

SCOTIA FLASH

October 14, 2026

Contributors

Derek Holt

VP & Head of Capital Markets Economics

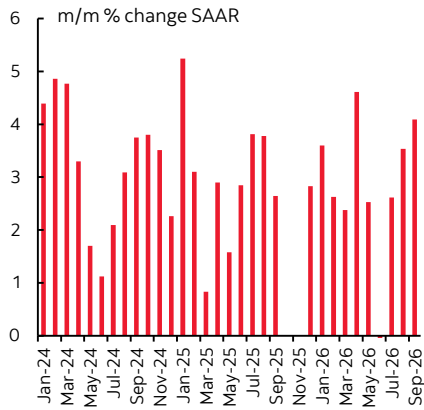
Scotiabank Economics

416.863.7707

derek.holt@scotiabank.com

Chart 1

US Core CPI Inflation



Sources: Scotiabank Economics, BLS.

US CPI Lights Up Fed Hike Expectations

- Core CPI was hotter than consensus, matching Scotia's estimate
- Early mapping points to elevated core PCE inflation
- Pass through into goods and services prices is evident
- Seasonal adjustment factors tamped down the jump
- Markets raise Fed hike pricing for October onward...
- ...as Scotiabank Economics forecasts two more hikes

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

Actual: 0.65 / 0.33

Scotia: 0.6 / 0.3

Consensus: 0.6 / 0.2

Prior: 0.40 / 0.29

US inflation surprised consensus and market expectations while matching my estimates. Core CPI climbed 0.33% m/m SA with total CPI inflation up 0.65%. Core CPI inflation is clearly not waning (chart 1). The results raised the year-over-year rates to 3.7% (3.4% previously) and 2.6% y/y (2.4% prior) for total CPI and core CPI respectively.

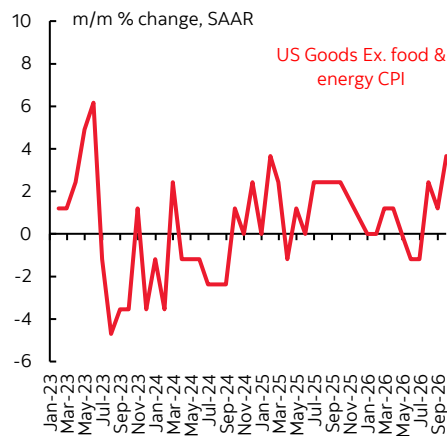
Core goods prices (ex-food and energy) were up by 0.3% m/m SA and at an annualized rate are on an accelerating trend (chart 2). This reflects pass through of commodities and tariffs and is consistent with soft survey guidance as a leading indicator.

Core services CPI (ex-housing and energy services) was up by 0.4% m/m SA and at an annualized rate continues to post sharp increases (chart 3). Here too, we are seeing pass through effects.

PCE is tracking a rise of 0.45% m/m SA and core PCE is tracking 0.27% m/m SA. This is derived by taking the CPI figures and adjusting for weighting differences. We'll reassess the implications for PCE inflation when we get producer prices tomorrow including the components that are included in PCE. The bottom line is that underlying inflation in the US economy remains rather warm. I wouldn't rule out another hike on October 28th despite some guidance from FOMC officials. Accordingly, market pricing for that meeting shot up from about 5bps to about half of a 25bps rate hike.

Chart 2

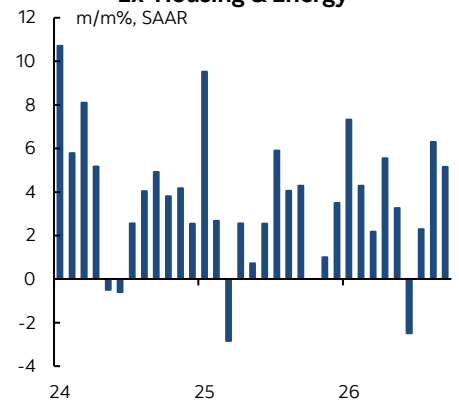
US Goods Inflation



Sources: Scotiabank Economics, BLS.

Chart 3

US CPI Core Services Ex-Housing & Energy



Sources: Scotiabank Economics, BLS.

Breadth of inflationary pressures remains high (chart 4).

Having said that, the smoothed m/m price increases fall into buckets that represent a rather lumpy profile of inflationary pressures (chart 5).

The jump in core CPI was driven by seasonally unadjusted prices (chart 6) that were tamped down by another relatively tame seasonal adjustment factor (chart 7).

Charts 8–16 break down individual parts of the basket.

Charts 17–18 break down the basket in unweighted terms and in terms of weighted contributions to m/m inflation. Charts 19–20 do likewise for y/y rates.

Please also see the accompanying table that provides further details.

Chart 4

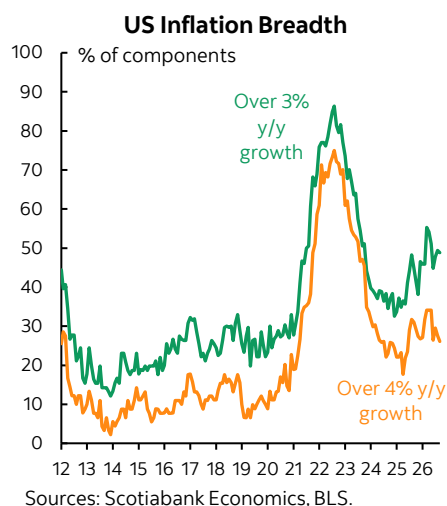


Chart 5

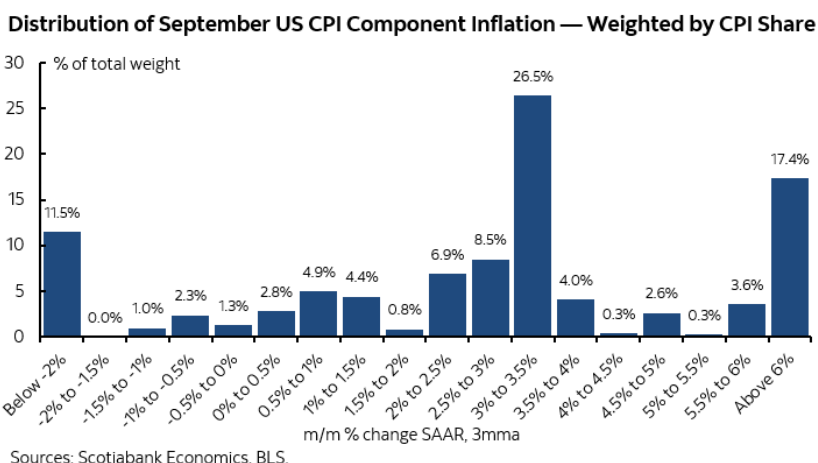


Chart 6

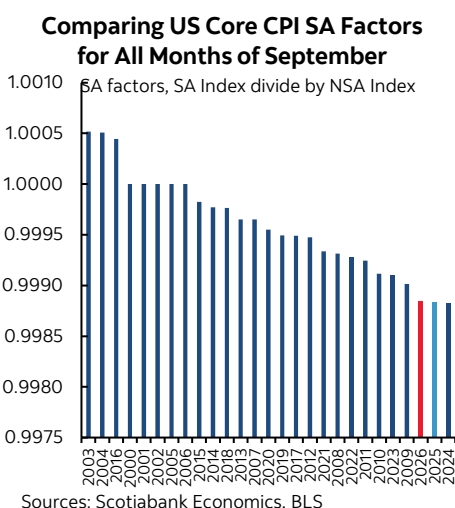


Chart 7

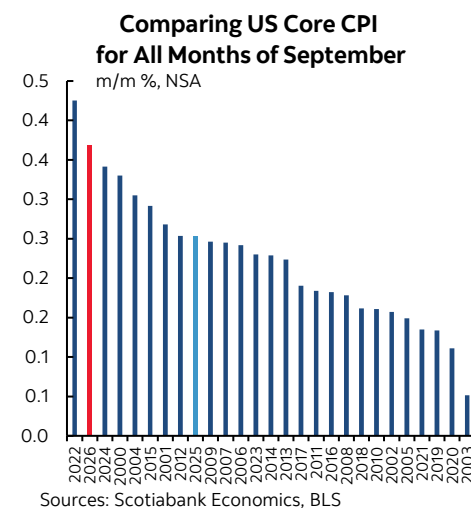


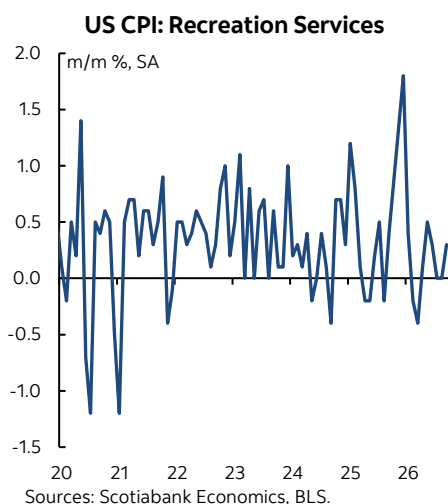
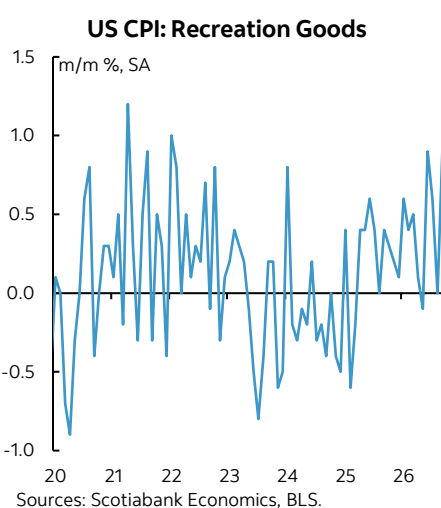
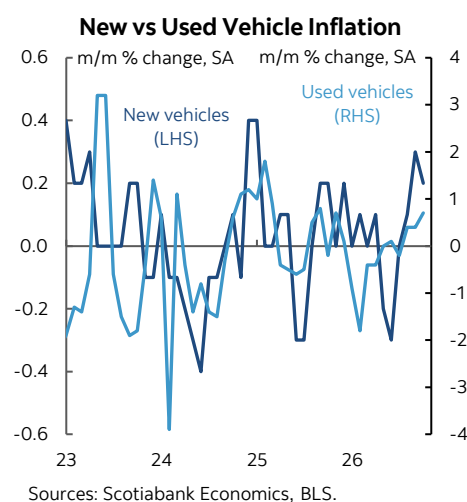
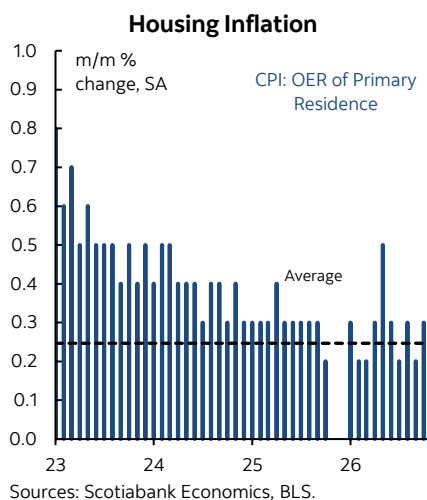
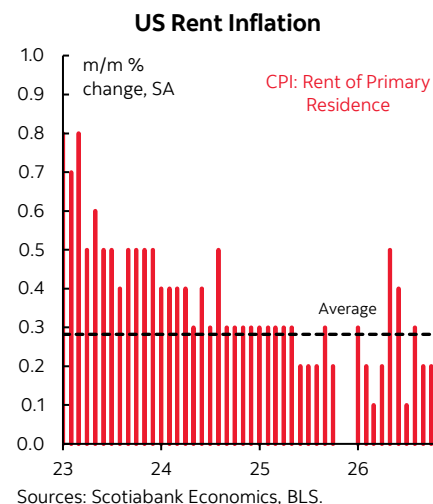
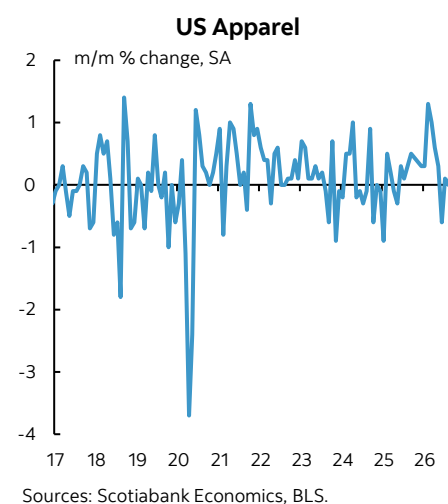
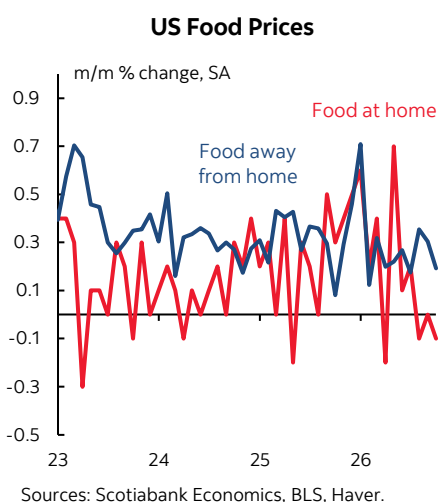
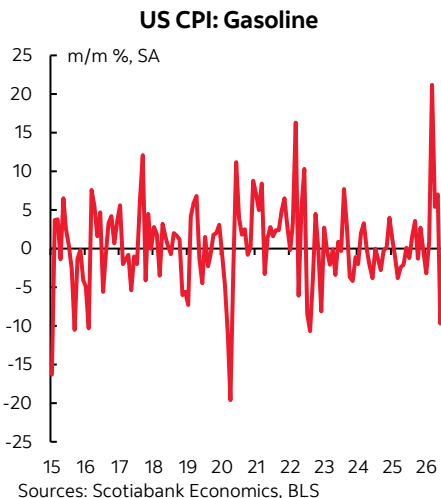
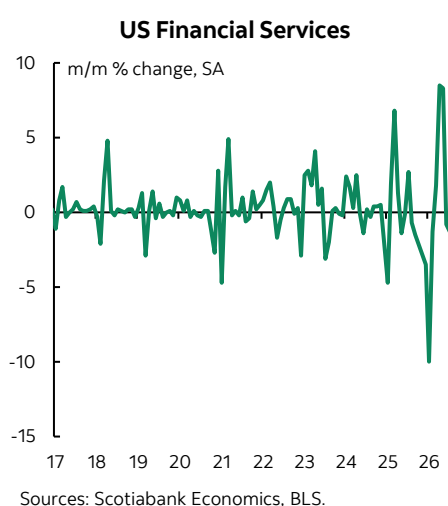
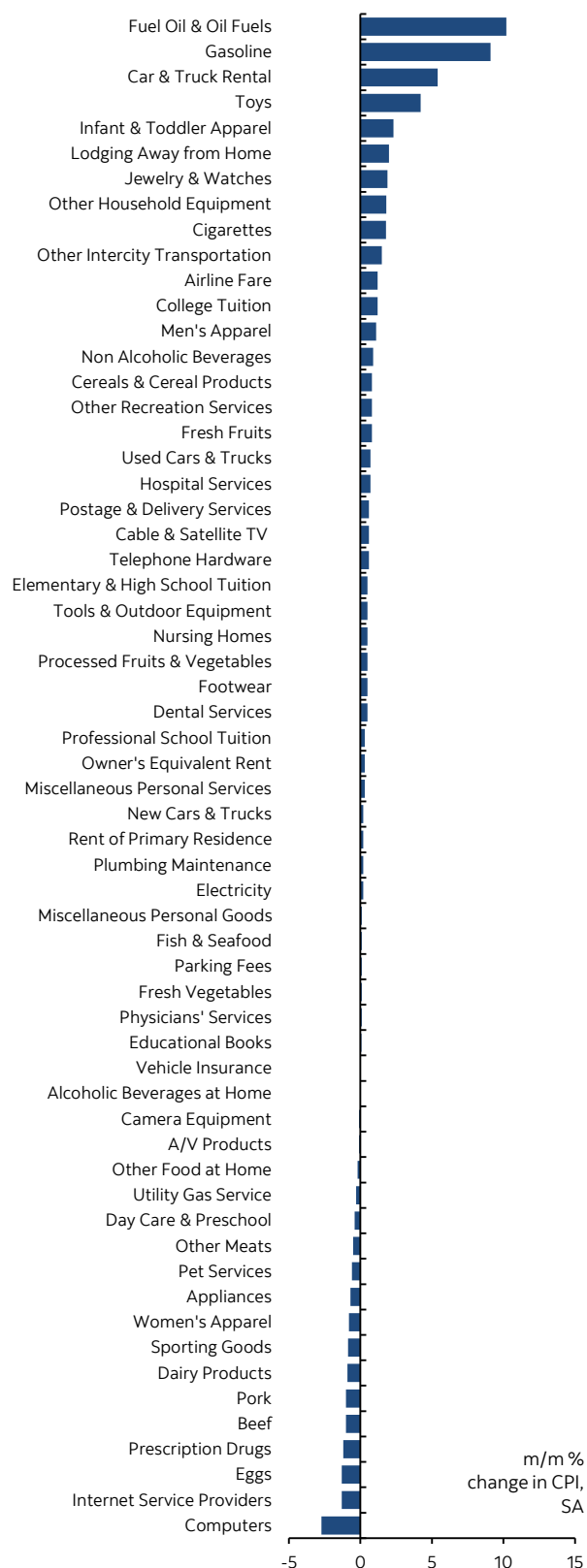
Chart 8

Chart 9

Chart 10

Chart 11

Chart 12

Chart 13

Chart 14

Chart 15

Chart 16


Chart 17

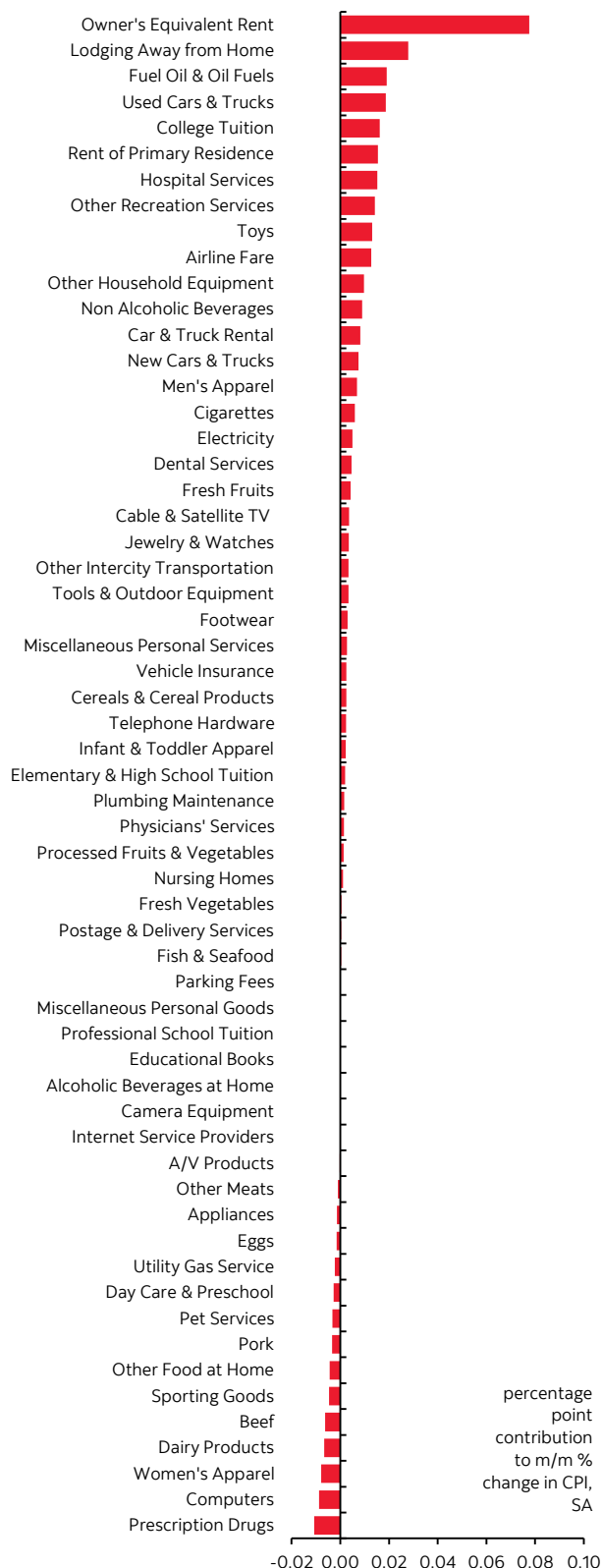
September Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

Chart 18

September Weighted Contributions to Monthly Change in US Headline CPI ex Gasoline



Sources: Scotiabank Economics, US BLS.

Chart 19

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



Source: Scotiabank Economics, BLS.

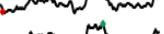
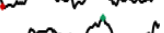
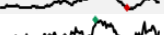
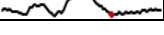
Chart 20

September 12-Month Changes in US Headline CPI Categories

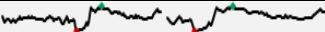
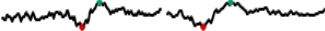
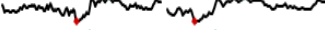
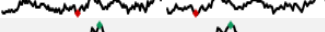
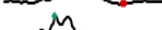
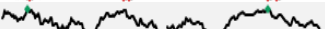
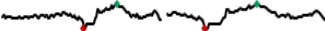
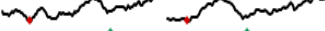
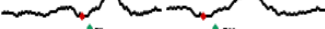
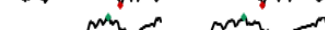
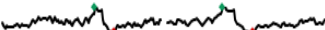
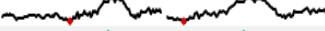
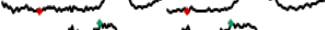


Sources: Scotiabank Economics, BLS.

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US INFLATION COMPONENT BREAKDOWN		10-year trend		Pandemic trend (Jan 2019–Present)		m/m % change		Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
	y/y % 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	2.5			0.0	13.507	0.34	0.00				1.3	0.8	1.6	1.7	1.1	0.7
Food, home	1.8			-0.1	8.203	0.14	-0.01				0.2	1.1	1.4	1.2	1.9	0.3
Cereals & bakery products	2.1			0.1	1.021	0.02	0.00				0.4	0.9	1.9	0.9	1.7	0.7
Meats, poultry, fish & eggs	0.3			-0.5	1.956	0.00	-0.01				-0.2	3.2	0.2	2.1	3.9	-0.5
Dairy & related products	-0.7			-0.9	0.741	-0.01	-0.01				-0.6	1.6	-0.1	1.1	3.1	-0.6
Fruits & vegetables	3.7			0.5	1.270	0.05	0.01				0.4	1.7	1.9	1.0	2.0	1.3
Non-alcoholic beverages	3.8			0.9	0.986	0.03	0.01				0.6	1.0	3.1	0.5	1.6	2.1
Other food at home	1.8			-0.2	2.227	0.04	0.00				0.5	0.6	2.1	1.0	1.6	0.5
Food, away	3.5			0.2	5.304	0.20	0.01				2.7	0.3	2.7	2.5	0.5	2.0
Full services meals & snacks	3.8			0.3	2.354	0.09	0.01				2.6	0.4	3.3	2.4	0.5	2.8
Limited services meals and snacks	3.2			0.2	2.647	0.09	0.01				2.8	0.3	1.2	2.5	0.7	1.0
Food at employee sites and school	3.8			0.5	0.064	0.00	0.00				2.8	2.4	0.4	2.8	1.9	0.5
Food from vending machines & mobile vendors	2.0			-0.2	0.053	0.00	0.00				3.1	1.0	-1.1	2.5	1.3	-0.4
Other food away from home	4.0			0.1	0.185	0.01	0.00				2.5	1.3	1.1	2.3	1.0	1.7
Energy	20.4			5.2	7.418	1.30	0.39				-1.9	10.0	2.2	1.6	9.6	2.0
Energy comm.	35.3			9.3	4.146	1.13	0.39				-2.8	17.0	2.2	3.0	17.1	1.9
Fuel oils & other fuels	43.8			10.2	0.170	0.06	0.02				-2.3	15.8	2.9	2.7	14.4	2.9
Motor fuel	34.9			9.3	3.976	1.07	0.37				-2.8	17.1	2.2	3.0	17.3	1.8
<u>Gasoline</u>	<u>34.2</u>			<u>9.1</u>	<u>3.853</u>	<u>1.02</u>	<u>0.35</u>				<u>-2.8</u>	<u>17.1</u>	<u>2.2</u>	<u>3.0</u>	<u>17.4</u>	<u>1.8</u>
<u>Other</u>	<u>60.9</u>			<u>11.9</u>	<u>0.123</u>	<u>0.05</u>	<u>0.01</u>				<u>-2.3</u>	<u>19.5</u>	<u>3.2</u>	<u>3.6</u>	<u>17.9</u>	<u>3.2</u>
Energy serv.	4.6			0.1	3.272	0.15	0.00				0.0	2.4	1.9	0.5	2.7	1.5
Electricity	4.4			0.2	2.529	0.11	0.01				0.5	1.5	2.6	1.0	1.7	2.0
Utility (piped gas service)	5.0			-0.3	0.743	0.04	0.00				-1.4	7.5	0.9	-0.9	7.3	0.8
All items less food and energy	2.6			0.3	79.075	2.08	0.24				2.0	0.2	2.5	1.8	0.4	1.9
Commodities less food and energy	0.7			0.3	18.835	0.14	0.06				-0.3	0.4	2.6	0.2	0.9	0.6
Household furnishings	0.2			-0.2	3.410	0.01	-0.01				-0.8	1.2	0.9	-0.9	1.2	0.9
Window & floor coverings	-0.8			-1.8	0.232	0.00	0.00				-2.3	1.7	0.9	-2.8	1.8	1.1
Furniture & bedding	-2.4			-0.8	0.845	-0.02	-0.01				-0.3	1.7	-1.2	-0.9	2.1	-0.7
Appliances	-1.0			-0.7	0.199	0.00	0.00				-1.2	3.1	0.1	-1.6	3.0	0.2
Other household equipment	1.3			2.1	0.533	0.01	0.01				-3.5	1.8	2.6	-3.7	1.5	3.4
Tools & hardware	2.2			0.5	0.673	0.02	0.00				-0.1	1.0	2.2	-0.3	1.2	2.1
Housekeeping supplies	1.2			-0.1	0.830	0.01	0.00				0.3	1.2	0.8	0.4	1.3	0.6

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Sep 2026				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
Apparel	3.4			0.3	2.445	0.09	0.01	-0.5	1.0	4.0	0.3	1.7	1.8
Men's & boys apparel	3.8			1.1	0.607	0.03	0.01	-0.3	1.5	2.7	0.5	2.3	1.5
Women's & girls apparel	2.5			-0.8	0.969	0.03	-0.01	-1.3	1.9	2.1	-0.1	2.5	1.0
Footwear	3.4			0.5	0.594	0.02	0.00	0.2	1.3	2.4	0.8	1.7	1.6
Infant & toddler's apparel	-1.3			2.3	0.096	0.00	0.00	0.4	3.8	-0.4	0.5	3.6	-0.5
Jewelry & watches	10.8			1.9	0.178	0.02	0.00	1.0	3.4	2.9	1.5	3.8	2.5
Trans. less fuel	-0.1			0.4	6.849	-0.01	0.03	-0.3	0.9	0.2	0.4	1.5	-0.3
New vehicles	0.6			0.2	3.748	0.03	0.01	0.1	0.7	0.8	0.8	1.2	-0.2
Used cars & trucks	-1.5			0.7	2.688	-0.04	0.02	-1.3	2.1	-0.1	1.1	4.8	-0.5
Motor vehicle parts & equipment	0.8			0.4	0.339	0.00	0.00	0.2	1.1	0.5	0.9	2.2	-0.1
Medical comm.	-3.3			-0.7	1.396	-0.05	-0.01	2.1	1.7	-3.2	2.3	1.5	-3.8
Medicinal Drugs	-3.4			-0.8	1.267	-0.04	-0.01	2.2	1.8	-3.2	2.3	1.6	-3.6
Medical equipment & supplies	-1.3			0.4	0.129	0.00	0.00	0.4	1.2	-1.3	0.3	1.2	-1.4
Recreation comm.	3.6			0.9	1.922	0.07	0.02	-2.6	1.1	5.8	-2.3	0.9	6.5
Video & audio products	1.9			-0.1	0.262	0.00	0.00	-10.1	2.4	5.0	-9.2	2.2	5.0
Pets & pet products	1.3			-0.3	0.601	0.01	0.00	0.4	1.5	0.6	0.5	1.5	0.6
Sporting goods	4.7			0.4	0.535	0.02	0.00	-0.7	1.5	3.5	-0.6	1.2	4.4
Photographic Equipment & supplies	-0.8			-0.1	0.025	0.00	0.00	-1.7	4.6	0.2	-3.0	4.0	0.6
Recreational reading materials	7.0			2.2	0.115	0.01	0.00	1.6	1.9	2.9	1.5	1.8	3.1
Other recreational goods	5.9			3.5	0.384	0.02	0.01	-6.5	1.3	9.3	-5.2	1.7	6.3
Educ. & communication comm.	-2.6			0.9	0.789	-0.02	0.01	-3.7	1.0	1.1	-3.5	0.9	1.0
Educational books & supplies	1.9			0.2	0.038	0.00	0.00	2.2	3.0	-0.1	3.6	2.7	-0.6
IT commodities	-2.9			0.9	0.752	-0.02	0.01	-6.1	1.9	1.7	-6.8	1.8	2.1
Alcohol	1.4			0.0	0.823	0.01	0.00	1.3	0.3	0.4	1.4	0.4	0.1
Alcoholic beverages at home	0.2			0.0	0.385	0.00	0.00	0.8	0.6	-1.1	0.8	0.5	-1.1
Alcoholic beverages away from home	2.6			-0.1	0.438	0.01	0.00	1.9	0.5	1.6	2.2	0.7	0.6
Other goods	3.7			0.1	1.300	0.05	0.00	1.4	0.9	2.7	1.4	0.7	3.2
Tobacco & smoking products	6.4			0.7	0.449	0.03	0.00	4.3	1.5	1.4	4.4	3.8	0.5
Personal care products	2.1			0.0	0.672	0.01	0.00	-0.3	0.6	4.2	-0.1	0.8	2.7
Miscellaneous personal goods	2.9			1.0	0.179	0.00	0.00	-2.4	3.1	1.7	-1.7	2.4	1.9

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Sep 2026				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
Services less energy services	3.1		0.4	60.240	1.88	0.24	2.8	0.2	1.2	2.4	0.6	1.1
Shelter	3.2		0.4	35.323	1.13	0.14	3.3	0.2	-0.5	2.5	1.2	0.6
Rent of shelter	3.2		0.4	35.035	1.12	0.14	3.3	0.2	-0.6	2.5	1.2	0.6
<u>Rent of primary residence</u>	<u>2.8</u>		<u>0.2</u>	<u>7.728</u>	<u>0.21</u>	<u>0.02</u>	<u>3.7</u>	<u>0.1</u>	<u>-6.7</u>	<u>2.9</u>	<u>1.1</u>	<u>-0.1</u>
<u>Lodging away from home</u>	<u>4.4</u>		<u>2.0</u>	<u>1.405</u>	<u>0.06</u>	<u>0.03</u>	<u>2.3</u>	<u>2.0</u>	<u>1.1</u>	<u>2.2</u>	<u>2.2</u>	<u>1.0</u>
<u>OER of residences</u>	<u>3.3</u>		<u>0.3</u>	<u>25.902</u>	<u>0.87</u>	<u>0.08</u>	<u>3.2</u>	<u>0.2</u>	<u>0.4</u>	<u>2.4</u>	<u>1.1</u>	<u>0.8</u>
Tenants' & household insurance	3.0		0.2	0.287	0.01	0.00	1.4	1.2	1.4	2.3	1.5	0.5
Water, sewer, trash collection	4.8		0.2	1.147	0.05	0.00	3.6	0.6	2.1	4.3	1.0	0.5
Water & sewage maintenance	4.7		0.2	0.784	0.03	0.00	4.0	0.8	0.9	4.8	1.4	-0.1
Garbage & trash collection	5.2		0.3	0.363	0.02	0.00	2.5	1.5	1.8	2.5	1.1	2.5
Household ops.	5.7		-0.3	0.881	0.00	0.00	3.8	1.3	1.5	2.6	1.6	1.9
Domestic services	3.1		0.7	0.277	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawn care	8.8		1.1	0.373	0.05	0.00	4.3	2.7	1.7	2.8	2.6	2.3
Moving, storage, freight	-7.1		-2.2	0.075	-0.01	0.00	5.6	3.9	-3.3	3.3	3.9	-2.7
Repair of household items	5.0		1.7	0.097	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	2.5		0.3	6.834	0.17	0.02	2.9	1.0	-0.4	3.0	0.8	-0.7
Professional Services	3.4		0.1	3.405	0.12	0.00	1.5	0.9	2.0	1.8	0.8	2.0
Hospital & related services	5.4		0.6	2.611	0.12	0.02	3.8	1.1	1.4	4.5	1.3	0.6
Health insurance	-9.0		-0.2	0.818	-0.07	0.00	5.0	5.8	-2.4	3.6	6.0	-2.1
Transportation serv.	2.7		0.6	6.261	0.17	0.04	2.6	1.1	0.0	2.6	1.0	0.1
Leased cars & trucks	-0.1		0.3	0.384	0.00	0.00	0.5	3.0	-0.2	-1.6	3.2	0.5
Motor vehicle maintenance & repair	5.8		0.7	1.063	0.06	0.01	2.2	0.7	5.2	2.0	0.6	6.6
Motor vehicle insurance	-5.0		0.1	2.531	-0.14	0.00	5.5	2.6	-4.0	4.8	2.0	-4.8
Motor vehicle fees	0.5		-0.3	0.500	0.00	0.00	1.8	0.7	-1.9	2.2	1.9	-0.9
Public transportation	15.6		1.2	1.630	0.22	0.02	-1.2	1.5	11.1	1.0	3.6	4.1
Recreation serv.	2.3		0.3	3.141	0.08	0.01	2.6	0.7	-0.4	2.3	0.7	0.0
Video & audio services	4.1		-0.1	0.780	0.03	0.00	2.7	1.4	1.0	2.6	1.3	1.1
Pet services	3.1		-0.6	0.543	0.02	0.00	3.1	0.8	0.1	3.3	0.9	-0.2
Photo services	2.9		-0.7	0.036	0.00	0.00	-0.2	2.0	1.5	0.8	1.8	1.1
Other recreation services	1.3		0.8	1.781	0.03	0.01	2.4	0.6	-1.8	1.7	1.1	-0.4
Educ. & communication serv.	3.1		0.0	5.018	0.15	0.00	0.4	1.3	2.0	1.1	1.3	1.6
Tuition, school fees, child care	3.8		0.6	2.542	0.10	0.02	2.8	0.6	1.8	3.3	0.8	0.6
Postage & delivery	13.0		0.6	0.066	0.01	0.00	2.3	2.0	5.5	3.3	2.0	5.0
Telephone services	3.2		-0.1	1.493	0.04	0.00	-2.4	3.0	1.9	-1.3	2.4	1.9
Internet services	0.2		-1.3	0.906	0.00	-0.01	-0.2	1.5	0.3	0.1	1.3	0.1
Other personal serv.	4.5		0.4	1.600	0.07	0.01	2.7	0.7	2.7	2.4	0.6	3.3
Personal care services	3.7		0.4	0.668	0.02	0.00	2.3	0.7	2.0	1.8	0.8	2.3
Miscellaneous personal services	5.1		0.3	0.932	0.05	0.00	2.9	0.9	2.4	2.7	0.7	3.3

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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