ECONOMIC DATA

U.S. Inflation Cooled at the End of the Summer

Decline in energy and used-vehicle prices holds down broader inflationary pressures

Shoppers at a Costco store in Davie, Fla., in August. The consumer-price index was unchanged in September after rising 0.1% in August. **PHOTO:** BRYNN ANDERSON/ASSOCIATED PRESS

By Harriet Torry

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WASHINGTON—A key reading on U.S. inflation cooled slightly at the end of the summer.

U.S. consumer prices were flat in September, as a decline in energy and used-vehicle prices held down broader inflationary pressures, after rising a seasonally adjusted 0.1% in August, the Labor Department said Thursday.

Excluding the volatile food and energy categories, so-called core prices rose 0.1%, moderating from a 0.3% increase in August.

In the 12 months through September, overall prices rose 1.7%, while core prices were up 2.4% on the year. Gasoline and used-car prices both posted large declines, though those categories can be volatile.

Inflation readings released by the government this week join other economic reports that point to signs that U.S. growth slowed in September.

The Institute for Supply Management's U.S. manufacturing index, released earlier this month, fell in September to its lowest level since June 2009. The group's index for services industries separately posted its lowest reading since August 2016.

Some economists said the inflation data showed the U.S.-China trade war was so far having a limited impact on prices.

"The muted gain in core consumer prices in September underlines that even after the introduction of additional tariffs on Chinese imports, inflationary pressures are still well-contained," said Andrew Hunter, an economist at Capital Economics, in a research note.

The figures also help keep the Federal Reserve on course for an expected rate cut at the end of the month, economists added.

"Overall, these data offer nothing to Fed hawks seeking to prevent another rate cut at the end of this month, following the grim [Institute for Supply Management] surveys and other soft data," said Ian Shepherdson, chief economist at Pantheon Macroeconomics, in a note to clients.

Recent weak inflation readings come as the Federal Reserve prepares to meet at the end of this month to deliberate the path of interest rates ahead. The central bank lowered its benchmark federal-funds rate for a second time this year in September, to its current range between 1.75% and 2%.

"Inflation is somewhat below our symmetric 2% objective but has been gradually firming over the past few months," Fed Chairman Jerome Powell said Tuesday in Denver. He didn't explicitly ratify or rebut recent market expectations of another quarter-percentage-point cut at its Oct. 29-30 meeting.

While the jobs and inflation picture for the U.S. economy has been favorable, Mr. Powell said global developments pose risks to this outlook, including from trade policy uncertainty and Britain's impending departure from the European Union.

The weaker-than-expected CPI reading for September follows an unexpected drop in prices that businesses receive for their goods and services.

The producer-price index, a measure of the prices that businesses receive, fell a seasonally adjusted 0.3% in September from the previous month, its weakest reading since January, the Labor Department said Tuesday.

Thursday's consumer report showed an index of energy prices fell 1.4% in September, led by a seasonally adjusted 2.4% drop in gasoline costs. Prices of used cars and trucks, which have been volatile in recent months, also posted a large decline, dropping 1.6% on the month.

The price index for food ticked up 0.1% from August, while shelter costs rose 0.3%.

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Meanwhile, wages stagnated in September. After adjusting for inflation, average hourly earnings were flat in September from the prior month and are up 1.2% from September 2018.

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