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## Of oil and onions

You've probably heard of the description, "excluding volatile energy and food," hundreds of times over the years in discussions of inflation. It is the phrase describing so-called core inflation. While politicians worry about voters frustrated by higher prices at the pump and the grocery store, the Federal Reserve focuses on core because it indicates fundamental shifts in the economy. Think of the full report as a winding road and core as reaching the same destination "how the crow flies."

Both the retail and wholesale inflation figures for August posted last week and the difference between the two measures was significant. The Producer Price Index, a measure of what producers pay for their goods and services, increased 0.7% from July to August. It was the largest 1-month increase since June 2022. But core PPI only climbed 0.2%. (The annualized growth rates were 1.6% and 2.1%, respectively).

It was the same story with the Consumer Price Index. It rose 0.6% month-over-month, while the core rate increased 0.3% (annualized numbers were 3.7% and 4.3% respectively).

The slowing of the core inflation readings suggest the Fed will forgo a rate hike at this week's FOMC meeting, though its battle against price pressures likely is not done.

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