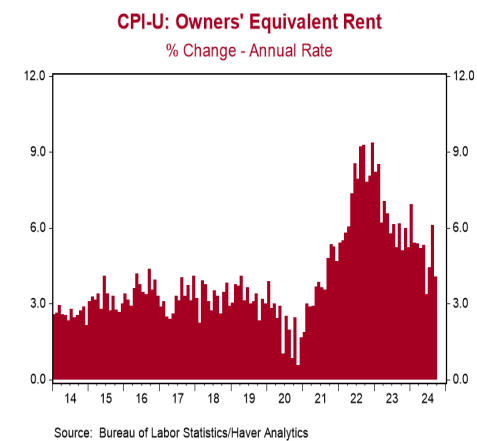
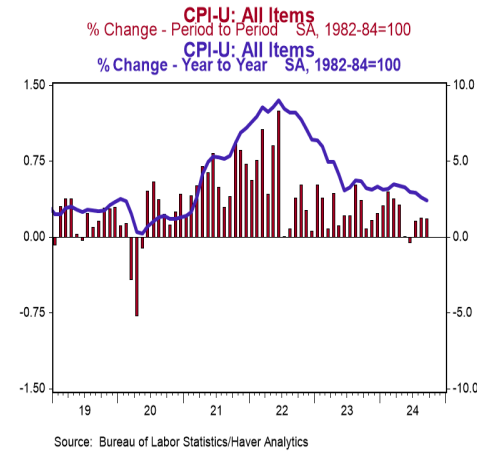


September CPI

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- The Consumer Price Index (CPI) rose 0.2% in September, above the consensus expected +0.1%. The CPI is up 2.4% from a year ago.
- Food prices rose 0.4% in September, while energy prices declined 1.9%. The “core” CPI, which excludes food and energy, rose 0.3% in September, above the consensus expected +0.2%. Core prices are up 3.3% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 0.2% in September and are up 1.5% in the past year. Real average weekly earnings are up 0.9% in the past year.

Implications: Inflation progress stalled in September as both headline and core inflation came in hotter than expected. Headline prices rose 0.2% versus a consensus expected 0.1%, while the twelve-month reading ticked down to 2.4%. That’s the sixth consecutive month where the year-to-year reading has declined, but it’s worth noting that lately inflation has been held down by declining energy prices, which fell 1.9% in September and are down at a 10.6% annualized pace in the last six months. This may not last, as oil prices are up about 10% in the first two weeks of October, mostly due to increased tensions in the Middle East. “Core” prices, which strip out food and energy, rose 0.3% in September versus a consensus expected 0.2%, while the year-ago comparison increased to 3.3%, the highest level in four months. The main driver of core inflation has been housing rents, which rose 0.4% and have shown little to no sign of slowing. Some analysts – including those at the Fed – have argued that housing rents have artificially boosted the inflation picture due to the way it’s measured and the lags at which those changes are reflected in the monthly reports. But a subset category of prices the Fed used to tell investors to watch closely but no longer seems to mention – known as the “Supercore” – which excludes food, energy, other goods, and housing rents, rose 0.4% in September and are up 4.3% in the last year, worse than the 3.8% reading in the year ending in September 2023. No matter which way you cut it, inflation is still running above the Fed’s 2.0% target, now for the 43rd consecutive month. We have said for some time that easing in inflation will come should the Fed have the resolve to let the lagged effects of tighter monetary policy do its work. Recent economic data suggest the Fed is much more likely to cut rates by a quarter point the day after the election, not a half. In other news this morning, initial jobless claims rose 33,000 last week to 258,000, the highest level for any week this year, at least in part influenced by Hurricane Helene and potential secondary effects from the temporary dockworkers strike. Meanwhile, continuing claims rose 42,000 to 1.861 million.



CPI - U <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	Sep-24	Aug-24	Jul-24	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Consumer Price Index	0.2%	0.2%	0.2%	2.1%	1.6%	2.4%
Ex Food & Energy	0.3%	0.3%	0.2%	3.1%	2.6%	3.3%
Ex Energy	0.3%	0.3%	0.2%	3.0%	2.5%	3.2%
Energy	-1.9%	-0.8%	0.0%	-10.0%	-10.6%	-6.8%
Food	0.4%	0.1%	0.2%	2.7%	2.2%	2.3%
Housing	0.2%	0.3%	0.4%	3.8%	3.3%	4.1%
Owners Equivalent Rent	0.3%	0.5%	0.4%	4.9%	4.7%	5.2%
New Vehicles	0.2%	0.0%	-0.2%	0.0%	-2.2%	-1.3%
Medical Care	0.4%	-0.1%	-0.2%	0.2%	2.4%	3.3%
Services (Excluding Energy Services)	0.4%	0.4%	0.3%	4.4%	3.7%	4.7%
Real Average Hourly Earnings	0.2%	0.3%	0.1%	2.2%	2.4%	1.5%

Source: U.S. Department of Labor