

U.S. Data Review

- CPI: war-driven jump in fuel prices influences hot read in headline; core rises a tick above consensus expectations

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September CPI

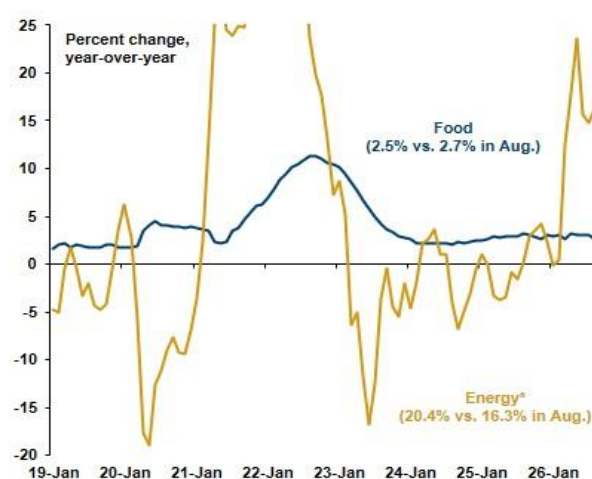
- Following a 0.4-percent advance in the prior month, the headline consumer price index rose 0.6 percent in September – a result in line with the median expectation from the Bloomberg economist survey but still the highest shift since last spring. The core index, meanwhile, posted an above-expected increase of 0.3 percent (versus the median projection of +0.2 percent). Those one-month shifts corresponded with year-over-year advances of 3.7 percent for the headline (+3.738 percent, with less rounding, versus +3.397 percent in August) and 2.6 percent for the core (+2.564 percent versus +2.446 percent previously). In essence, while the latest performance illustrates how persistently elevated inflation could incur additional tightening in monetary policy in the months ahead, prior signaling by key FOMC members still points to a pause at the October 27-28 gathering (see more below).
- Taking a deeper look, the energy index jumped by 5.2 percent (+20.4 percent year-over-year versus +16.3 percent previously), the largest one-month increase since a 10.9-percent surge last March. Factoring into the latest pressure, energy commodities rose 9.3 percent (+7.3 percentage points to +35.3 percent year-over-year), influenced importantly by a 9.1-percent advance in gasoline prices (which accounted for over half of the monthly all items increase). Concurrently, energy services posted a contained increase of 0.1 percent (+0.6 percentage point to +4.6 percent year-over-year), driven entirely by a 0.2 percent rise in household electricity services (+0.6 percentage point to +4.4 percent year-over-year). Food prices, meanwhile, rounded down to no change in September – a somewhat restrained read compared to the trailing six-month average of +0.2 percent (+2.5 percent year-over-year versus +2.7 percent previously). Costs of food at home (i.e., groceries) eased 0.1 percent (-0.4 percentage point to +1.8 percent year-over-year) while food away from home (i.e., restaurant meals) registered a gain of 0.2 percent (not seasonally adjusted; +0.1 percentage point to +3.5 percent year-over-year).

CPI: Headline & Core



Source: Bureau of Labor Statistics via Haver Analytics

CPI: Food & Energy



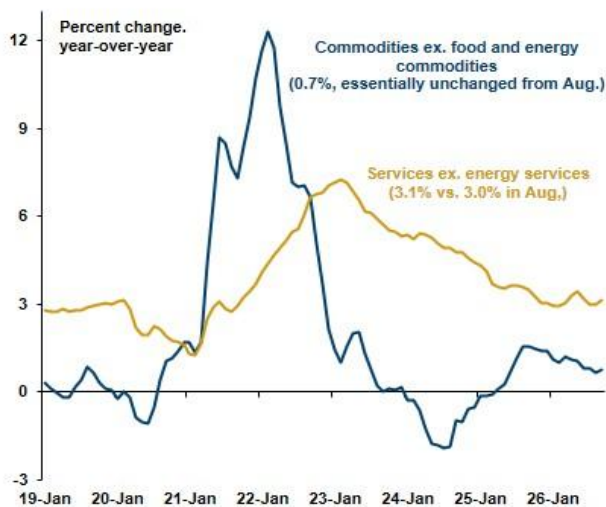
* COVID-related peaks truncated

Source: Bureau of Labor Statistics via Haver Analytics

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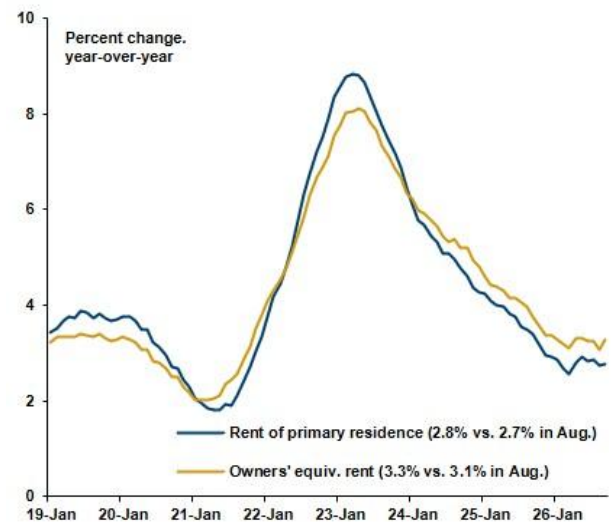
- With respect to the core, the index for commodities excluding food and energy commodities advanced 0.3 percent in September – the largest month-to-month increase since January 2025 (+0.7 percent year-over-year, essentially unchanged from August). While we had expected further modest deceleration in this area on account of a waning tariff effect, there were some pockets of pressure. Namely, prices for used vehicles jumped 0.7 percent (+0.9 percentage point to -1.5 percent year-over-year) and those for apparel rose 0.3 percent (-0.2 percentage point to +3.4 percent year-over-year). Additionally, information technology commodities, a category exposed to the ongoing artificial intelligence buildout, firmed up 0.9 percent (+1.5 percentage points to -2.9 percent year-over-year), primarily reflective of a 1.4-percent surge in computers, peripherals, and smart home assistant devices (not seasonally adjusted; +1.3 percentage points to +9.7 percent year-over-year, the highest gain on record). Conversely, medical care commodities (-0.7 percent in September, -0.6 percentage point to -3.3 percent year-over-year) and household furnishings and supplies (-0.2 percent, -0.4 percentage point to +0.2 percent year-over-year) stood out on the soft side.
- The index for services less energy services (i.e., core services) increased 0.4 percent in September, the firmest monthly gain since last April (+0.1 percentage point to +3.1 percent year-over-year). A few areas registered firm advances, with college tuition and fees rising 1.2 percent (+1.2 percentage point to +4.0 percent year-over-year) and airline fares posting a same-sized increase (-1.0 percentage point to +22.4 percent year-over-year). Other areas, meanwhile, recorded more benign performances. For example, select shelter components remained on recent trends, with rent of primary residence advancing 0.2 percent (trailing six-month average change of +0.3 percent; +2.8 percent year-over-year versus +2.7 percent previously) and owners' equivalent rent rising 0.3 percent (essentially in line with the trailing six-month average; +3.3 percent year-over-year versus +3.1 percent previously). While the 12-month trends in the aforementioned components tilted higher in the final month of Q3, they still remain in line with the favorable pre-pandemic trend.

CPI: Core Goods & Core Services



Source: Bureau of Labor Statistics via Haver Analytics

CPI: Shelter



Source: Bureau of Labor Statistics via Haver Analytics

- All told, today's report still highlights how inflation remains stubbornly above the Fed's two-percent objective – a condition exacerbated by energy price pressure and ongoing supply chain disruptions – with risks remaining skewed to the upside. Even so, recent comments by Fed officials (which occurred prior to today's release) suggested that policymakers were reticent to hike rates at consecutive meetings. With that said, the CPI data suggests that the PCE price index is on track for another brisk advance when released later this month, a condition that raises the distinct possibility of another 25-basis-points rate hike this year (likely at the December FOMC meeting).