Special Commentary — October 15, 2025

September CPI Preview: Better Late Than Never

Summary

The government shutdown may have altered the September CPI release date, but it hasn't changed the stubborn state of inflation. We estimate headline CPI rose 0.4% last month, underpinned by a jump in energy prices, which would lift the year-over-year rate to a 16-month high of 3.1%. Core inflation likely rose 0.3% for the third consecutive month, holding the year-over-year rate steady at 3.1%. Beneath the surface, 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.

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.

September 2025 Forecast

	Wells Fargo Economics			Consensus	
	MoM (%)	**3-M Ann. (%)**	**YoY (%)**	**MoM (%)**	**YoY (%)**
CPI	0.37	3.8	3.1	0.4	3.1
Food	0.22	2.9	3.1	-	-
Food at Home	0.15	2.5	2.5	-	-
Food Away from Home	0.32	3.6	3.9	-	-
Energy	1.86	6.0	3.2	-	-
Energy Goods	3.37	13.1	-0.8	-	-
Energy Services	0.40	-0.5	7.6	-	-
Core CPI	0.27	3.8	3.1	0.3	3.1
Goods	0.25	3.0	1.6	-	-
Vehicles	0.22	3.9	2.5	-	-
Other Goods	0.26	2.9	1.3	-	-
Services	0.28	4.0	3.5	-	-
Primary Shelter	0.26	3.6	3.8	-	-
"Super Core"*	0.30	4.8	3.3	-	-
Not Seasonally Adjusted	**Index**	**MoM (%)**	**YoY (%)**	**Index**	**MoM (%)**
CPI	325.010	0.32	3.1	325.010	0.33

Forecast as of: October 15, 2025; Bloomberg Consensus

*Core services CPI excluding rent of primary residence and owners' equivalent rent (i.e., excluding "Primary Shelter")

Source: U.S. Department of Labor, Bloomberg Finance L.P. and Wells Fargo Economics

Economist(s)

Sarah House
Senior Economist | Wells Fargo Economics
Sarah.House@wellsfargo.com | 704-410-3282

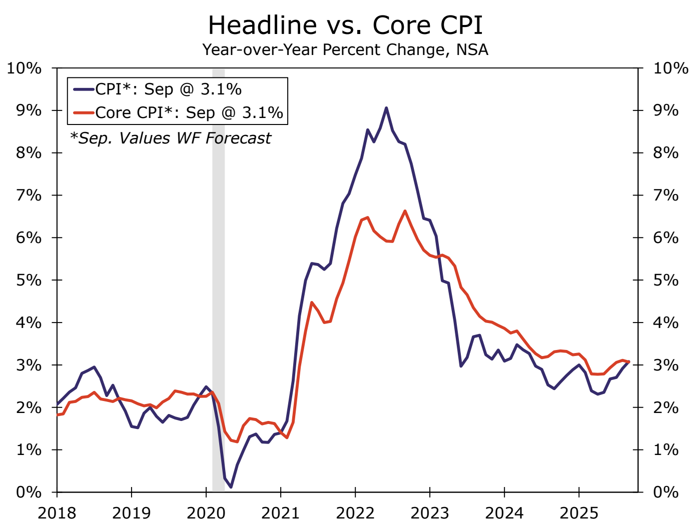
Nicole Cervi
Economist | Wells Fargo Economics
Nicole.Cervi@wellsfargo.com | 704-410-3059

Inflation Marches On

The release date of the September CPI may have changed, but the stubborn state of inflation has not. We estimate the headline CPI advanced 0.4% last month, which would push the year-over-year rate to a 16-month high of 3.1%. The core index is also likely to signal stalled progress in lowering inflation back toward the Fed's target. Excluding food and energy, we estimate prices rose 0.3%, leaving the year-ago rate at 3.1% (Figure 1).

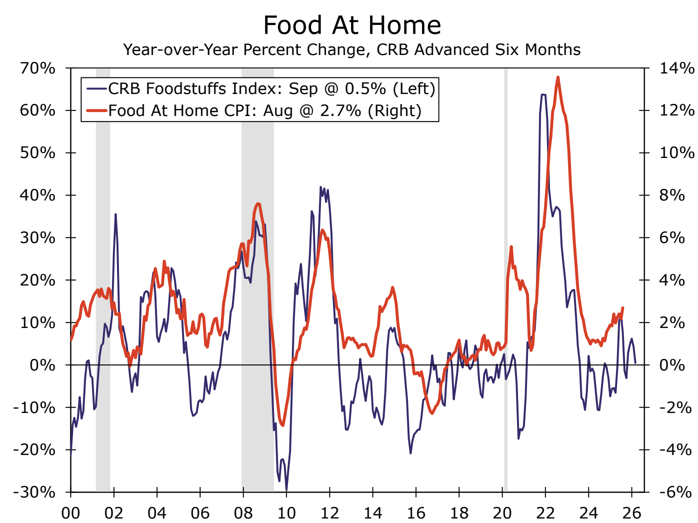
The headier rate of headline inflation follows an unusual rise in gasoline prices last month that we estimate will lead to a 3.4% jump in energy commodities on a seasonally-adjusted basis. A rebound in energy services prices after two months of declines should also lift the headline. That said, food prices likely rose at a more temperate pace in September. In August, grocery prices leaped 0.6% amid the filtering through of tariffs and tough agricultural conditions (e.g., coffee +3.6%, fresh fruits & vegetables +2.0% and beef +2.7%). Yet, the drop in the August PPI for consumer foods suggests prices are not continuing to shoot higher, while slower growth in food-related commodities should keep the trend in food at home prices from strengthening materially in the near term (Figure 2).

Figure 1



Source: U.S. Department of Labor and Wells Fargo Economics

Figure 2

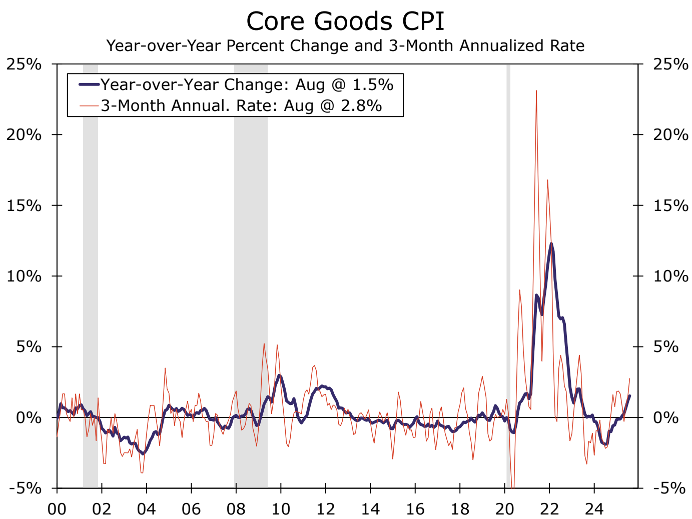


Source: U.S. Department of Labor, Bloomberg Finance L.P. and Wells Fargo Economics

Within the core, tariffs continue to manifest in goods prices. We anticipate prices in this category rose 0.25% in September, a touch below August's 0.28% gain but double the average pace of the prior 12 months (0.12%). 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.

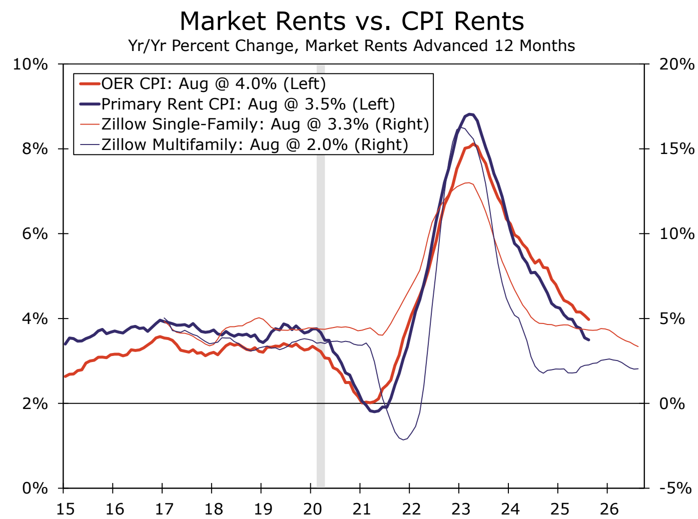
Meantime, goods categories that saw price declines in August—medical care, recreation, education, and communication—appear poised to rebound. Some signs of demand stabilization following a post-Liberation Day air-pocket and the continued diffusion of tariff-related cost pressures point to a sustained strengthening in goods inflation on trend. Altogether, we expect the core goods CPI to edge up to 1.6% year-over-year in September (Figure 3).

Figure 3



Source: U.S. Department of Labor and Wells Fargo Economics

Figure 4



Source: U.S. Department of Labor, Zillow Inc. and Wells Fargo Economics

Services inflation is likely to show more discernible moderation in September than goods categories. We estimate core services prices increased 0.28% in September, a step-down from August's 0.35% gain. The deceleration should be led by primary shelter. August's jump of 0.36% was hot relative to its 12-month trend and looks at odds with the path of market rent data (Figure 4). We see primary shelter inflation easing to a 0.26% gain in September. Slower growth in TSA traveler throughput and a dip in hotel occupancy rates point to the revival in travel losing some momentum in September. We look for a 1.2% rise in travel-related prices in September versus August's 2.4% jump.

Shutdown: Usual Data Quality for September, October a Different Story

While the shutdown delayed the upcoming release of the September CPI report from October 15 to October 24, we do not expect it to have affected the quality of last month's data. Following the 16-day government shutdown that began Oct. 1, 2013, the September CPI release was delayed by about two weeks, but the BLS noted that data collection had been completed prior to the shutdown in accordance with its normal schedule.

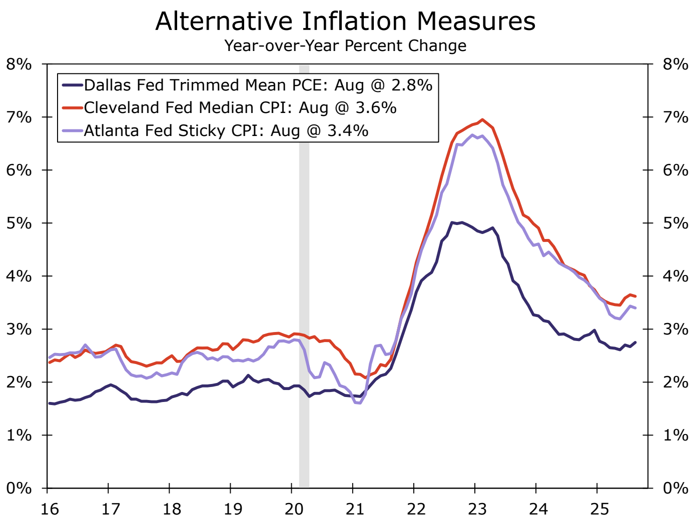
That said, pre-existing challenges to data collection stemming from staffing shortages and low response rates persist today, generating more general volatility in month-to-month readings. These ongoing challenges are likely to be exacerbated by the shutdown and make data quality a more pressing concern for the October CPI report. While the BLS called back furloughed workers to prepare the September release, data collection for October remains suspended. At the very least, that points to lower collection rates for October; during the 2013 shutdown, the sample of prices used to calculate the CPI was about 75% the usual amount. But with the current shutdown dragging on with no end in sight, we see a growing possibility that the Consumer Price Index is not published at all for the month of October.

3% Inflation Not Just a Tariff Tale

The catalyst to publish the September CPI despite other BLS work being suspended stems from the need for the Social Security Administration to prepare for its annual cost of living adjustments (COLA). Based on our September CPI forecast, we estimate Social Security recipients will receive a 2.8% COLA at the start of 2026, a bit larger than the 2.5% increase this past year.

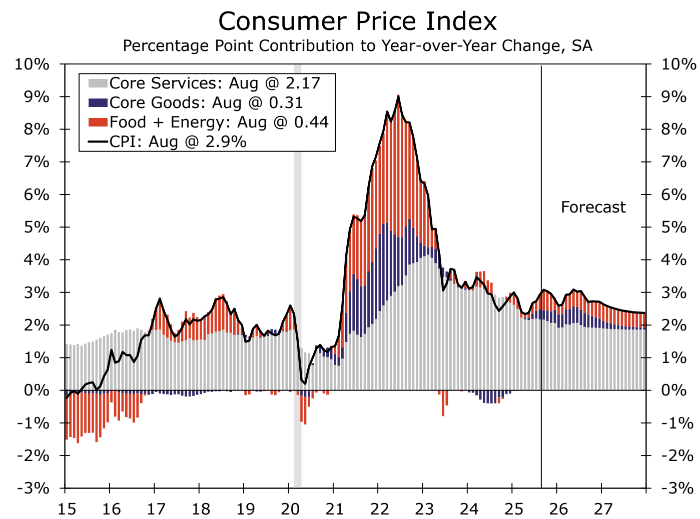
Some Fed officials have stated they see inflation running close to 2% absent tariff effects, making the recent upturn in inflation more benign than the latest numbers indicate. However, even setting aside these traditionally one-off adjustments, inflation remains elevated. Assuming core goods prices in the first eight months of the year had fallen on par with their 2024 monthly average (-0.06%), core inflation would still be up 2.7% on a year-ago basis—the strongest increase since 2006, excluding earlier months in the current inflation episode. While trimmed and median measures of inflation do not specifically exclude tariffs, their removal of categories with the most extreme price changes each month offer another indication that the underlying trend in inflation has edged back up (Figure 5).

Figure 5



Source: Federal Reserve System and Wells Fargo Economics

Figure 6



Source: U.S. Department of Labor and Wells Fargo Economics

The return to a roughly 3% year-over-year inflation rate is not a flash in the pan by our estimates. We expect price growth to proceed around this rate through the middle of next year. Stronger goods prices are one element of inflation's overall persistence. Supply chain pressures are no longer improving and tariffs are still making their way into selling prices. Adherence to prior price contracts, the use of pre-tariffed inventories, and the slow test of consumers' sensitivity to higher prices leave the full brunt of tariff-related price hikes still to come. We expect core goods inflation, currently 1.5%, to reach a peak of 2.6% in May of next year, which would contribute half a percentage point to headline inflation (Figure 6).

A slower reduction in services inflation, however, is another element of stalled progress on overall inflation. The monthly trend in primary shelter inflation is unlikely to ease much beyond the 0.26% gain we expect in September as the rental market has found a firmer footing. Demand for apartments is rebounding amid persistent affordability challenges in the for-sale market, while new construction has slowed. With rental supply and demand coming into better balance, we expect shelter inflation to ease to a year-over-year rate of 3.2% by next summer and hold around that pace through much of 2027. That would leave primary shelter running only slightly below its pre-pandemic pace (3.4%). Meanwhile, inflation for other core services (aka, the "super core") is expected to ease only modestly amid the recovery in travel demand, ongoing cost pressures in the healthcare space and higher costs for physical inputs for services providers. This protracted bout of inflation is the downside of the U.S. consumers' resilience. We expect core PCE inflation, the Fed's preferred barometer of inflation, to be closer to 3% than 2% at the end of next year (Table).

Wells Fargo U.S. Inflation Forecast

	Actual								Forecast							
	2024				2025				2026				2027			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CPI (YoY)	3.2	3.2	2.7	2.7	2.7	2.5	2.9	2.9	2.7	3.0	2.9	2.7	2.6	2.5	2.4	2.4
QoQ Annualized	3.7	2.8	1.4	3.0	3.8	1.6	3.2	3.1	2.9	2.8	2.6	2.5	2.4	2.4	2.4	2.3
Core CPI (YoY)	3.8	3.4	3.3	3.3	3.1	2.8	3.1	3.0	3.0	3.2	3.0	2.8	2.6	2.5	2.4	2.4
QoQ Annualized	4.2	3.1	2.4	3.4	3.5	2.1	3.4	3.2	3.2	2.9	2.6	2.5	2.4	2.4	2.4	2.4
PCE Deflator (YoY)	2.7	2.6	2.3	2.5	2.5	2.4	2.8	2.9	2.7	2.9	2.8	2.6	2.4	2.3	2.2	2.2
QoQ Annualized	3.4	2.5	1.5	2.4	3.7	2.0	3.0	3.1	2.9	2.7	2.4	2.3	2.3	2.2	2.2	2.2
Core PCE Deflator (YoY)	3.0	2.7	2.7	2.8	2.8	2.7	2.9	3.08	3.0	3.0	2.9	2.6	2.4	2.3	2.3	2.3
QoQ Annualized	3.7	2.8	2.2	2.6	3.5	2.5	3.1	3.2	3.1	2.7	2.4	2.3	2.3	2.3	2.2	2.2

Forecast as of: October 15, 2025
Note: All numbers are percent change.

Source: U.S. Department of Labor and Wells Fargo Economics

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Economics Group

Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Azhin Abdulkarim	Economic Analyst	212-214-5154	Azhin.Abdulkarim@wellsfargo.com
Anagha Sridharan	Economic Analyst	704-410-6212	Anagha.Sridharan@wellsfargo.com
Andrew Thompson	Economic Analyst	704-410-2911	Andrew.L.Thompson@wellsfargo.com

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