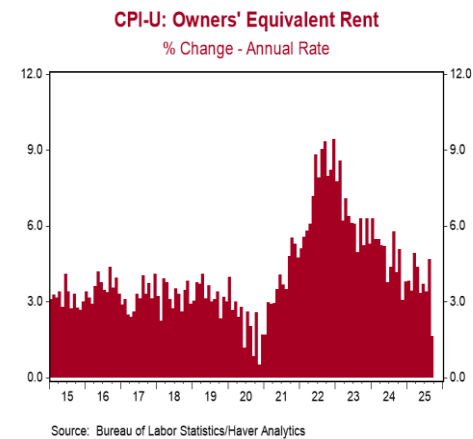
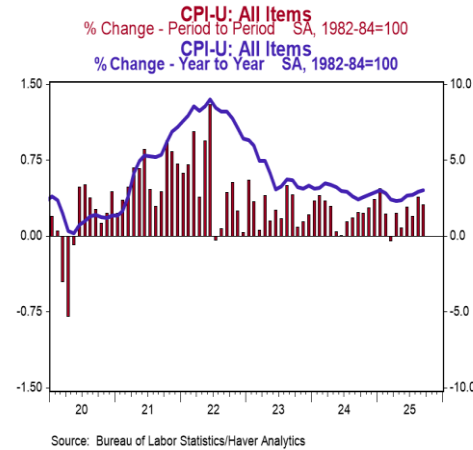


September CPI

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- The Consumer Price Index (CPI) rose 0.3% in September, below the consensus expected +0.4%. The CPI is up 3.0% from a year ago.
- Energy prices increased 1.5% in September, while food prices rose 0.2%. The “core” CPI, which excludes food and energy, increased 0.2% in September, below the consensus expected +0.3%. Core prices are up 3.0% versus a year ago.

Implications: The September CPI report was originally scheduled to come out October 15th, but the ongoing government shutdown delayed its release. While most BLS staff remain on leave, enough were called back to prepare this month’s report (September CPI data collection was completed before the shutdown) so the Social Security Administration could calculate its annual cost-of-living adjustment. Diving into the details of the report, inflation came in below expectations in September, with the Consumer Price Index increasing 0.3%, and the year-ago comparison climbing to 3.0%. “Core” prices, which strip out food and energy, also came in below consensus expectations, rising 0.2% versus a consensus expected +0.3%, while the twelve-month core comparison moved down to 3.0%. Yes, year-ago inflation readings remain elevated because of weak inflation data from twelve months ago dropping off the comparison, but the slow growth in the M2 measure of the money supply suggests that lower inflation and slower growth are on the horizon. Looking at the details, the volatile energy category led the overall increase, rising 1.5% as gasoline prices jumped 4.1%. Stripping out energy and its often-volatile counterpart, food prices (+0.2% in September), “core” prices rose 0.2%. Housing rents (those for actual tenants as well as the imputed rental value of owner-occupied homes) have been the main driver of core inflation over the last three years, but that tide is turning: rents rose just 0.1% in September, the smallest monthly increase since 2021. Instead, it’s been airline prices that have picked up steam in the core category, rising 2.7% in September after large jumps of 5.9% and 4.0% in the two months prior. Other core categories to increase were prices for apparel (+0.7%) and new vehicles (+0.2%). Meanwhile, motor vehicle insurance and used car prices both declined 0.4%. With the labor market showing signs of softening and the federal shutdown ongoing, we believe this report keeps the Federal Reserve on course for another reduction in short-term rates at next week’s meeting.



CPI - U	Sep-25	Aug-25	Jul-25	3-mo % Ch.	6-mo % Ch.	Yr to Yr
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<i>annualized</i>	<i>annualized</i>	<i>% Change</i>
Consumer Price Index	0.3%	0.4%	0.2%	3.6%	3.0%	3.0%
Ex Food & Energy	0.2%	0.3%	0.3%	3.6%	3.0%	3.0%
Ex Energy	0.2%	0.4%	0.3%	3.6%	3.0%	3.0%
Energy	1.5%	0.7%	-1.1%	4.5%	3.5%	2.8%
Food	0.2%	0.5%	0.0%	3.0%	2.6%	3.1%
Housing	0.2%	0.4%	0.2%	3.0%	3.7%	3.9%
Owners Equivalent Rent	0.1%	0.4%	0.3%	3.2%	3.5%	3.8%
New Vehicles	0.2%	0.3%	0.0%	2.1%	-0.2%	0.8%
Medical Care	0.2%	-0.2%	0.7%	2.9%	3.9%	3.3%
Services (Excluding Energy Services)	0.2%	0.3%	0.4%	3.9%	3.4%	3.5%

Source: Bureau of Labor Statistics