



The Daily Dish

Inflation Update

DOUGLAS HOLTZ-EAKIN | OCTOBER 27, 2025

The Bureau of Labor Statistics (BLS) released the [report](#) on the September Consumer Price Index (CPI). Recall that the BLS had been shuttered by the government shutdown. But Social Security gets an annual cost-of-living adjustment based on the September CPI report (see Jordan Haring, [here](#)). God forbid that it be delayed, so the BLS was unshuttered to produce the report.

So, the public was reminded of the power of the senior vote. But what did it learn about inflation? The key series – year-over-year topline inflation and year-over-year core inflation – are shown below. Both the CPI and the core CPI registered inflation of 3.0 percent. Unfortunately, this was not the first time each had reached 3.0 percent. Inflation is on the rise, having hit its recent low in April 2025.

That is a full percentage point above the Federal Reserve’s target, which has real consequences. It has been three years since inflation peaked in 2022. With inflation at 2 percent, a dollar is only worth 94 cents in another three years. Inflation at 3 percent, it means that same dollar is worth only 91 cents. There is a reason to get inflation back to the 2 percent target.

In response to the report, Bloomberg [reported](#): “While still illustrating that inflation remains well above the Federal Reserve’s 2% target, the softer-than-expected CPI report sealed expectations for the Fed to cut interest rates at next week’s policy meeting, and boosted the odds of a further move in December.” With each cut in rates, the Fed signals that it is willing to accommodate inflation that is above its target, perhaps substantially so, for a sustained period.

Inflation is a clear problem, and recent history shows that inflation is a politically potent phenomenon. While one can make a case that the economy is slowing, there is also evidence of continued above-trend growth. Abandoning a return to the 2 percent target would be a

mistake comparable to letting inflation get out of hand in 2021.

