



This Economic Update may include opinions, forecasts, projections, estimates, assumptions, and speculations (the "Contents") based on currently available information, which is believed to be reliable and on past, current, and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Update. The Contents of this Economic Update reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Update or with respect to any results arising therefrom. The Contents of this Economic Update shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.

September Consumer Price Index: Gasoline Not The Only Fuel For September CPI

- The total CPI rose by 0.6 percent in September (up 0.649 percent unrounded); the core CPI was up 0.3 percent (up 0.335 percent unrounded)
- On a year-over-year basis, the total CPI is up 3.7 percent and the core CPI is up 2.6 percent as of September

The total CPI rose by 0.6 percent in September while the core CPI was up 0.3 percent, the former in line with expectations and the latter one-tenth more than had been anticipated. On a year-on-year basis, the total CPI is up 3.7 percent as of September and the core CPI is up 2.6 percent, each one-tenth more than anticipated. A look at the unrounded monthly changes shows why, as the change in the total CPI was not too far from printing at 0.7 percent and the change in the core CPI was closer to printing at 0.4 percent than to the expected 0.2 percent print. With a monthly increase of over nine percent on a seasonally adjusted basis, higher gasoline prices accounted for one-half of the increase in the total CPI, which was what we and most others anticipated. What is more relevant, particularly for the FOMC, is that the core CPI not only rose by more than was expected but that price pressures were more broadly based than was the case in the August data. Recent data as well as recent public comments by some FOMC members suggested less of a sense of urgency around further increases in the Fed funds rate than there seemed to be in the wake of the September FOMC meeting, and market pricing showed December as the most likely timing of the next funds rate hike. Though not settling the matter, the September CPI report at the very least puts the October FOMC meeting back in play.

The overall index of energy prices followed August's 2.1 percent increase by rising 5.2 percent in September. At noted above, gasoline prices were up by over nine percent, while prices for home fuel oils jumped by 15.3 percent. Conversely, costs for residential gas service fell by 0.3 percent. Electricity rates rose by 0.2 percent, leaving them up 4.4 percent year-on-year. Contrary to our expectations, food prices were flat in September and are little changed over the prior five months; at 2.5 percent, the year-on-year increase is the smallest since January 2025. Prices for food consumed at home fell 0.1 percent in September, leaving them up 1.8 percent year-on-year, but it figures that at some point higher fuel costs will be reflected in grocery store prices. Prices for food consumed away from home rose by 0.2 percent in September, leaving them up 3.5 percent year-on-year.

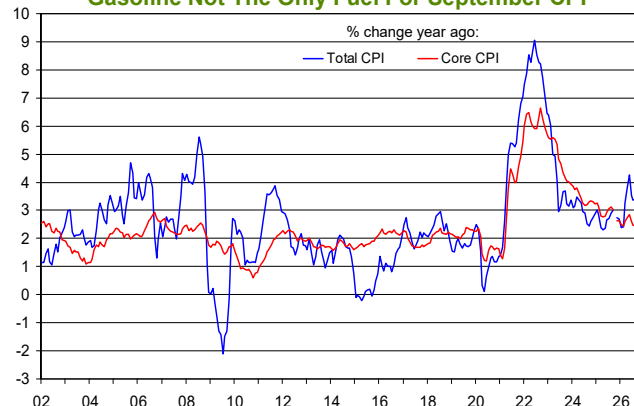
Core goods prices rose by 0.3 percent in September, the largest monthly advance since January 2025. Higher prices for used motor vehicles accounted for one-third of the increase in core goods prices, as the index of core goods prices excluding used vehicles was up by 0.2 percent. A 0.3 percent increase in apparel prices was a contributing factor, in part reflecting a larger than normal September increase in apparel prices on a not seasonally adjusted basis. Prices for furniture and appliances dropped in September, which is at least in part a reflection of weak home sales. Prices of recreational goods rose by 0.9 percent, with higher prices for audio equipment (up 1.4 percent), video equipment other than televisions (up 4.5 percent), and toys (up 4.2 percent) the main drivers, though price increases of this magnitude in categories this volatile don't figure to be sustained. Still, at 6.6 percent, the year-on-year increase in toy prices is the largest since 1988.

Core services prices rose by 0.4 percent, the largest increase since April. Shelter costs rose by 0.4 percent, in part reflecting a larger than anticipated increase in owners' equivalent rents, up by 0.3 percent. In our preview of the September data, we cited lodging costs as a source of upside risk to our forecast for the core CPI, and that proved to be the case as costs for lodging away from home rose by 2.3 percent. Note that on a not seasonally adjusted basis, lodging rates fell by 0.3 percent, but this is far smaller than the typical September decline, hence the jump on a seasonally adjusted basis. At the same time, air fares rose by 2.0 percent on a not seasonally adjusted basis, larger than the typical September increase, which is consistent with increases in jet fuel costs this September. Prices for motor vehicle repair and maintenance continued to rise at a rapid rate in September. Prices for cell phone service were flat in September, at odds with our expectation that at least some portion of the 5.9 percent increase seen in August would be given back.

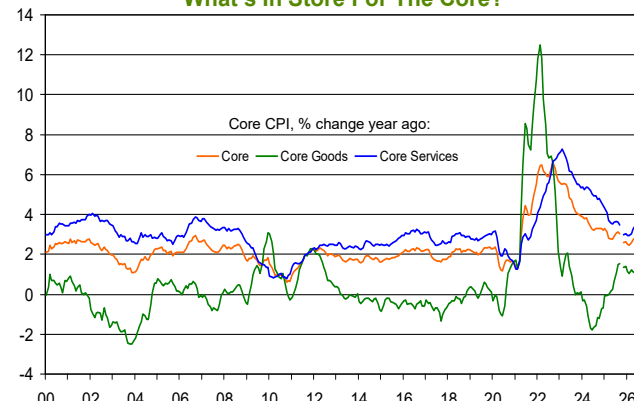
While the September CPI report does not make a Fed funds rate hike at this month's FOMC meeting a lock, it strongly suggests the FOMC's work is not yet done. This is seen in both the persistence and the breadth of core inflation pressures.



Gasoline Not The Only Fuel For September CPI



What's In Store For The Core?



Shelter Costs Firms Up In September

