

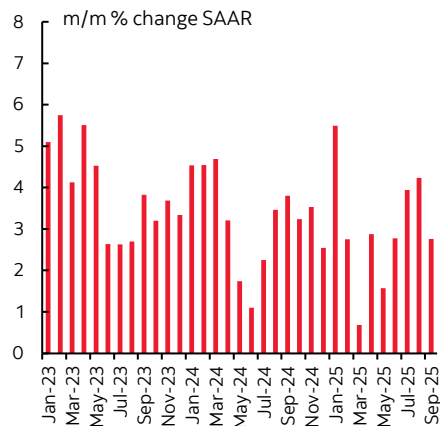
Contributors

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Chart 1

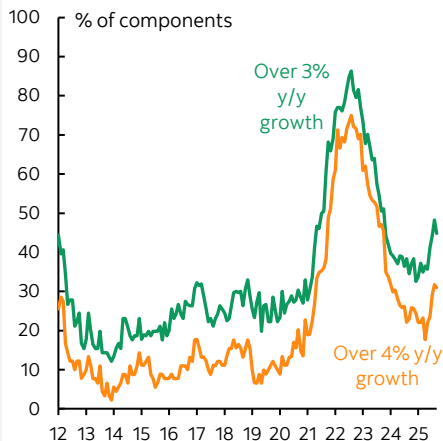
US Core CPI Inflation



Sources: Scotiabank Economics, BLS.

Chart 2

US Inflation Breadth



Sources: Scotiabank Economics, BLS.

US CPI Provided A Mixed Picture

- Core CPI was slightly softer than expected, but the trend is hot
- Shelter and core goods weighed down inflation...
- ...but core service price inflation remains hot
- Markets has a relatively small reaction that marginally reinforced cut pricing

US CPI / core CPI, m/m %, SA, September:

Actual: 0.23 / 0.31

Scotia: 0.3 / 0.3

Consensus: 0.4 / 0.3

Prior: 0.4 / 0.3

US core inflation came in slightly below almost all expectations for the month of September. Most of the softening was driven by shelter and little evidence of tariff pass through into core goods prices. Still, beneath the hood lies ongoing strong pressures on underlying core service prices.

The result added a little to market expectations for rate cuts by the Federal Reserve. The two-year Treasury yield fell by about 5–6bps at first but clawed that back to about 3bps. Cumulative pricing for cuts between now and the April meeting increased a bit to about 80bps of further reductions. The dollar swung from gaining against most major FX crosses to losing ground against most except for CAD in the wake of Trump's attacks on Canada last night and continuing this morning.

Chart 1 shows the recent pattern. Core CPI landed at 2.75% m/m SAAR in September, down from 4.2% in August. The three month moving average is now 3.6% m/m SAAR. Don't tell me that US inflationary pressures have gone away. I don't believe that Chair Powell will say that next Wednesday, although he has pre-committed himself to looking through inflationary effects of tariffs as transitory should they arise.

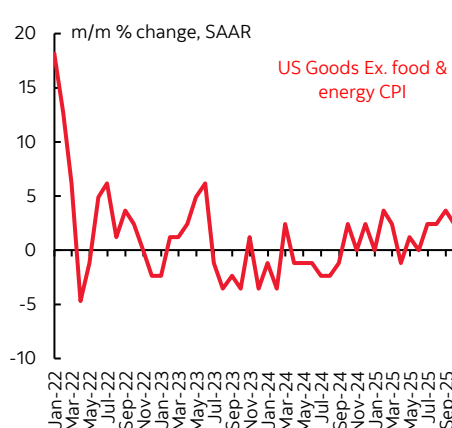
DETAILS

The breadth of inflationary pressures eased off a touch but remains high (chart 2).

Core goods inflation—where tariffs would be most likely to show up—was muted at just 0.22% m/m SA, or 2.7% m/m SAAR (chart 3). That's not light, but cooler than the prior month's reading.

Chart 3

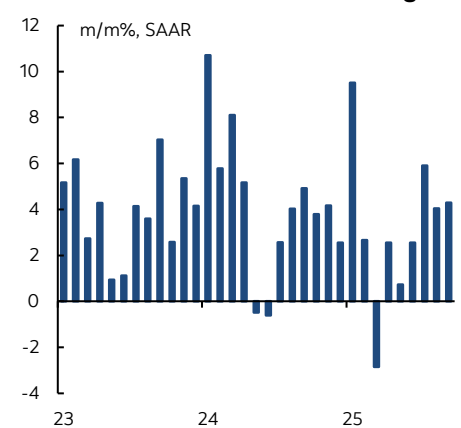
US Goods Inflation



Sources: Scotiabank Economics, BLS.

Chart 4

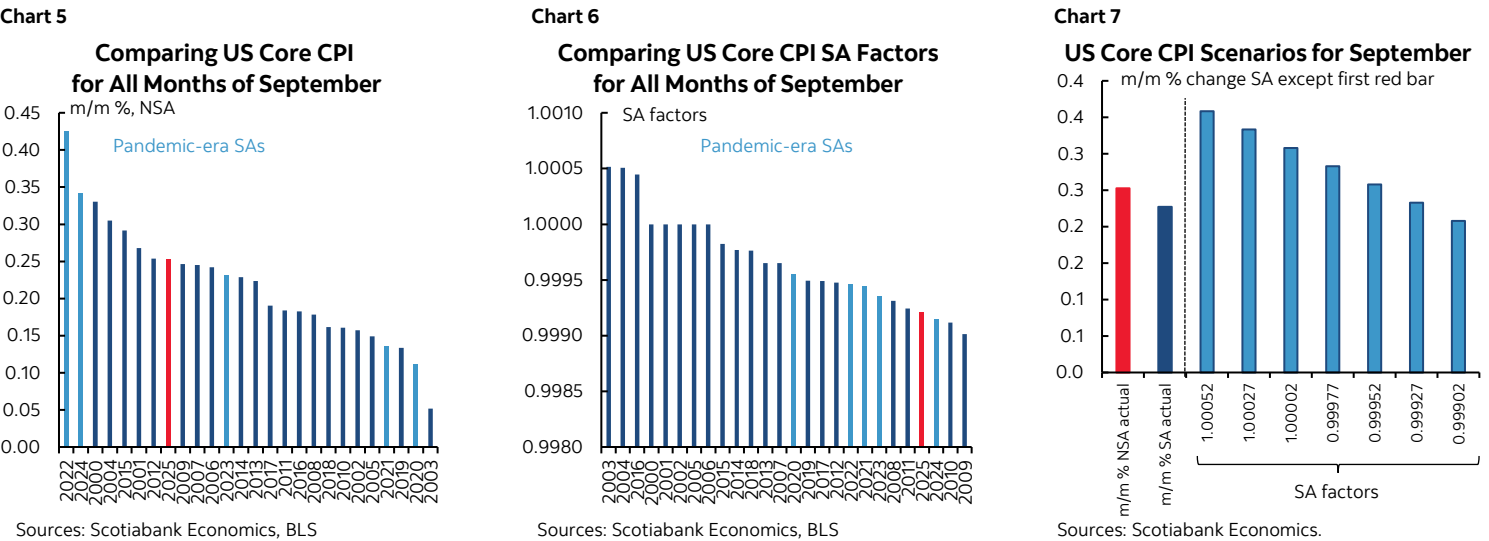
US CPI Core Services Ex-Housing



Sources: Scotiabank Economics, BLS.

Core services inflation (ex-housing services and energy services) accounts for about one-quarter of the CPI basket and those prices were up by 0.35% m/m SA, or 4.3% m/m SAAR (chart 4). There remains high resilience in core service price inflation in the US economy.

Seasonal factors were potentially distorting. September posted an above average m/m seasonally unadjusted gain in core CPI (chart 5) but this was tamped down by a lower than normal seasonal adjustment factor (chart 6). Core CPI was about as low as it could have been compared to using other SA factors drawn from prior months of September (chart 7). SA factors are mechanically calculated using standard X12A adjustments in unthinking fashion and these adjustments have a strong recency bias that may result in SA factors that are not appropriate.



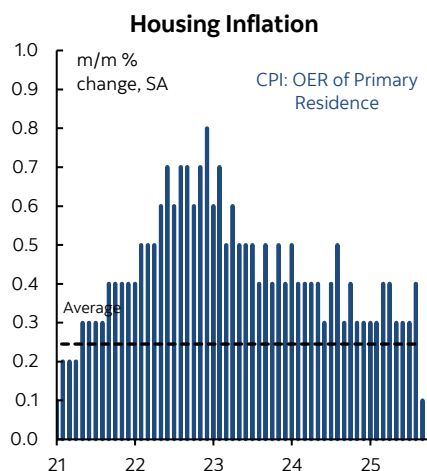
It's somewhat futile without PPI, but based on core CPI versus core PCE weighting differences, core PCE is tracking very close to core CPI as 0.22% m/m SA. There are also other differences, like income and substitution effects that PCE does a better job of capturing, but in any event we won't get PCE until after the shutdown ends. Recall the only reason we go CPI was for the COLA requirements.

Watch the publication of the share of the CPI basket estimated using proxy means when it is likely to be published sometime after 11amET. That share has been over one-third of the basket—a record high—due to budget cuts at the BLS.

Please see charts 8–16 that provide a breakdown of select US CPI components. Charts 17–18 provide a breakdown of the whole basket in y/y terms that are both raw and as weighted contributions to the overall change in CPI. Charts 19–20 do likewise for the m/m CPI changes.

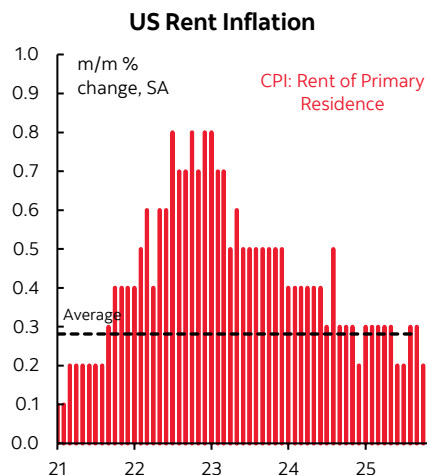
Please also see the accompanying table that provides further detail.

Chart 8



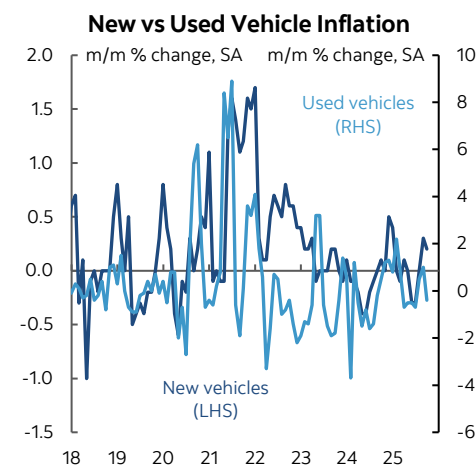
Sources: Scotiabank Economics, BLS.

Chart 9



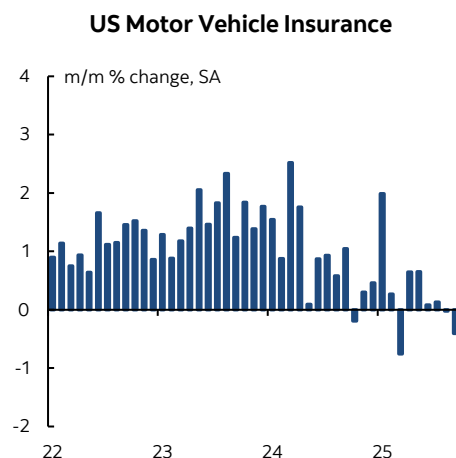
Sources: Scotiabank Economics, BLS.

Chart 10



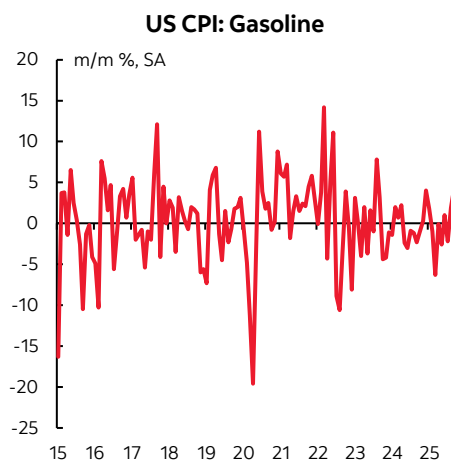
Sources: Scotiabank Economics, BLS.

Chart 11



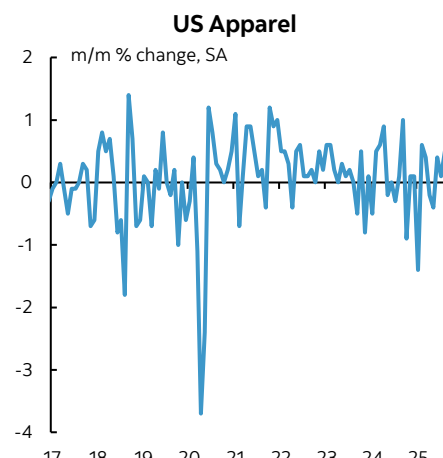
Sources: Scotiabank Economics, BLS.

Chart 12



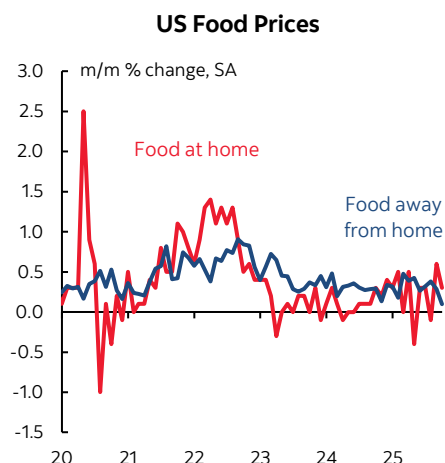
Sources: Scotiabank Economics, BLS

Chart 13



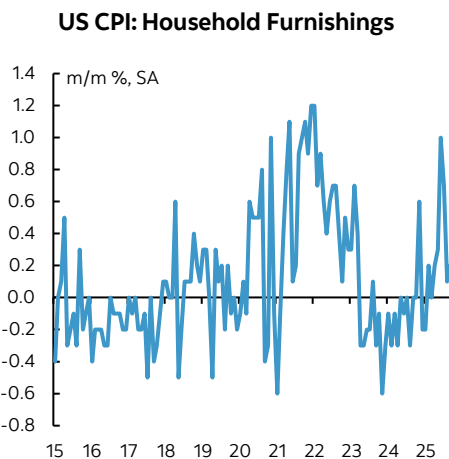
Sources: Scotiabank Economics, BLS.

Chart 14



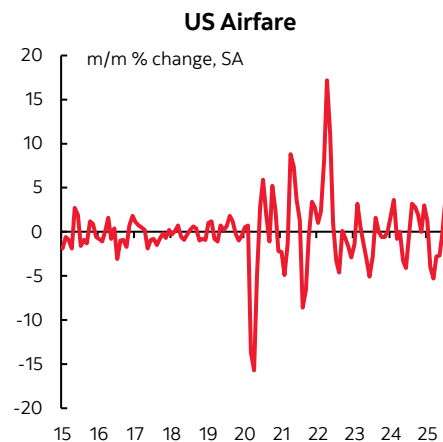
Sources: Scotiabank Economics, BLS, Haver.

Chart 15



Sources: Scotiabank Economics, BLS.

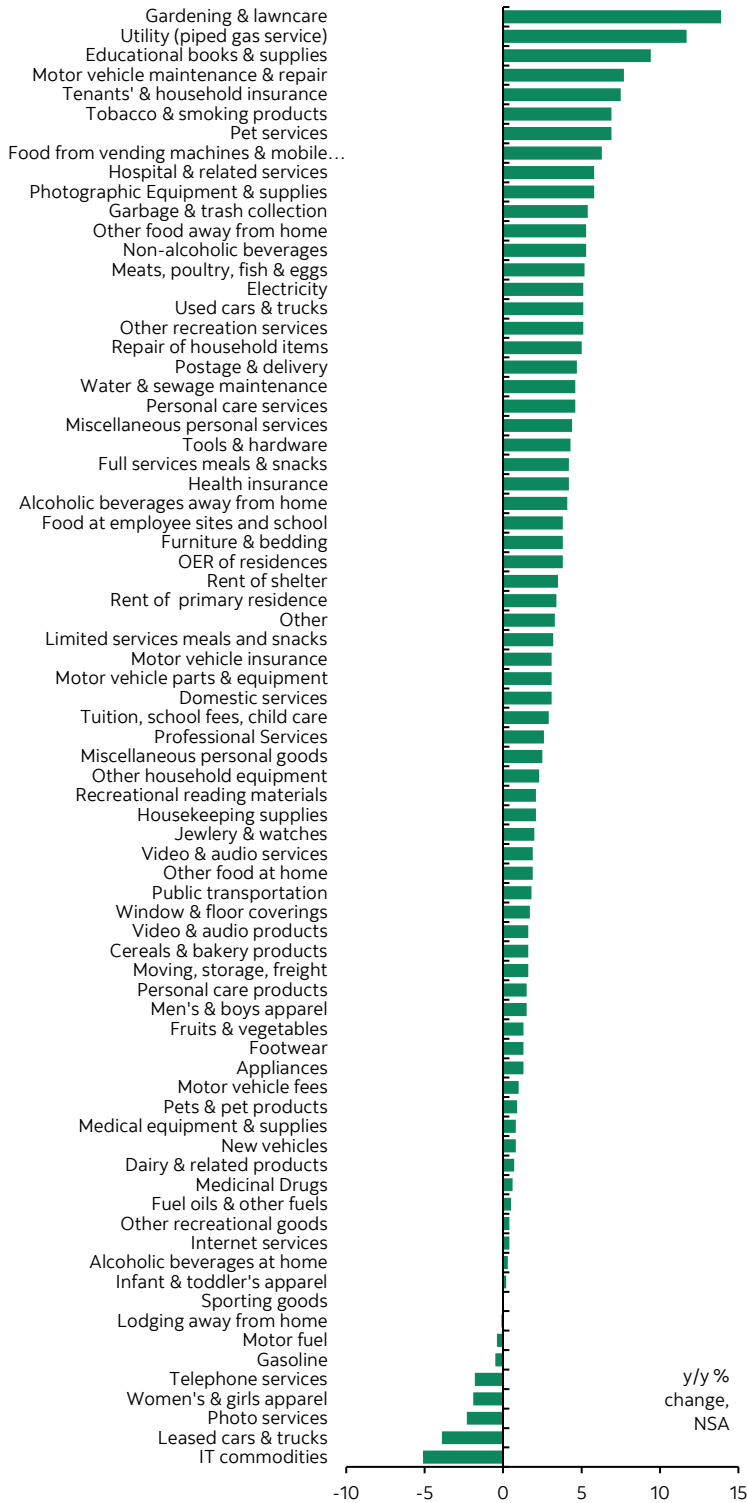
Chart 16



Sources: Scotiabank Economics, BLS.

Chart 17

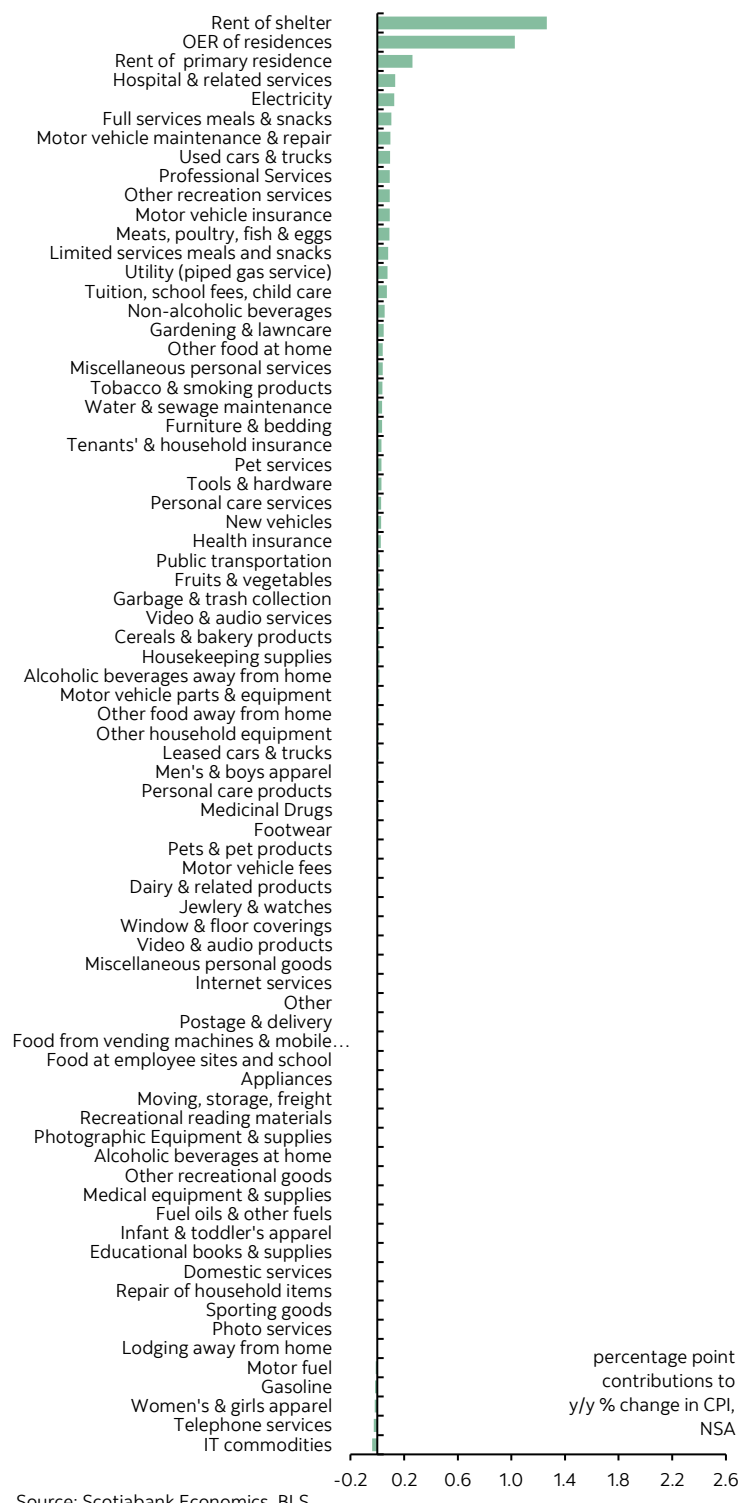
September 12-Month Changes in
US Headline CPI Categories



Sources: Scotiabank Economics, BLS.

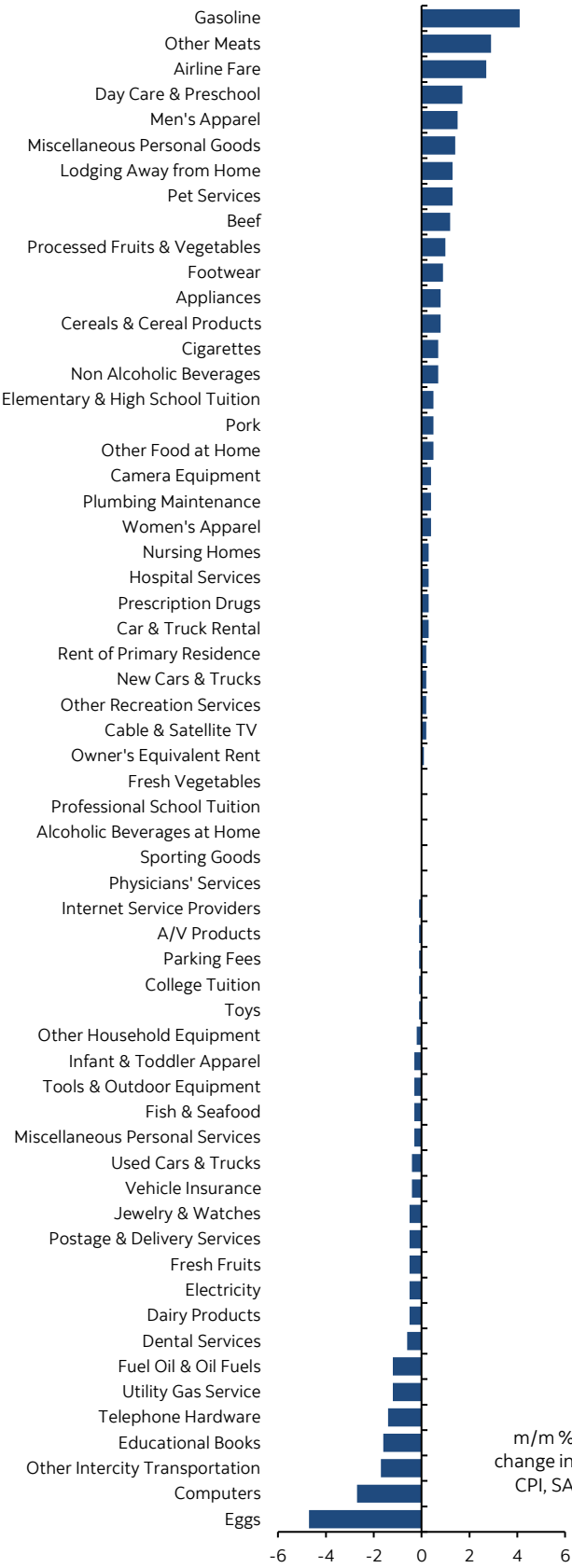
Chart 18

September Weighted Contributions to
the 12-Month Change in US Headline CPI



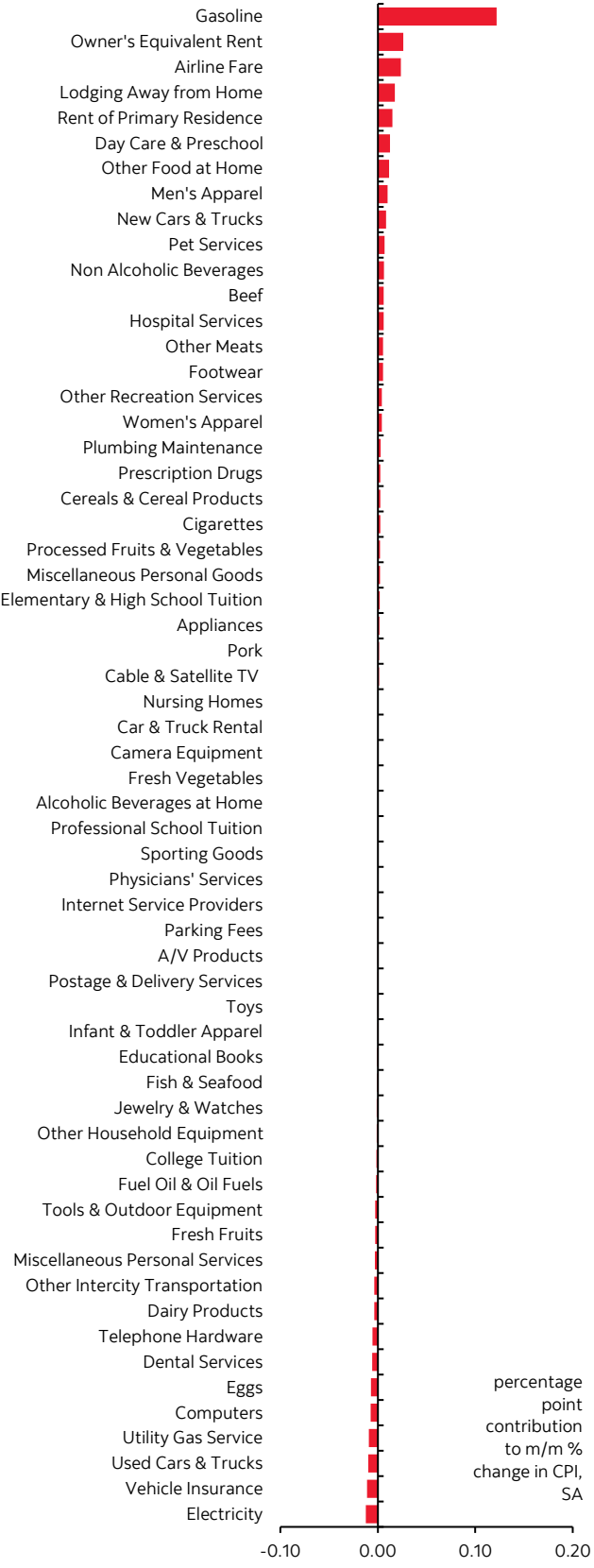
Source: Scotiabank Economics, BLS.

Chart 19
September Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

Chart 20
September Weighted Contributions to Monthly Change in US Headline CPI

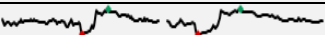

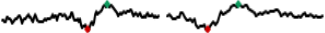



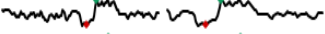


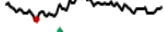
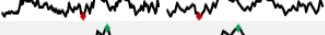

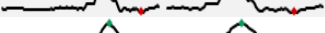

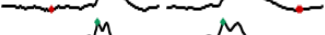



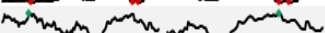





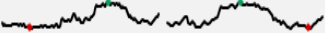



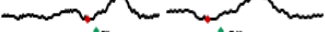


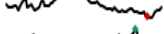




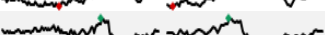



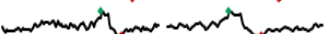











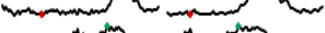





Sources: Scotiabank Economics, US BLS.


























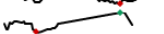






















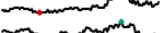

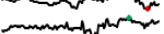
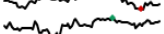





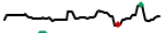

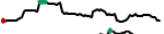






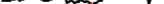

October 24, 2025

Sep 2025					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN		y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Food		3.1			0.2	13.646	0.42	0.03	1.3	0.8	2.4	1.7	1.1	1.2
Food, home		2.7			0.3	7.993	0.22	0.02	0.2	1.1	2.2	1.2	1.9	0.8
Cereals & bakery products		1.6			0.7	1.091	0.02	0.01	0.4	0.9	1.4	0.9	1.7	0.4
Meats, poultry, fish & eggs		5.2			0.3	1.644	0.09	0.00	-0.2	3.2	1.7	2.1	3.9	0.8
Dairy & related products		0.7			-0.5	0.726	0.01	0.00	-0.6	1.6	0.8	1.1	3.1	-0.1
Fruits & vegetables		1.3			0.0	1.311	0.02	0.00	0.4	1.7	0.5	1.0	2.0	0.1
Non-alcoholic beverages		5.3			0.7	0.908	0.05	0.01	0.6	1.0	4.5	0.5	1.6	3.0
Other food at home		1.9			0.5	2.313	0.04	0.01	0.5	0.6	2.2	1.0	1.6	0.6
Food, away		3.7			0.1	5.653	0.20	0.01	2.7	0.3	3.4	2.5	0.5	2.4
Full services meals & snacks		4.2			0.0	2.451	0.10	0.00	2.6	0.4	4.4	2.4	0.5	3.6
Limited services meals and snacks		3.2			0.2	2.828	0.08	0.01	2.8	0.3	1.2	2.5	0.7	1.0
Food at employee sites and school		3.8			-0.2	0.073	0.00	0.00	2.8	2.4	0.4	2.8	1.9	0.5
Food from vending machines & mobile vendors		6.3			1.6	0.056	0.00	0.00	3.1	1.0	3.2	2.5	1.3	2.9
Other food away from home		5.3			0.4	0.245	0.01	0.00	2.5	1.3	2.1	2.3	1.0	3.0
Energy		2.8			1.5	6.400	0.19	0.10	-1.9	10.0	0.5	1.6	9.6	0.1
Energy comm.		-0.4			3.8	3.166	-0.01	0.12	-2.8	17.0	0.1	3.0	17.1	-0.2
Fuel oils & other fuels		0.5			-1.2	0.133	0.00	0.00	-2.3	15.8	0.2	2.7	14.4	-0.2
Motor fuel		-0.4			4.0	3.033	-0.01	0.12	-2.8	17.1	0.1	3.0	17.3	-0.2
Gasoline		-0.5			4.1	2.949	-0.02	0.12	-2.8	17.1	0.1	3.0	17.4	-0.2
Other		3.3			0.1	0.083	0.00	0.00	-2.3	19.5	0.3	3.6	17.9	0.0
Energy serv.		6.4			-0.7	3.235	0.20	-0.02	0.0	2.4	2.6	0.5	2.7	2.2
Electricity		5.1			-0.5	2.465	0.13	-0.01	0.5	1.5	3.1	1.0	1.7	2.4
Utility (piped gas service)		11.7			-1.2	0.770	0.08	-0.01	-1.4	7.5	1.7	-0.9	7.3	1.7
All items less food and energy		3.0			0.2	79.954	2.40	0.16	2.0	0.2	4.3	1.8	0.4	2.8
Commodities less food and energy		1.5			0.2	19.319	0.28	0.04	-0.3	0.4	4.7	0.2	0.9	1.5
Household furnishings		3.0			0.2	3.388	0.10	0.01	-0.8	1.2	3.2	-0.9	1.2	3.3
Window & floor coverings		1.7			0.9	0.237	0.00	0.00	-2.3	1.7	2.3	-2.8	1.8	2.5
Furniture & bedding		3.8			0.9	0.791	0.04	0.01	-0.3	1.7	2.4	-0.9	2.1	2.3
Appliances		1.3			0.8	0.221	0.00	0.00	-1.2	3.1	0.8	-1.6	3.0	0.9
Other household equipment		2.3			0.3	0.493	0.01	0.00	-3.5	1.8	3.2	-3.7	1.5	4.0
Tools & hardware		4.3			-0.3	0.853	0.03	0.00	-0.1	1.0	4.2	-0.3	1.2	3.8
Housekeeping supplies		2.1			0.8	0.793	0.02	0.01	0.3	1.2	1.5	0.4	1.3	1.3

October 24, 2025

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Apparel	-0.1			0.7	2.504	0.00	0.02	-0.5	1.0	0.5	0.3	1.7	-0.3
Men's & boys apparel	1.5			1.5	0.654	0.01	0.01	-0.3	1.5	1.2	0.5	2.3	0.5
Women's & girls apparel	-1.9			0.4	0.979	-0.02	0.00	-1.3	1.9	-0.3	-0.1	2.5	-0.7
Footwear	1.3			0.9	0.576	0.01	0.01	0.2	1.3	0.8	0.8	1.7	0.3
Infant & toddler's apparel	0.2			-0.3	0.103	0.00	0.00	0.4	3.8	0.0	0.5	3.6	-0.1
Jewelry & watches	2.0			-0.5	0.191	0.01	0.00	1.0	3.4	0.3	1.5	3.8	0.1
Trans. less fuel	2.3			0.0	7.247	0.14	0.00	-0.3	0.9	2.9	0.4	1.5	1.3
New vehicles	0.8			0.2	4.307	0.03	0.01	0.1	0.7	1.1	0.8	1.2	0.0
Used cars & trucks	5.1			-0.4	2.440	0.10	-0.01	-1.3	2.1	3.1	1.1	4.8	0.8
Motor vehicle parts & equipment	3.1			0.5	0.364	0.01	0.00	0.2	1.1	2.7	0.9	2.2	1.0
Medical comm.	0.7			-0.1	1.503	0.01	0.00	2.1	1.7	-0.8	2.3	1.5	-1.1
Medicinal Drugs	0.6			0.0	1.323	0.01	0.00	2.2	1.8	-0.9	2.3	1.6	-1.1
Medical equipment & supplies	0.8			-0.6	0.180	0.00	0.00	0.4	1.2	0.4	0.3	1.2	0.4
Recreation comm.	0.8			0.4	1.830	0.02	0.01	-2.6	1.1	3.2	-2.3	0.9	3.4
Video & audio products	1.6			-0.1	0.254	0.00	0.00	-10.1	2.4	4.9	-9.2	2.2	4.9
Pets & pet products	0.9			0.3	0.621	0.01	0.00	0.4	1.5	0.3	0.5	1.5	0.3
Sporting goods	0.0			1.0	0.468	0.00	0.00	-0.7	1.5	0.5	-0.6	1.2	0.5
Photographic Equipment & supplies	5.8			0.4	0.020	0.00	0.00	-1.7	4.6	1.6	-3.0	4.0	2.2
Recreational reading materials	2.1			-0.4	0.099	0.00	0.00	1.6	1.9	0.3	1.5	1.8	0.3
Other recreational goods	0.4			0.1	0.367	0.00	0.00	-6.5	1.3	5.2	-5.2	1.7	3.2
Educ. & communication comm.	-4.0			-0.8	0.732	-0.03	-0.01	-3.7	1.0	-0.3	-3.5	0.9	-0.6
Educational books & supplies	9.4			-0.7	0.042	0.00	0.00	2.2	3.0	2.4	3.6	2.7	2.1
IT commodities	-5.1			-0.8	0.691	-0.04	-0.01	-6.1	1.9	0.5	-6.8	1.8	0.9
Alcohol	2.0			0.2	0.828	0.02	0.00	1.3	0.3	2.2	1.4	0.4	1.7
Alcoholic beverages at home	0.3			0.0	0.441	0.00	0.00	0.8	0.6	-0.9	0.8	0.5	-0.9
Alcoholic beverages away from home	4.1			0.3	0.386	0.02	0.00	1.9	0.5	4.8	2.2	0.7	2.9
Other goods	3.7			0.8	1.287	0.05	0.01	1.4	0.9	2.7	1.4	0.7	3.2
Tobacco & smoking products	6.9			0.6	0.491	0.04	0.00	4.3	1.5	1.7	4.4	3.8	0.7
Personal care products	1.5			0.7	0.643	0.01	0.00	-0.3	0.6	3.1	-0.1	0.8	1.9
Miscellaneous personal goods	2.5			1.7	0.153	0.00	0.00	-2.4	3.1	1.6	-1.7	2.4	1.8

October 24, 2025

Sep 2025				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic			
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Services less energy services	3.5			0.2	60.635	2.15	0.12	2.8	0.2	2.9	2.4	0.6	1.7
Shelter	3.6			0.2	35.471	1.32	0.07	3.3	0.2	1.8	2.5	1.2	1.0
Rent of shelter	3.5			0.2	35.049	1.26	0.07	3.3	0.2	1.0	2.5	1.2	0.9
<i>Rent of primary residence</i>	<i>3.4</i>			<i>0.2</i>	<i>7.456</i>	<i>0.26</i>	<i>0.01</i>	<i>3.7</i>	<i>0.1</i>	<i>-2.2</i>	<i>2.9</i>	<i>1.1</i>	<i>0.4</i>
<i>Lodging away from home</i>	<i>-0.1</i>			<i>1.3</i>	<i>1.363</i>	<i>0.00</i>	<i>0.02</i>	<i>2.3</i>	<i>2.0</i>	<i>-1.2</i>	<i>2.2</i>	<i>2.2</i>	<i>-1.0</i>
<i>OER of residences</i>	<i>3.8</i>			<i>0.1</i>	<i>26.231</i>	<i>1.03</i>	<i>0.03</i>	<i>3.2</i>	<i>0.2</i>	<i>2.8</i>	<i>2.4</i>	<i>1.1</i>	<i>1.3</i>
Tenants' & household insurance	7.5			1.2	0.422	0.03	0.01	1.4	1.2	5.1	2.3	1.5	3.4
Water, sewer, trash collection	4.8			0.1	1.089	0.05	0.00	3.6	0.6	2.1	4.3	1.0	0.5
Water & sewage maintenance	4.6			0.4	0.742	0.04	0.00	4.0	0.8	0.8	4.8	1.4	-0.2
Garbage & trash collection	5.4			-0.5	0.347	0.02	0.00	2.5	1.5	2.0	2.5	1.1	2.7
Household ops.	5.7			-0.3	1.030	0.00	0.00	3.8	1.3	1.5	2.6	1.6	1.9
Domestic services	3.1			0.7	0.312	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawn care	13.9			-0.8	0.360	0.05	0.00	4.3	2.7	3.6	2.8	2.6	4.2
Moving, storage, freight	1.6			0.5	0.125	0.00	0.00	5.6	3.9	-1.0	3.3	3.9	-0.4
Repair of household items	5.0			1.7	0.172	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	3.9			0.3	6.765	0.25	0.02	2.9	1.0	1.0	3.0	0.8	1.0
Professional Services	2.6			-0.4	3.680	0.09	-0.01	1.5	0.9	1.2	1.8	0.8	1.0
Hospital & related services	5.8			0.8	2.287	0.13	0.02	3.8	1.1	1.8	4.5	1.3	0.9
Health insurance	4.2			0.3	0.797	0.02	0.00	5.0	5.8	-0.1	3.6	6.0	0.1
Transportation serv.	2.5			0.3	6.243	0.16	0.02	2.6	1.1	-0.1	2.6	1.0	-0.1
Leased cars & trucks	-3.9			-0.6	0.384	0.01	0.00	0.5	3.0	-1.5	-1.6	3.2	-0.7
Motor vehicle maintenance & repair	7.7			0.2	1.052	0.10	0.00	2.2	0.7	7.9	2.0	0.6	9.9
Motor vehicle insurance	3.1			-0.4	2.804	0.09	-0.01	5.5	2.6	-0.9	4.8	2.0	-0.8
Motor vehicle fees	1.0			1.1	0.491	0.01	0.01	1.8	0.7	-1.1	2.2	1.9	-0.6
Public transportation	1.8			1.6	1.379	0.02	0.02	-1.2	1.5	2.0	1.0	3.6	0.2
Recreation serv.	4.4			0.4	3.439	0.14	0.01	2.6	0.7	2.8	2.3	0.7	2.8
Video & audio services	1.9			0.3	0.804	0.02	0.00	2.7	1.4	-0.6	2.6	1.3	-0.5
Pet services	6.9			1.3	0.538	0.03	0.01	3.1	0.8	5.0	3.3	0.9	3.9
Photo services	-2.3			0.2	0.053	0.00	0.00	-0.2	2.0	-1.1	0.8	1.8	-1.7
Other recreation services	5.1			0.2	2.044	0.09	0.00	2.4	0.6	4.5	1.7	1.1	3.2
Educ. & communication serv.	1.1			0.1	4.907	0.06	0.00	0.4	1.3	0.5	1.1	1.3	0.0
Tuition, school fees, child care	2.9			0.2	2.525	0.07	0.01	2.8	0.6	0.2	3.3	0.8	-0.6
Postage & delivery	4.7			-0.5	0.053	0.00	0.00	2.3	2.0	1.2	3.3	2.0	0.7
Telephone services	-1.8			0.0	1.394	-0.03	0.00	-2.4	3.0	0.2	-1.3	2.4	-0.2
Internet services	0.4			-0.1	0.926	0.00	0.00	-0.2	1.5	0.4	0.1	1.3	0.2
Other personal serv.	4.5			0.2	1.657	0.07	0.00	2.7	0.7	2.7	2.4	0.6	3.3
Personal care services	4.6			0.9	0.660	0.03	0.01	2.3	0.7	3.3	1.8	0.8	3.4
Miscellaneous personal services	4.4			-0.3	0.997	0.04	0.00	2.9	0.9	1.6	2.7	0.7	2.3

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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