

U.S. CPI Preview: Oct 2025 - Update

MNI View: The Year's Last 'Reliable' CPI Read?

Oct 23, 2025 – By Chris Harrison and Tim Cooper

[A small update to the original preview published on Oct 22, now including unrounded and detailed estimates from Morgan Stanley and NatWest. The median unrounded headline CPI estimate ticks up from 0.40 to 0.41% M/M and core ticks up from 0.30 to 0.32% but the broad story is unsurprisingly still the same]

SUMMARY

- The delayed September CPI report is due for release on Friday Oct 24 at 0830ET, with the BLS making an exception on social security payments grounds during the government shutdown.
- It's possibly the last report that won't be adversely impacted by the shutdown until the new year, although quality concerns were already elevated with high reliance on imputed values back in August.
- We see a median unrounded analyst estimate at 0.41% M/M for headline and 0.32% M/M for core CPI.
- This would mark a marginal sequential acceleration for headline as energy strength offsets a slight moderation in core after a stronger than expected 0.35% M/M in August.
- Monthly core CPI inflation is expected to see firmer goods inflation across a variety of items but softer services, primarily from rents after what's seen as a temporary upside surprise in August.
- Core CPI inflation is expected to hold at 3.1% Y/Y for a third consecutive month whilst headline CPI firms two tenths to 3.1% Y/Y for its fastest since May 2024 but with chance of rounding to 3.0%.
- Core PCE inflation meanwhile is seen at ~0.30% M/M in September in early analyst estimates, an acceleration from 0.23% in August and 0.24% in July barring potentially wide-ranging revisions. That would see a third month at 2.9% Y/Y, with the median FOMC participant forecasting 3.1% Y/Y for 4Q25.
- There has been no update on potential release date for the September PPI report, likely leaving the Fed with ~65% of inputs for PCE inflation in September ahead of the Oct 28-29 FOMC meeting.
- Markets see a 25bp cut next week as locked in and currently fully price another 25bp cut in December before roughly a quarterly pace thereafter with cuts in March and June.
- The labor market is driving the rate cut profile but broad-based upside surprises in this September report can see this path come into question in the near-term. The median FOMC participant last month eyed two more cuts this year (Oct and Dec) but with a sizeable share looking for a slower pace.

CONTENTS

[MNI Point of View](#) | [Recent Inflation Developments](#) | [Analyst Tables and Views](#) | [MNI Policy Team](#)

Core CPI Seen At 0.32% M/M, Headline Firmer At 0.41% M/M

Consensus (Bloomberg median) sees headline CPI inflation at 0.4% M/M and core CPI at 0.3% M/M in September, with our below review of analyst unrounded estimates suggesting these are fairly well-centered with two-sided risk.

	Aug <i>actual</i>	September <i>MNI consensus</i>
Core	0.35%	Median 0.32%
Headline	0.38%	Median 0.41%
Core Y/Y	3.11%	3.1%, av 3.11%
Headline Y/Y	2.92%	3.1%, av 3.07%
(M/M taken only from unrounded, Y/Y more broadly)		

- We see the median unrounded estimate for core CPI at a seasonally adjusted 0.32% M/M, in a range of 0.25-0.36% M/M, following the modestly stronger than expected 0.346% M/M in August.
- Headline inflation is seen at a firmer pace of 0.41% M/M after the 0.38% M/M in August as a further acceleration in gasoline prices should offset the expected slight moderation in core.
- Core CPI inflation is expected to see a third month at 3.1% Y/Y whilst headline CPI inflation is expected to firm two tenths to also 3.1% Y/Y for its fastest since May 2024.

Summary of Detailed Analyst September 2025 Inflation Expectations

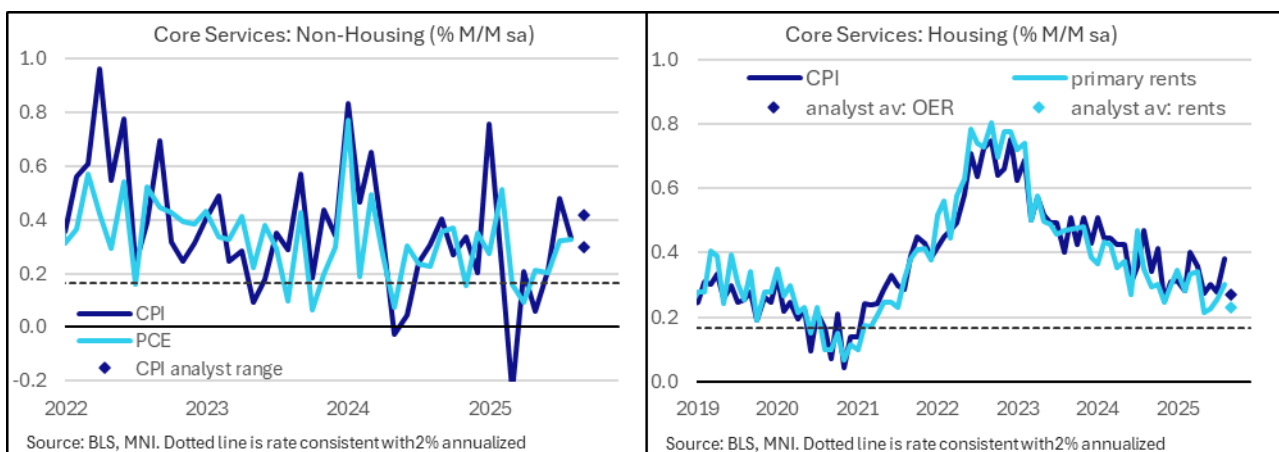
	Headline			Core		Supercore	Core goods	Core services								Food Energy		
	NSA	NSA	NSA	SA	SA			used cars	apparel	OER	rents	lodging	airfares	auto ins.				
	Index	Y/Y	Y/Y	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M	M/M		M/M	M/M	M/M
Aug	323.976	2.92	3.11	0.38	0.35	0.330	0.28	1.0	0.5	0.35	0.38	0.30	2.3	5.9	0.0	0.5	0.7	1.9
Sep (median)	325.035	3.10	3.10	0.40	0.30	0.39	0.33	0.6	0.5	0.33	0.27	0.24	0.6	2.2	0.2	0.2	1.8	3.5
Sep (mean)	324.967	3.07	3.11	0.39	0.30	0.38	0.34	0.5	0.6	0.31	0.27	0.23	0.6	2.0	0.2	0.2	1.7	3.5
Bbg consensus	325.010	3.1	3.1	0.4	0.3													

Analyst Expectations Of Key Sequential Drivers: Core Goods Acceleration vs Moderating Services

In broad terms, expectations are for core goods inflation to have accelerated closer to 0.35% M/M in September (range 0.25-0.44) after 0.28% but with this offset by a moderation in the far more heavily weighted core services category. Specifically, the average estimate has core services at 0.31% M/M (range 0.28-0.33) after 0.35%.

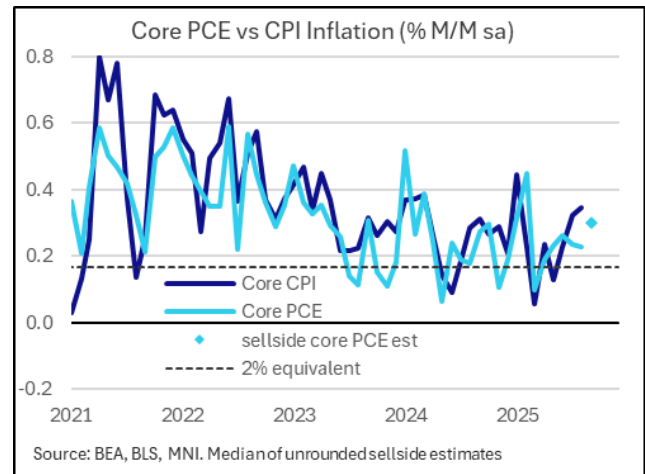
This core goods strength comes despite used car prices seen increasing by a smaller rate than in August, whilst moderating core services is primarily expected to have come from rental categories. On supercore inflation, a typically small sample of analyst estimates averages 0.38% M/M (range 0.30-0.42) after 0.33%. That acceleration is despite some downward drivers from airfares and lodging away from home, with the difference possibly accounted for by the heavily weighted medical care components.

- **Vehicle insurance* (+ve):** Seen increasing an average 0.2% M/M (range 0.1-0.4%) after a surprisingly tepid 0.0% in August.
- **Apparel (small +ve):** After some mixed months, analysts expect a second strong increase of ~0.6% M/M (range 0.1-1.3) after 0.50% in August. Recent months have tended to oscillate rather than see a pronounced trend in either direction.
- **Rents (-ve):** OER and rent inflation is seen moderating this month after surprise strength in August, especially in the case of OER. It's seen as a reversal of August's strength in the typically more volatile small cities in the South. The average estimate has OER at 0.27% M/M (range 0.21-0.31) after 0.28% in August, along with rents at 0.23% (range 0.14-0.26) after 0.30% in August.
- **Airfares* (-ve):** We see an average analyst estimate of 2.0% after a stronger than expected 5.9% in August. There's another wide range to estimates this month, from -1.5% (GS) to 3.4% (Nomura), a sizeable factor in establishing the dovish and hawkish range to analysts' core CPI estimates this month.
- **Lodging away from home (-ve):** On average seen increasing 0.6% M/M (range 0-1.1%) after the surprisingly strong 2.3% increase in August, with estimates between 0-1.1% M/M. The August pop higher followed five consecutive monthly declines worth an average -1.5% M/M.
- **Used cars (-ve):** Prices are on average seen increasing 0.5% M/M (range 0.0-1.0%) after an as expected 1.0% increase in August. Manheim wholesale used vehicle prices suggest weakness in months ahead.
- **Non-core: Energy (+ve):** Seen rising ~1.7% M/M after 0.7% M/M on strength in seasonally adjusted gasoline prices which could have increased 3.5% M/M.
- **Food (-ve):** Food prices are seen increasing 0.2% M/M after a surprisingly strong 0.46% M/M in Aug. Last month's strength was driven by food at home at 0.6% M/M in its strongest print since Aug 2022, driven by fruits & vegetables at 1.6% and meats, poultry, fish & eggs at 1.0%. Food away from home meanwhile (included in core PCE but not core CPI) saw a second month at 0.3% M/M having eased from some 0.4% readings earlier this year.



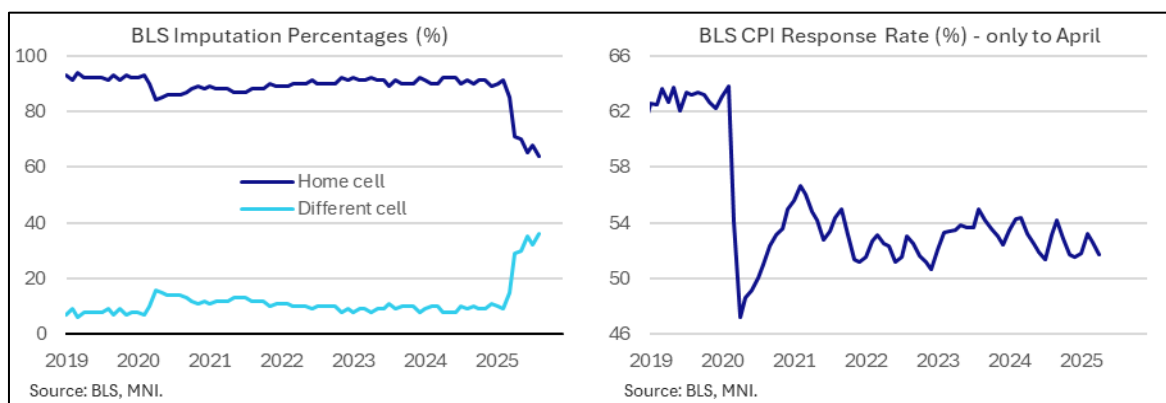
Early Core PCE Estimates Eye Acceleration To 0.30% M/M

In the typically early days for core PCE tracking, a median of five analysts sees 0.30% M/M (average a little softer at 0.28%) for an acceleration after 0.23% M/M in August and 0.24% in July, prior to any regular revisions. That being said, the ongoing government shutdown means that there is still no known release date for the September PPI report despite Powell last week confusingly hinting it could be released in contrast to the BLS having previously said “No other releases [beyond CPI] will be rescheduled or produced until the resumption of regular government services”. Assuming no PPI report, the FOMC will have circa 65% of the inputs for September PCE inflation. Acknowledging this particularly large caveat, a 0.30% M/M print for core PCE would see annual inflation unchanged at 2.9% Y/Y for a third consecutive month, with the median FOMC participant forecasting a further acceleration to an average 3.1% Y/Y in Q4 before moderating to 2.6% Y/Y in 4Q26 and 2.1% Y/Y in 4Q27.



The Last “Accurate” CPI Report Before The Near Year?

The accuracy of this month’s September report is unlikely to have been disrupted by the government shutdown. That is however from a deteriorating base, with survey response rates remaining low and a sharp increase in different cell imputation percentages to 36% as of August. Looking ahead, the October report (due November) will be particularly disrupted, with the shutdown currently running through its collection period in a move that could see a further reliance on imputed data. That in turn will complicate relative changes for the November report, due in December, to cloud what were likely two important reports for understanding continued tariff passthrough. With the next non-shutdown impacted report not likely until the new year, this dials up the importance of this week’s September release. Indeed, private sector data sources are able to provide a useful array of indicators for the labor market (see the MNI “Shadow” Employment report published last week, [here](#)) but the Fed is somewhat more in the dark on inflation.



Rate Cut Next Week Seen As Locked In But Scope For December Cut Uncertainty

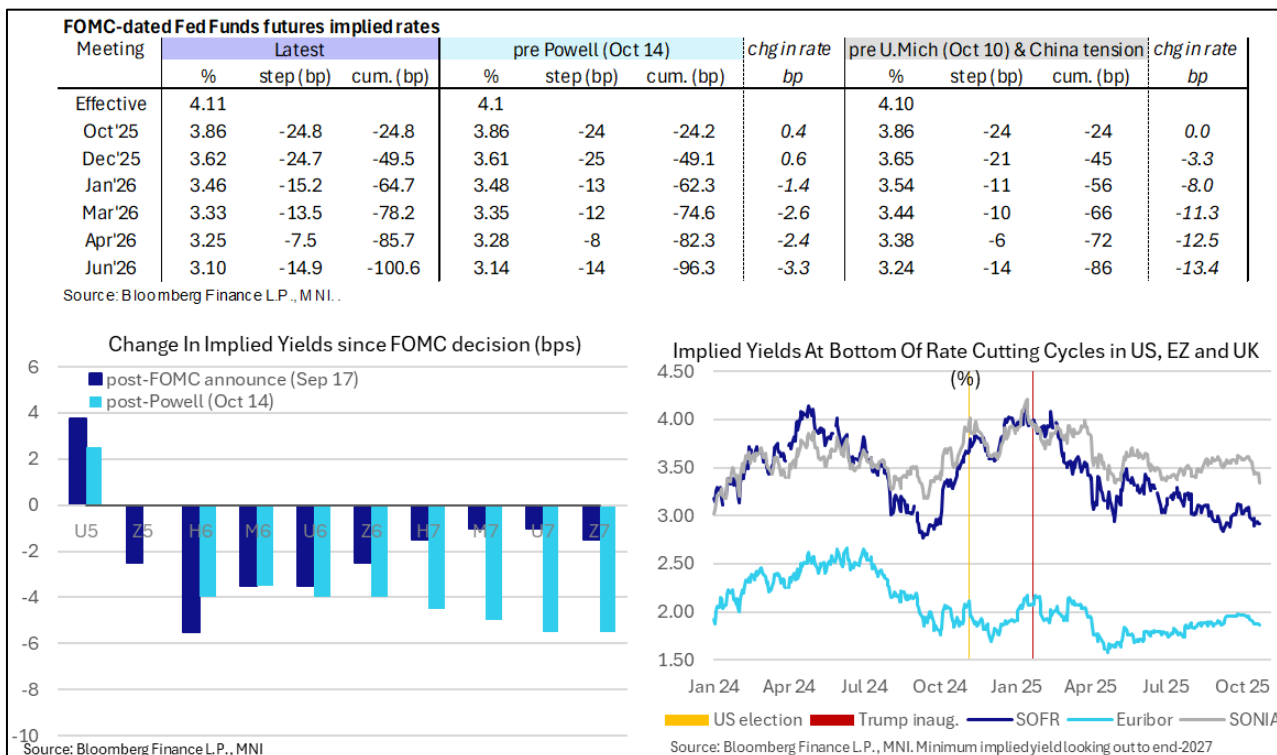
Despite its importance, it’s highly unlikely that the September CPI report will stop the FOMC from cutting 25bp next week on Oct 29. It would build on last month’s 25bp cut, couched by some including Fed Chair Powell as an insurance cut in light of a softening labor market, and in isolation should see little resistance from the majority on the FOMC. Cuts could be more contentious further out though. Recall that the median FOMC participant in the September SEP looked for three rate cuts over the Sep, Oct and Dec meetings this year, with 9 dots for such, but a significant share looked for fewer cuts (2 looked for two cuts (i.e. one more cut having cut with that meeting), 6 looked for one cut and 1 would preferred not to have cut at all). Markets current fully price another 25bp cut for the December meeting, having last week briefly considered up to 20% odds of a 50bp cut on regional bank fears with Zions Bank and Western Alliance under pressure on fraud-loss related issues.

We suspect rate path sensitivity beyond October will hinge on three themes: the extent of continued core goods strength, passthrough to services categories and the continuation of a broad downtrend in rental inflation.

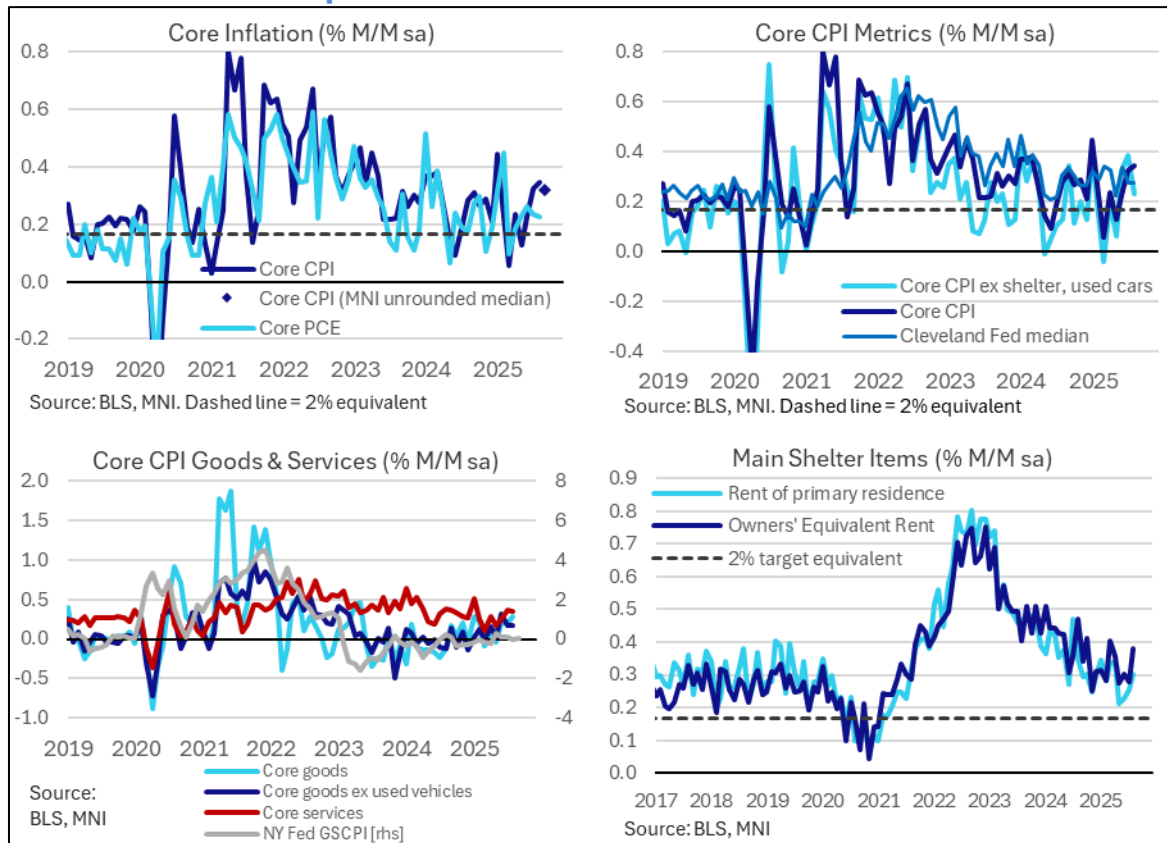
Specifically:

- there's a somewhat high bar for upside surprises on core goods, as the ~0.35% M/M eyed by analysts would mark its highest in over two years. Our estimate of median core goods inflation has been tracking a little stronger than the published core goods series for a few months now, with three of the past four months at 0.3% M/M plus 0.44% M/M in June, but it's notable that June has for now been the peak for broad monthly price increases.
- Non-housing core services meanwhile is watched for further strength after a robust 0.48% M/M back in July before 0.33% in August, with the former seeing a usually dovish Chicago Fed's Goolsbee ('25 voter) expressing caution including wanting to make sure that it's "more of a blip and not a more ominous indicator." As always though, expect any surprises to be at least partly faded here if driven by CPI-specific categories such as fares or vehicle insurance, which don't feed into core PCE calculations.
- Finally, rental inflation had seen three months back at pre-pandemic rates through May-July with an average 0.27% M/M, confirming the trend moderation implied by alternative data sources. Lags are perhaps even longer than normal as mobility slows the passthrough from rent for new leases to rent for existing leases. August then saw a pop higher to 0.36% M/M, driven by idiosyncratic strength in southern cities. The latter could see a surprisingly soft print downplayed, especially if it looks like a reversal of that southern strength, although broader based weakness would be more notable. Outright dove Stephen Miran, installed in a Board seat expiring Jan 2026 whilst on leave from the White House's CEA, has cited disinflationary forces on the housing market from Trump administration immigration policy as one reason behind his dovish outlook. He signalled support for 150bp of cuts over the Sep, Oct and Dec meetings, dissenting against the 25bp cut in September, and has since said he sees even greater need to urgently move towards more neutral setting. That said, he doesn't think he's convinced any of his FOMC colleagues yet, something we suspect will need more than one soft inflation print to do so.

Labor data should continue to be in the driving seat when it comes to determining the rate path ahead, although in isolation a strong CPI report on Friday could see investors question the path of another 25bp cut in December before a quarterly pace in March and June next year.

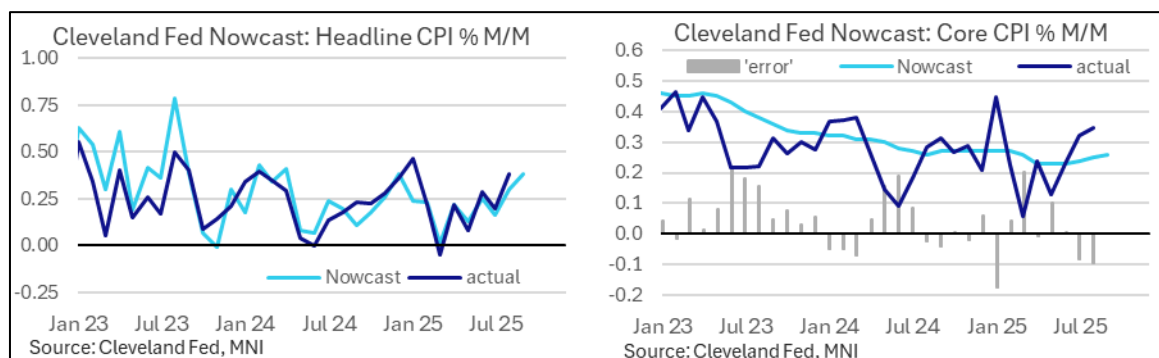


Recent Inflation Developments

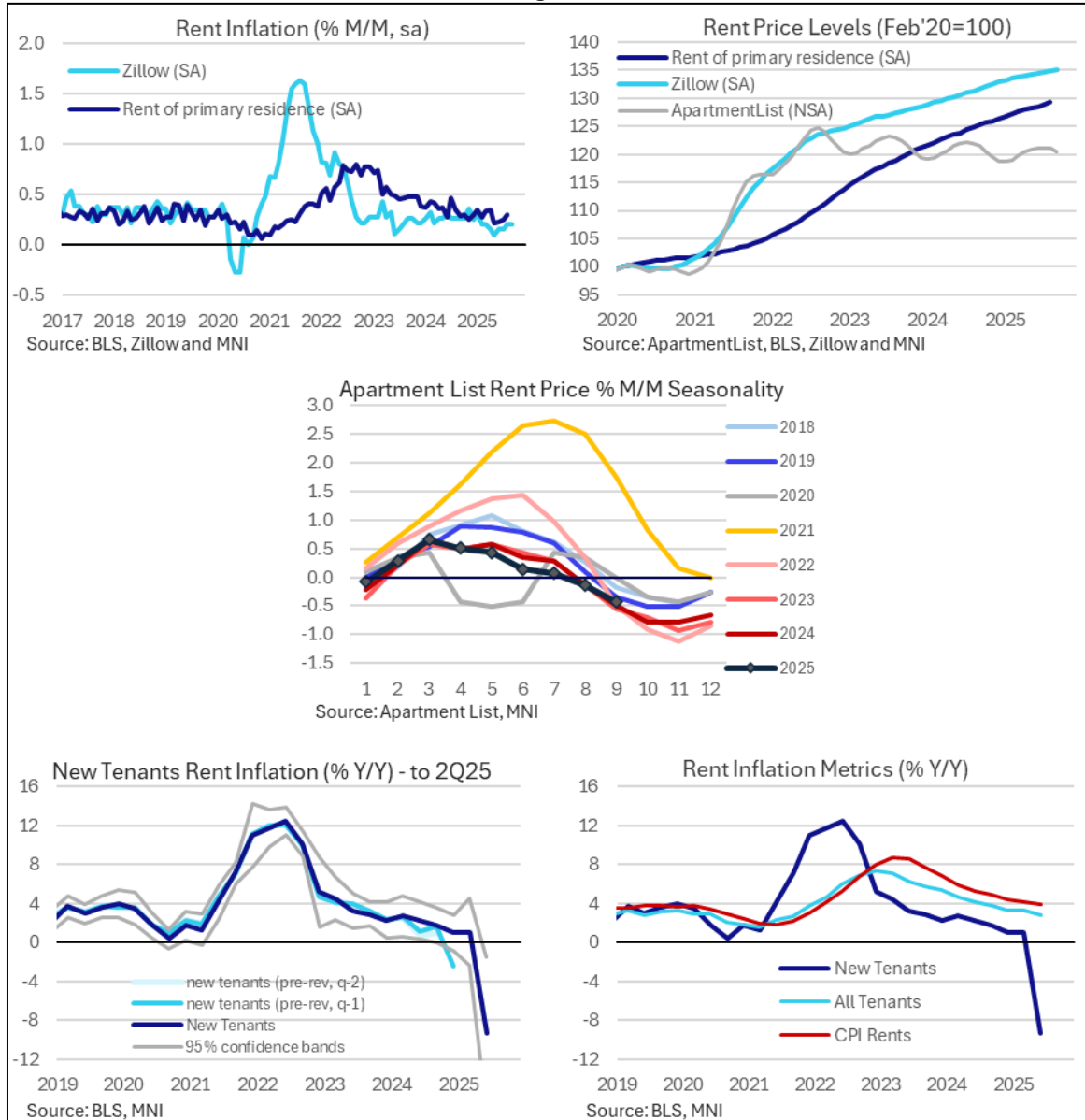


Nowcast: CPI Tracker Softer Than Consensus But Follows Two Undershoots

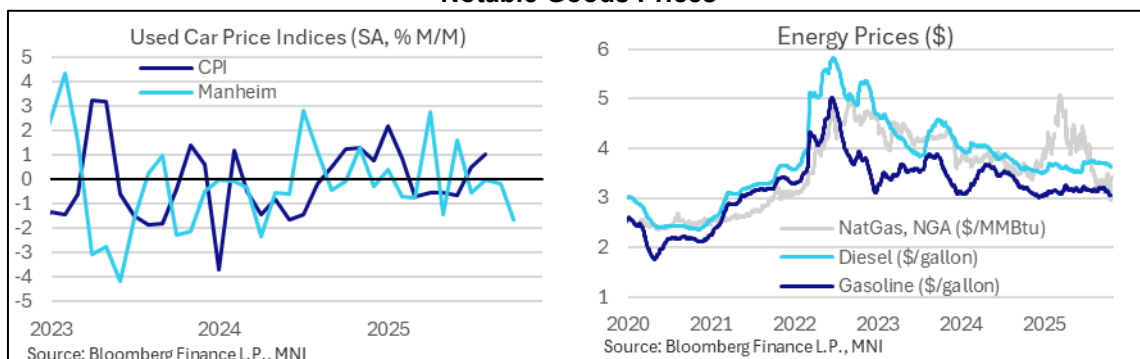
The Cleveland Fed nowcast has headline CPI at 0.38% M/M in September, an acceleration in tracking at least after its 0.30% estimate last month undershot the realized 0.38% M/M. Core CPI meanwhile is seen at 0.26% M/M, with the nowcast having been notched 1bp higher in each of the past three estimates. It saw sizeable undershoots in the past two months, worth 10bps in August and 8bps in July.



Housing Inflation



Notable Goods Prices



Fed Beige Book: Weaker Growth Conditions And Subdued Labor But Price Pressures Building Again

The mid-October Beige Book pointed to inflation pressures firming after a softer summer despite overall economic activity being weaker on balance and the employment picture relatively unchanged with little dynamism evident.

District-By-District Descriptions of Current Conditions - Oct 2025 Beige Book

	Econ Act	Previous Report	Employment	Previous Report	Inflation (Selling Prices)	Previous Report
Boston	Ticked up overall	Expanded slightly	Unchanged	Declined slightly	Rose moderately	Increased modestly
NY	Declined slightly	Decline slightly	Unchanged	Relatively unchanged	Mostly unchanged	Rose moderately (and accelerating)
Phil	Increased slightly	Increased modestly	Increased slightly	Unchanged	Rose moderately	Increased modestly
Cle	Unchanged	Increased slightly	Increased slightly	Unchanged	Robust increase	Increased modestly
Richmond	Grew modestly	Grew modestly	Unchanged	Largely unchanged	Moderate	Moderate
Atl	Little changed	Decline slightly	Unchanged	Unchanged	Rose moderately	Rose moderately
Chicago	Little changed	Increased modestly	Unchanged	Rose slightly	Rose moderately	Rose moderately
Stl	Unchanged	Unchanged	Unchanged	Unchanged	Rose moderately	Increased moderately (and accelerating)
Minn	Declined slightly	Decline slightly	Declined slightly	Declined slightly	Rose modestly	Increased modestly
KC	Declined slightly	Generally flat	Declined slightly	Fell modestly	Rose moderately	Rose moderately
Dallas	Little changed	Expanded modestly	Declined	Unchanged	Rose slightly	Increased modestly
San Fran	Edged down slightly	Edged down slightly	Little changed	Fell slightly	Rose modestly	Increased modestly

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

- This was arguably the most inflationary Beige Book of 2025, certainly joint with June which saw 8 (of 12) districts characterize inflation pressures as "moderate".
- After June, pressures eased off in the subsequent two Beige Books. But in October's, 7 saw inflation as "moderate" (Boston, Philadelphia, Richmond, Atlanta, Chicago, St Louis, Kansas City) with 1 (Cleveland) reporting "robust" price pressures.
- Tariff pressures on prices were relatively similar to the prior report's, with passthrough impacts varied.
- The national-level description of inflation: "Prices rose further during the reporting period. Several District reports indicated that input costs increased at a faster pace due to higher import costs and the higher cost of services such as insurance, health care, and technology solutions. Tariff-induced input cost increases were reported across many Districts, but the extent of those higher costs passing through to final prices varied. Some firms facing tariff-induced cost pressures kept their selling prices largely unchanged to preserve market share and in response to pushback from price-sensitive clients. However, there were also reports of firms in manufacturing and retail trades fully passing higher import costs along to their customers. Waning demand in some markets reportedly pushed prices down for some materials, such as steel in the Sixth District and lumber in the Twelfth District."

Inflation - Nature of reported price increases plus passthrough & tariff considerations:

	Distribution of price increases		Passthrough	Tariffs
	Moderate	Modest		
Jan 15, 2025		Modestly overall, from flat to moderate		Some noted potential for higher tariffs to contribute to 2025 price increases
Mar 5, 2025	Moderately in most districts but several reported uptick in pace vs previous		Multiple districts noted difficulty passing input costs on to customers...	... but most expected tariffs to raise future prices. Isolated reports of pre-emptive increases
Apr 23, 2025	Six characterized as moderate	Six characterized as modest (on net similar to March)	Most businesses expect to pass through additional costs but reports of margin compression with tepid demand in some sectors	Adding tariff surcharges or shortening pricing horizons amidst trade policy uncertainty
Jun 4, 2025	Eight characterized as moderate	Two characterized as modest, one steady, one slightly	Contacts that plan to pass along tariff-related costs expect to do so within three months	All District reports indicated that higher tariff rates were putting upward pressure on costs and prices
Jul 16, 2025	Seven characterized as moderate	Four characterized as modest, one eased, one steady	"Many firms" passed on at least a portion of cost increase though some held off due to customer price sensitivity	All Districts report businesses experiencing modest-to-pronounced input cost pressures related to tariffs, especially for raw materials in manufacturing and construction
Sep 3, 2025	Six characterized as moderate	Six characterized as modest	"Some firms" reported passing through entire price increases to customers, others described at least some hesitancy to pass through	"Nearly all districts" reported tariff-related price increases, many contacts seeing as "especially impactful on the prices of inputs"
Oct 15, 2025	Seven characterized as moderate (and one "robust")	Two characterized as modest, one "slightly", one "mostly unchanged"	Passthrough "to final prices varied." "Some firms" kept prices unchanged to maintain market share/ price-sensitive clients; some manufacturing and retail firms "fully passing higher import costs along"	"Tariff-induced input cost increases were reported across many Districts"

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

Full recap of the prior CPI report here: https://media.marketnews.com/US_Inflation_Insight_Sep2025_f64e18f052.pdf

Plus the key takeaways from the latest payrolls report here:

https://media.marketnews.com/US_Employment_Report_Sep2025_5156420afb.pdf

And the MNI "shadow" employment report for last month here:

https://media.marketnews.com/USNFP_Shadow_Employment_Report_eed4130116.pdf

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

mni	Headline	Core		Headline	Core	Core PCE
	NSA Index	NSA Y/Y	NSA Y/Y	SA M/M	SA M/M	SA M/M
Aug	323.976	2.92	3.11	0.38	0.35	0.23
Sep (median)	325.076	3.10	3.10	0.41	0.32	0.30
Bbg consensus	325.010	3.1	3.1	0.4	0.3	
Goldman Sachs		3.02	3.05	0.33	0.25	0.21
Wells Fargo	325.010	3.08	3.1	0.37	0.27	
Citi	324.995	3.07	3.0	0.5	0.28	0.26
HSBC	325.004	3.08	3.1	0.4	0.28	
TD Securities	325.035	3.08	3.1	0.38	0.30	
Deutsche Bank		3.1	3.1	0.42	0.32	0.32
Morgan Stanley	325.076	3.10	3.12	0.41	0.32	0.30
BNP Paribas	325.204	3.14	3.1	0.4	0.33	
Nomura	325.168	3.14	3.15	0.42	0.35	0.30
Barclays	325.189	3.14	3.2	0.43	0.36	0.31
NatWest	325.253	3.16	3.2	0.44	0.36	

Source: Analyst previews, Bloomberg Finance L.P. (for consensus), MNI

Summary of Detailed Analyst September 2025 Inflation Expectations

mni	Headline	Core		Headline	Core	Supercore	Core goods			Core services								Food	Energy	
	NSA	NSA	NSA	SA	SA		used cars	apparel	OER	rents	lodging	airfares	auto ins.	gasoline						
	Index	Y/Y	Y/Y	M/M	M/M															
Aug	323.976	2.92	3.11	0.38	0.35	0.330	0.28	1.0	0.5	0.35	0.38	0.30	2.3	5.9	0.0	0.5	0.7	1.9		
Sep (median)	325.035	3.10	3.10	0.40	0.30	0.39	0.33	0.6	0.5	0.33	0.27	0.24	0.6	2.2	0.2	0.2	1.8	3.5		
Sep (mean)	324.967	3.07	3.11	0.39	0.30	0.38	0.34	0.5	0.6	0.31	0.27	0.23	0.6	2.0	0.2	0.2	1.7	3.5		
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Goldman Sachs		3.02	3.05	0.33	0.25			0.0	0.5		0.26	0.25	1.0	-1.5	0.3	0.3	1.5			
Wells Fargo	325.010	3.08	3.1	0.37	0.27	0.30	0.25			0.28						0.2	1.9			
Citi	324.995	3.07	3.0	0.5	0.28															
HSBC	325.004	3.08	3.1	0.4	0.28															
BofA	324.896	3.04	3.1	0.3	0.3															
CIBC		3.1	3.1	0.3	0.3															
ING		3.1	3.2	0.4	0.3															
Jefferies	324.484	2.91	3.1	0.4	0.3															
JP Morgan	325.083	3.10	3.1	0.4	0.3															
Lloyds		3.1	3.1	0.4	0.3															
Natixis				0.4	0.3															
RBC		3.1	3.1	0.4	0.3															
Scotia		3.1	3.1	0.3	0.3															
SocGen	325.037	3.09	3.1	0.4	0.3															
TD Securities	325.035	3.09	3.1	0.38	0.30	0.38	0.36	0.2	1.3	0.28	0.21	0.14	1.1	2.9		0.2	1.8			
UBS	324.943	3.06	3.1	0.3	0.3															
Deutsche Bank		3.1	3.1	0.42	0.32	0.42	0.29		0.7	0.33	0.27	0.25	2.2							
Morgan Stanley	325.076	3.10	3.12	0.41	0.32	0.40	0.27	0.4	0.1	0.33	0.28	0.26	0.3	2.1	0.2	0.2	2.0			
BNP Paribas	325.204	3.14	3.1	0.4	0.33															
Nomura	325.168	3.14	3.15	0.42	0.35	0.37	0.43	0.8	0.5	0.33	0.31	0.24	0.0	3.4	0.1	0.3	1.6	3.5		
Barclays	325.189	3.14	3.2	0.43	0.36		0.44	1.0	0.8	0.33	0.28	0.24	0.9	2.0	0.2	0.2	1.8	3.5		
NatWest	325.253	3.16	3.2	0.44	0.36	0.4		0.8	0.5	0.26	0.20	0.4	2.9		0.4	1.6	3.4			

Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

Analyst Previews for CPI Report

(In order of weakest to strongest M/M core inflation forecasts, shown on SA basis for M/M and NSA basis for Y/Y unless stated otherwise):

Barclays: Firm Core Goods Inflation Amid More Tariff Pass-Through

- Core CPI at 0.36% M/M and headline at 0.43% M/M in September.
- “September data quality should remain unaffected since collection finished before the shutdown, but prolonged closures may affect October data collection and quality.”
- “We expect the uptick to be led entirely by core goods prices, which we forecast at +0.4% m/m amid more tariff pass-through. If realized, this would mark the highest core goods inflation print since May 2023. We estimate that core services inflation eased to 0.3% m/m, amid less shelter inflation”.
- They eye 0.31% M/M for core PCE inflation, 9bp higher than August.
- “We expect fairly stable but elevated tariff pass-through in the coming months to keep core CPI rounding to 0.4% m/m through January 2026. While tariff pressures have been slow to materialize, they are catching up with the 2018-19 experience, and about 40% of the expected tariff-related price increases have materialized thus far.” They see core CPI at 3.5% Y/Y in Dec 2025 and 2.7% Y/Y in Dec 2026.
- They continue to see a 25bp cut in October before one more in December. “The trickle of pre-shutdown data releases and private data suggest more of the same for the labor market and spending.”

NatWest: Firmer Gains Across The Board In Core Goods

- Core CPI at 0.36% M/M (3.2% Y/Y) and headline at 0.44% M/M (3.2% Y/Y) in September.
- “Within core goods, we look for firmer gains across the board, led by vehicles”, eyeing 0.5% for new vehicles as higher price inventory enters the market and 0.8% for used.
- “We also suspect core goods ex vehicles prices gained some momentum (forecast +0.4%) as retailers passed on higher costs to consumers for the tariffs-exposed components. So far it appears domestic producers and to a lesser extent foreign producers have absorbed higher costs but that could change soon. Import prices (which exclude tariffs) have been climbing up for goods most exposed to tariffs and a weaker currency has not been helpful in stemming any of those higher costs.”
- “On the core services side, we expect rent costs moderated from their above-trend clips in August. [...] Data from other private sector measures doesn’t corroborate the sustenance of the August spike into September. Rent growth has been moderating this year across regions and we expect that pattern continued in September.”
- In contrast to rents, they see supercore CPI quickening slightly to 0.4% M/M after 0.3%. “We expect travel-related services prices such as hotel rates and airfares posted more modest gains last month, but prices for communication, medical care, education and recreation services likely firmed last month.”

Nomura: Acceleration In Core Goods Inflation To Maintain Strong Monthly Pace

- Core CPI at 0.352% M/M (3.15% Y/Y) and headline at 0.421% M/M (3.14% Y/Y) in September.
- “We expect core goods inflation accelerated to 0.432% m-o-m in September from 0.276% in August as the impact of tariffs continued to materialize and some idiosyncratic weakness in August appeared to reverse.”
- “Continued increases in vehicle prices, further materialization of tariff-induced price pressures and a reversal of weakness in certain components in August all point to a strong reading of core goods prices.”
- “Inflation of rent-related components likely moderated after a temporary boost in August waned. [...] Rent inflation in small cities tend to be more volatile compared with large cities, and idiosyncratic increases in small cities of the South boosted August rent/OER inflation.”
- “Going forward, we think that the lag between market rent (rent for new leases) and rent for existing leases has been getting longer because of lower mobility, which suggests that rent disinflation will likely be very gradual”.
- “Supercore components appear to have picked up slightly to 0.370% m-o-m in September, driven by a rebound in medical care service prices.”
- They currently expect core PCE inflation at 0.30% M/M after 0.23% M/M in August. If correct, “a pick-up in core PCE inflation along with recent strength of GDP data will likely lead policymakers to proceed carefully on rate cuts.”

Deutsche Bank: Continue To Look For Signs Of Tariff Impacts In Core Goods

- Core CPI at 0.32% M/M (3.1% Y/Y, unch) and headline at 0.42% M/M (3.1% Y/Y, +0.2pps) in September.
- “The latest inflation data point will take on even greater significance amidst the vacuum of Fed speak as officials are now in their communications blackout period ahead the October 29 FOMC meeting.”
- “We will continue to look for signs of tariff impacts in the core goods (+0.29% vs. +0.28%) categories. Some tariff impacted categories like household furnishings and supplies (+0.25% vs. +0.09%) took a breather in August, but we would not be surprised if further price increases were in tow.”
- They will focus on “categories like apparel (+0.70% vs. +0.50%) and new vehicles (+0.29% vs. +0.28%), which have yet to see meaningful tariff passthrough.” They note a reversal of previous declines in import prices for apparel, footwear and household goods, with less of an offset from lower import prices giving “retailers fewer options to delay passing on increased tariff costs to the consumer.”
- They see core services at 0.33% M/M after 0.35%. This comes from “some moderation in both primary rents (+0.25% vs. +0.30%) and owners’ equivalent rent (+0.27% vs. +0.38%), noting that August strength in OER “was geographically confined to the South, more specifically the smaller Class B/C cities (less than 2.5mn people)”.
- Core services ex rent inflation seen at 0.42% M/M after 0.33% M/M. Continues strength in airfares (2.16% vs 5.87%) and other lodging away (0.72% vs 2.63%) helps maintain some of this strength. They will also watch for “evidence that tariffs are bleeding through into goods-intensive service prices like motor vehicle maintenance and repair”.
- They currently track core PCE inflation at 0.32% M/M.

Morgan Stanley: Could Have Seen Nearly Half Of Anticipated Cumulative Tariff Impact

- Core CPI at 0.32% M/M (3.12% Y/Y) and headline at 0.41% M/M (3.10% Y/Y) in September.
- “We think core goods prices increased in September at a similar pace as in August”. It would be a fourth consecutive month with positive core goods inflation. “Apparel, used and new cars decelerate, but we see payback in other goods, reaccelerating after the downside surprise in August.”
- “Core services decelerate but there are cross-currents within this category – we see deceleration in shelter and airfares, partially offset by a firmer print in medical services.” Medical care services should reaccelerate though after the downside surprise in August.
- “So far this year, we estimate that tariff-related pass-through has contributed around 25/30bp to y/y core inflation. A print in line with our forecast would raise that to 35bp, nearly half of the total tariff impact we expect—assuming tariffs remain at current levels.”

RBC: September Report Quality Intact but October and November Questionable

- Core CPI at 0.3% M/M in September.
- “Core goods pressures have started to heat up, marking the beginning of a delayed tariff passthrough. Concerningly, the breadth of inflationary pressures has widened —45% of CPI basket items are now reporting price growth at or above 3%, compared to roughly two-thirds pre-pandemic.”
- “While the September CPI data will presumably provide an accurate snapshot of inflation, the ongoing shutdown will create ripple effects for future months of data due.”
- “The CPI Survey, which is used to collect data for the BLS inflation report, collects 100,000 prices for commodities and services each month. According to the BLS, “Approximately two-thirds of price collection in the CPI is done by personal visits of CPI data collectors to brick-and-mortar stores,” with the remainder of the data collected over the phone and online. We are currently in the collection period for the October data, but with BLS employees unable to work, there is no data being collected. This means that the share of data that is imputed is likely to be much higher – calling into question the reliability of the October CPI data.”
- “Surely this will call into question the accuracy of inflation metrics for October (scheduled for release in November) that will also impact the relative change for data collected for the November report (scheduled for release in December). This comes at the exact time that we expect tariff pressures to begin to manifest.”

TD Securities: Continued Goods Passthrough Likely Offset By Softer Services

- Core CPI at 0.30% M/M and headline CPI at 0.38% M/M in September.
- “We continue to anticipate an impact from tariffs, which should provide a boost to goods inflation in September. However, the continued passthrough was likely offset by a deceleration in services inflation.”

- They see core goods inflation rising to 0.36% M/M after 0.28% in August, a fourth consecutive acceleration. “We project broad gains in core goods including firm price increases for household goods, apparel, and education/communication goods. Used vehicles inflation likely cooled to 0.2% m/m while new vehicle stayed firm at 0.3%.”
- “The services segment likely lost momentum, printing its softest gain in three-months at 0.3% m/m. After an unexpected jump in housing prices in August, we forecast disinflation in September led by marked drops in both rents and OER.”
- They see supercore at a “still solid” 0.38% M/M despite cooling hotel fares and airfare gains.
- “We anticipate the core segment to gain more momentum as Q4 evolves, with the process likely spilling over into Q1 2026. Rising core goods inflation due to tariffs should continue to offset the expected services disinflation that we have penciled in for the remainder of 2025. We expect core CPI inflation to peak at 3.3% y/y for Q1 2026.”

Citi: Modestly Stronger Goods Vs Still-Slowing Services

- Core CPI at 0.28% M/M in September.
- Citi see “familiar dynamics of modestly stronger goods prices but still-slowing services (especially shelter).” “Seasonal strength in components like cars” should be partly behind this goods print.
- “A surprisingly strong increase in owners’ equivalent rent in August should not repeat as shelter inflation is likely to continue slowing in line with new rents and house prices.”
- “Fed officials will have ~60-65% of September core PCE inflation ahead of the October 29 FOMC meeting. Based on our CPI forecast and PPI expectations, we are penciling in a 0.26% increase in core PCE inflation in September.
- They eye 0.26% M/M for core PCE in September and continue to track core PCE at 3.0% Q4/Q4 this year.
- “We have not incorporated additional upward pressure on prices from new tariffs announced over the last few weeks, but this remains an upside risk into the start of next year. If prohibitively high tariffs on China (an additional 100% on November 1) take effect for long, upward pressure on prices could also result from shortages rather than tariff pass-through directly.”
- “In recent years, residual seasonality leading to stronger Q1 inflation data has been concentrated in services prices. If anything, we see risk that residual seasonality in services may be much less in Q1-2026 as many services prices have already caught-up to previous inflation and wage trends. Recent evidence in the Atlanta Fed’s wage tracker suggest this catch-up dynamic for wage growth is starting to ease (wages of job stayers slowing more rapidly).”

Wells Fargo: Near-Term Data Challenges Aside, Sticky Inflation Persists

- Core CPI at 0.27% M/M and headline at 0.37% M/M in September.
- “We expect goods inflation to stay elevated due to continued tariff pass-through, while an easing in primary shelter costs should help cool services inflation.”
- “Within the core, tariffs continue to manifest in goods prices.” They see core goods at 0.25% M/M, a touch below 0.28% M/M in August but double the 0.12% averaged over the prior twelve months. “A slowdown in vehicles inflation is primarily behind the slight moderation. We expect overall vehicle prices to rise 0.2%, following a 0.6% increase in August. While expiring EV tax credits supported new vehicle sales in September, some softening in used car inflation after August’s 1% jump looks likely.”
- “Meantime, goods categories that saw price declines in August—medical care, recreation, education, and communication—appear poised to rebound. Some signs of demand stabilization following a post-Liberation Day air-pocket and the continued diffusion of tariff-related cost pressures point to a sustained strengthening in goods inflation on trend.”. They see core goods CPI edging up to 1.6% Y/Y in September.
- “We are not concerned about the federal government shutdown affecting the quality of the September CPI data since BLS collections proceeded through the end of the month, as scheduled. But as the shutdown drags on with no end in sight, risks are mounting for October’s report. At a minimum, collection rates stand to be lower with data gathering still suspended, and the risk is rising that the publication of the October CPI report could be skipped entirely.”
- “Setting aside the near-term data challenges, sticky inflation persists. We expect inflation to hold near a 3% annualized pace through mid-2026, as the full brunt of tariffs has yet to feed through to goods prices and consumers’ general resilience limits a further slowing in services inflation.”

GS: Core CPI Prints In 0.2-0.3% M/M Range For Next Few Months

- Core CPI at 0.25% M/M and headline at 0.33% M/M in September.
- Four key component-level trends they expect to see in this report:
 - “unchanged used car prices, reflecting the signal from auction prices, and a modest increase in new car prices, reflecting downward pressure on consumer prices from increased dealer incentives.”
 - “a 0.3% increase in the car insurance category based on premiums in our online dataset.”
 - “a 1.5% decline in airfares in September, reflecting a fading boost from seasonal distortions and a decline in underlying airfares based on our equity analysts’ tracking of online price data.”
 - “upward pressure from tariffs on categories that are particularly exposed, such as communication, household furnishings, and recreation, worth +0.07pp on core inflation.”
- “Over the subsequent few months, we expect tariffs to continue to boost monthly inflation and forecast monthly core CPI inflation of around 0.2-0.3%. Aside from tariff effects, we expect underlying trend inflation to fall further, reflecting shrinking contributions from the housing rental and labor markets.” They see core CPI at 3.1% Y/Y in Dec 2025 and core PCE at 3.0% Y/Y (or 2.2% for both excluding tariff effects).
- Their forecast is consistent with core PCE at 0.21% M/M in September.

MNI Policy Team Insights

MNI POLICY: Lingering Inflation Unease Tempers Fed Easing Push

By Jean Yung, Pedro Nicolaci da Costa and Evan Ryser (Oct 20, 2025)

WASHINGTON - The Federal Reserve is set to cut interest rates for a second straight meeting next week, but the easing trajectory will be tempered by caution due to persistent inflation pressures.

Most Fed policymakers are willing to trust the idea tariffs will be a one-time move in the price level, comforted by solidly anchored long-run inflation expectations. Yet the process by which trade-driven cost increases are passed through to consumers has been gradual, contributing to stickier inflation. Escalating tensions between the United States and China in recent days also threaten to reignite fears of inflation persistence.

Hawks like Kansas City Fed President Jeff Schmid point out price pressures are broadening in spite of the relatively muted effect of tariffs. And even some officials who are penciling in a third rate cut this year are waiting to see whether inflation will peak around 3% before supporting further cuts next year. (See MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn)

That the neutral rate is uncertain and thought to be only a percentage point or so below where the fed funds rate currently sits adds to policymakers reservations about the pace of future cuts. It suggests that after the current phase of risk-management cuts, the Fed's path forward may not match the aggressive downward trajectory markets are pricing.

"If we move too quickly, then we may leave the inflation job unfinished and have to come back later and finish it. If we move too slowly, there may be unnecessary losses – painful losses – in the employment market. So we're in the difficult situation of balancing those two things," Fed Chair Jerome Powell said last week.

NOT SO RELAXED

The Fed's own trend inflation gauges suggest more sustained upward pressure, while businesses continue to tell the Fed they intend to pass along cost increases eventually.

Trimmed-mean PCE inflation has been 2.7% for the three months through August, while the Cleveland Fed's median PCE inflation reading has been above 3% since 2021, and was at 3.3% in July and August. The NY Fed's multivariate core trend measure jumped to 3.1% in August from 2.8% in July, primarily driven by increases in services ex-housing and core goods, the bank said.

Firms in the Atlanta Fed district "warned that price passthrough resulting from tariffs has just begun and expect to see prices rise into 2026," according to the October Beige Book. Retailers in the Chicago Fed district said they were "trying to hold off passing tariff-related cost increases on to consumers for as long as possible."

Governor Chris Waller, who has argued from the start that tariffs won't have a lasting impact on inflation, last week cited a different reason to be vigilant: stronger-than-expected growth stands in conflict with a weakening labor market.

If growth holds up or accelerates and the labor market recovers, it might be an indication that policy is less restrictive than thought and cuts need to be slower than he had expected, he said, also noting that the government shutdown has delayed economic data, complicating the Fed's analysis.

"What I would want to avoid is rekindling inflationary pressure by moving too quickly and squandering the significant progress we have made taming inflation," he said.

MNI POLICY: Fed Set To Keep Cutting Rates Despite Missing Data

By Jean Yung, Pedro Nicolaci da Costa and Evan Ryser (Oct 9, 2025)

WASHINGTON - The U.S. government data blackout will not prevent the Federal Reserve from continuing to lower interest rates as soon as this month and possibly again in December in response to signs of weakening in the labor market and inflation that is less acute than officials had feared.

Growing risks to the employment outlook following sharp downward revisions to payrolls data have been a central justification for the resumption of interest rate cuts after a year-long hiatus.

While the September jobs report has been delayed by the shutdown, private sector data showing signs of weakness continue to accumulate. ADP projected a 32,000 loss of private-sector jobs last month after a 3,000 decline the prior month, while the Conference Board's labor market differential of jobs "plentiful" minus jobs "hard to get" was at its lowest level in over a year.

Inflation remains too high for both goods and services, but policymakers are also coming around to the idea that the most prominent upside risks from tariffs — via second-round effects, retaliatory actions from trading partners or supply chain disruptions — have subsided. This leaves a fairly high bar for officials to halt their easing campaign, even in the face of still-elevated inflation readings.

At 4.0%-4.25% after the September move, the fed funds rate remains a point above the median FOMC estimate of neutral, leaving further room to cut while keeping policy modestly restrictive.

"Most (FOMC members) judged that it likely would be appropriate to ease policy further over the remainder of this year," the minutes of the September Fed meeting published Wednesday said.

CONTINUED DETERIORATION

Further evidence of labor market weakness will be key to how far and how quickly the FOMC will lower borrowing costs. A sharp slowdown in job growth since April has been tempered by a simultaneous fall in the supply of workers due to immigration restrictions, lifting the unemployment rate only gradually and keeping the labor market largely in balance. (See: MNI INTERVIEW: Fed Right To Remain Cautious On Rate Cuts-Kohn)

Evidence from private sector data show those trends have likely continued, an Fed Governor Chris Waller cited the downbeat ADP data as pointing to "continued deterioration" through August. At the same time, officials find some comfort in growth numbers suggesting the economy picked up steam in the second half of the year, which would be inconsistent with a sudden sharp round of layoffs.

A new real-time tracker of the jobless rate from the Federal Reserve Bank of Chicago using private and public data estimates the September jobless rate to be 4.3%, unchanged from August and allaying fears of a more abrupt uptick. But the details of the report show the hiring rate fell slightly while the rate of layoffs and quits rose, meaning a slightly higher probability that the jobless rate could rise a tenth.

The high frequency measures on which the Chicago Fed estimate relies, including ADP, Google Trends and Morning Consult survey data are unaffected by the lack of official statistics, which are used primarily for benchmarking.

INFLATION CONFIDENCE

By contrast, there's less private sector coverage of price data, and the Fed may be flying blind on inflation until the next CPI report is published.

Tariff effects are clearly present in the latest data, contributing four-tenths to core inflation, but there's little evidence of factors that could amplify these effects, and cooling wage growth removes another source of potential price pressures.

The mere surprise factor that the widely-expected tariff inflation has not materialized is giving many FOMC members comfort that the worst of the economy's inflation troubles are over — indicated also by consistently anchored long-term inflation expectations in both market and survey measures.

MNI INTERVIEW: ISM Services Chair Sees Depressed Growth Ahead

By Evan Ryser (Oct 3, 2025)

WASHINGTON - Activity in the U.S. service sector stagnated in September and is likely to remain sluggish despite Federal Reserve interest rate cuts, Institute for Supply Management services chair Steve Miller told MNI Friday.

"There's no impetus so far that I see that says we're going to start expanding again. It's been a very gradual, consistent trend, once you filter out the noise of a specific month or two," Miller said.

The ISM composite decreased 2ppts to 50.0 last month, below market expectations and meeting the neutral threshold of 50 for the first time since January 2010. The business activity index slumped 5.1ppts to 49.9, and employment edged up 0.7pt to 47.2. The U.S. job market contracted for a fourth straight month in September, according to the ISM data.

Still-high mortgage rates mean little bounce in construction, real estate and rental activity, Miller said. That suggests the service sector growth may not get a boost from expected Fed rate cuts as previously expected, he said.

SUPPLY AND DEMAND

The ISM new orders index fell from 56.0 to 50.4, returning to where it was in July. "It's not a good trajectory," Miller said.

"There's nothing indicating strength there. It's all slow growth," he said of new orders. "I would expect we're going to hover around 50 to 50.5, unless there's some big tariff announcement" that could again spur a front-loading of orders.

While the demand side of the economy is tepid at the moment, the supply side is struggling as well. The supplier deliveries gauge increased to 52.6, the highest reading since February, signaling that firms are seeing more delays.

Slowness in supplier deliveries is being caused in part by wholesalers' reluctance to bring in additional inventory without a clearer underlying sense of demand, Miller said.

The prices paid ISM measure increased two tenths to 69.4, the fourth straight reading above 69 and the second highest since October 2022.

"We're talking to supply managers and there isn't any commentary around how retail prices or prices to consumers are sticking. It looks like inflation numbers are still pretty well under control." (See: MNI INTERVIEW: Fed Can Cut Gradually If Jobs Stay Strong- Kohn)

NO FIRE, NO HIRE

The employment component rose to 47.2 from 46.5, suggesting that the pace of job losses slowed last month.

Still, "even though we're not getting anything that's saying reductions in force or significant downsizing, it looks like there's a high reluctance to add staff," Miller said.

The employment contraction is driven by tariff policy uncertainty but at the same time ISM survey respondents are holding to an anticipation that something is going to happen that enables services growth to return, he said.