline index rose from 350.846 to 359.738 unadjusted.

⁷ Treh Manhertz, “Zillow: CPI Shelter Forecast, July 2026,” Zillow Research, August 3, 2026.

⁸ Bureau of Labor Statistics, “Producer Price Indexes—August 2026,” news release, September 10, 2026, Table 2.

⁹ Federal Reserve Bank of San Francisco, “Cyclical and Acyclical Core PCE Inflation,” updated August 26, 2026.

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from home among them, are running near their trailing averages. A labor market with 4.1% unemployment and 3.1% wage growth is not generating services inflation, which is the strongest single argument that the headline problem is energy and not demand.

Core goods and food

Core goods rose 0.1%, against the 0.2% we carried on July's print and the producer index; used cars rose 0.4% and new vehicles 0.3%, apparel was flat, and medical care commodities fell 0.2%. The core goods index is up 0.7% over the year, and the tariff pass-through we have tracked since March has settled into a slow trickle rather than the broadening we flagged in the spring: vehicles carry it, apparel and furnishings have stopped, and the producer pipeline for goods less foods and energy, up 4.9% over the year, is not reaching the shelf at anything like that pace, which says margins are absorbing it. Food rose 0.1%, with food at home unchanged and food away from home up 0.3%, against our +0.24%; the food index is up 2.7% over the year, down from 3.0% in July, and food at home at 2.2% is the clearest relief in the report for households, even as diesel at record highs threatens the distribution cost that reached grocery prices in the spring.

On the Miss

We predicted 3.5% and 2.5%; actual was 3.4% and 2.4%. The monthly builds were the right numbers: +0.45% against a +0.4% print and +0.29% against +0.3%. The annual misses are the arithmetic of two boundaries. On the headline, printing 3.5% required an unadjusted August move of at least +0.370%; the index moved from 333.918 to 334.980, or +0.318%, and the annual rate printed 3.397%.¹⁰ Our build mapped to +0.35% to +0.39% unadjusted; the shortfall is the energy leg, gasoline passing through at 0.8 and energy services falling, which is worth about four-hundredths on the unadjusted move, exactly the distance to the line. On core, printing 2.5% required +0.273% unadjusted; the index moved from 337.133 to 338.041, or +0.269%, four-thousandths of a percent short, and the annual rate printed 2.446%. Our seasonally adjusted build of 0.29% was a hundredth under the print, and the boundary still broke against us, because the August seasonal factor for core, which we took as neutral from last year's figures, ran against the unadjusted index this year.

The lesson is not in the components, which netted almost exactly, but in how we handled the line. We wrote in the Guard that our departures from trailing averages were worth roughly three-hundredths on the core index and were the whole of the above-consensus call, and that our central build cleared the 2.5% line by roughly one-hundredth. A margin smaller than the sum of the judgment calls that produce it is not a margin. Had we applied that test, the Guard would have read 3.4% and 2.4%, in line with the consensus on both annual figures, and would have spent its argument where the evidence was, on a headline build firmer than the street's and a core build a tenth above it, both of which printed.

Methodology

¹⁰ Bureau of Labor Statistics, "CPI, August 2026," Table 1; "Consumer Price Index—August 2025," news release, September 11, 2025. August 2025 levels: all items 323.976, all items less food and energy 329.970.

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This is the third consecutive Register to adopt a correction, and the corrections now form a method rather than a list. The May Employment Register required explicit base-year index levels for every year-over-year projection; the August Inflation Register required shelter to be built from all three of its components; the September Employment Register required artifact reversals to carry the modal weight. August adds four rules, each traceable to a line in this report.¹¹

First, the boundary rule. A rounding-boundary call is published on the consensus side of the line unless the central build clears the line by more than the sum of its discretionary departures from trailing averages. Every component in the build is anchored to its trailing twelve-month mean and departs from it only for a named, sourced reason; the departures are summed, and that sum is the margin the build must clear before we take the far side of a rounding line. In August the departures were worth three-hundredths on core and the build cleared the line by one; the rule would have held us at 2.4%. The rule does not make us timid on the monthly figure, which is where the analysis lives and where we were above the consensus and right; it makes us honest about a tenth that rounding decides.

Second, energy is built line by line with the same discipline as core. Gasoline is mapped from the EIA monthly average to the CPI index with a pass-through carried as a range of 0.8 to 1.0, the midpoint in the build and the ends in the sensitivities, rather than the one-for-one that held in June and July and failed in August; the seasonal difference for the target month is measured from the published adjusted and unadjusted indexes over the prior four years, as it already was; and electricity, utility gas, and fuel oil each take a trailing-average anchor rather than a seasonal adjective. Energy services fell in August as their trailing three-month averages implied; a number would have caught what a phrase did not.

Third, the artifact-reversal rule governs lodging, and producer indexes do not override it. When a consumer index has fallen by an outsized amount for two consecutive months while its private-market counterpart has risen over the year, the reversal is the modal case and is carried at the size of the prior declines' average, not at zero. We had the rule, applied it correctly in the preliminary build, and then let the August producer index for traveler accommodation talk us out of it. That index is seasonally adjusted on a different schedule from the consumer index and measures a different transaction; it will be cited as context and not as a signal.

Fourth, shelter anchors follow Zillow's stated trend when its month-specific forecast is not yet published. The July forecast's point estimates for July were the best available numbers for August, and they were too high; the same document's statement of where the monthly pace was settling, 0.24% for owners' equivalent rent and 0.20% for rent, was closer to what printed. When the month-specific forecast is available, it governs; when it is not, the trend does.

Applied together to the August build, the four rules give a headline build near +0.40% and a core build near +0.28%, annual rates of 3.4% and 2.4%, and a Guard positioned above the

¹¹ *Register-Guard Capital*, Employment Register 5/8/26 (May 8, 2026); Inflation Register 8/12/26 (August 12, 2026); Employment Register 9/4/26 (September 4, 2026).

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consensus on both monthly figures and in line on both annual ones. That is what printed. The method's strength is the energy arithmetic, which has landed within five-hundredths on the headline in each of the last two reports, and a core build that landed within one-hundredth in August after running a tenth or more high in May, June, and July; its weakness has been our willingness to let a rounding line carry an argument the build could not.

Model Reconciliation

The internal model, still in beta, took the August headline at +0.43% month-over-month, with a median of +0.44%, an 80% conformal interval of +0.12% to +0.75%, and a flat-baseline specification at +0.42%, against market bracket pricing centered near +0.35%.¹² The interval contained the +0.4% actual, and the point overshot by roughly three-hundredths, closer than our +0.45% build and than the market's +0.35%, with the consensus exact and the flat baseline nearer than the regime-conditional specification for a third consecutive period. The decomposition is the interesting part. The model's energy and shelter terms together came to +0.29 points against roughly +0.26 realized, and its unmodeled remainder of +0.15 points, the component its diagnostics had flagged as a possible noise fit, matched the roughly +0.15 points that food and core ex-shelter actually contributed. In July the remainder was the error and the modeled terms were right; in August it was the reverse. With three realized periods of the six required, the scorecard still cannot adjudicate between the specifications, and the discount we apply to the remainder should be treated as a calibration question for the model rather than a standing judgment against it.

Macro Implications

The report gives the hawks their number. Governor Waller had said he would vote to hold if core prices rose 0.2% in August and would support an increase if the number came in hot; core rose 0.3%, its firmest reading since April, and the Reuters poll's hold majority rested on the expectation that it would not.¹³ Chair Warsh's Jackson Hole standard was confidence that underlying inflation is moving to the objective "clearly and at sufficient speed"; an annual core rate of 2.4% and a three-month core pace near 2% argue that it is, and a monthly core rate of 0.3% with energy at 16.3% over the year and the September average already being set above \$4.20 gasoline argue that it is not.¹⁴ The labor side gives no cover for waiting, with August payrolls up 162,000 and unemployment at 4.1%. We wrote in the *Guard* that the arithmetic in these pages argued for the hawks; the print did not change the arithmetic, and the Committee meets on September 15 to 16 with a headline rate that refused to fall, a core rate that stopped falling on the month, and a war premium that has widened since the reference period closed. The component reading cuts the other way, and the Committee will hear it from the doves: the inflation that remains is energy and administered prices, the cyclical services are quiet, goods are

¹² *Register-Guard Capital*, internal quantitative CPI model output for the August 2026 target period, September 11, 2026.

¹³ Nick Timiraos, "A Tiny Shift in the Inflation Rate Could Decide the Fed's Next Move," *Wall Street Journal*, September 9, 2026; Ghosh, "Reuters Poll."

¹⁴ Kevin Warsh, "In Our Time," keynote remarks at the Federal Reserve Bank of Kansas City Economic Policy Symposium, Jackson Hole, Wyoming, August 28, 2026; U.S. Energy Information Administration, weekly series for the week ending September 7, 2026.

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absorbing tariffs in margins, and real earnings are already negative, which is a tightening households are paying for without a rate increase. We make the September call in the Federal Reserve Register Guard 9/16/26. For markets, an in-line headline with a hot core should firm front-end hike pricing, leave the long end hostage to crude, and keep the dollar's war bid intact.

Forward Look

Three things to watch. First, the September 15 to 16 meeting, four days away, where the decision, the statement language on energy, and the dissents will be the record against which this report is read. Second, the September CPI, released October 14, the first monthly average set entirely at post-strike fuel prices: the first September weekly readings were \$4.295 for gasoline and a record \$5.967 for diesel after the September 7 and 8 strikes on IRGC-linked tankers, Brent moved to roughly \$97 a barrel, and the Cleveland Fed's September nowcast already carries +0.41% for the month.¹⁵ Third, whether August's composition holds: whether rent and owners' equivalent rent settle at 0.2% or return to the 0.3% of July, whether lodging's rebound was a level correction or a new trend, and whether the declines in medical care services and motor vehicle insurance, now five months running for insurance, continue to offset the categories that firmed. The August PCE price index arrives September 30, with the Cleveland Fed nowcast placing core PCE at 3.4% over the year.

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