The Daily Dish

October Inflation and the Fed

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The Bureau of Labor Statistics (BLS) released the October data for the Consumer Price Index (CPI). The overall CPI rose by 0.4 percent in October (an annual rate of 4.9 percent), while the core (non-food, non-energy) CPI was up by 0.3 percent (an annual rate of 3.7 percent) That's well above the expected inflation, but below the inflation for September. BLS did not release the usual year-over-year inflation rates because the government shutdown deep-sized the October 2025 CPI survey.

To get a feel for the longer-term trend, note that the annualized inflation rate from September 2025 to October 2026 (13 months) was 3.6 percent, compared with 3.7 percent for September 2026. This is shown in the first row of the table, below. If one instead compares to the 11 months from November 2025 to October 2026, the rate is 4.5 percent. Similar computations for the core CPI are in the second row. No matter how one cuts it, inflation is well above the Fed's 2-percent target. The only question is whether one believes it is still rising or beginning to ebb.

	September	October	
	12-Month	13-Month	11-Month
CPI	3.7%	3.6%	4.5%
Core CPI	2.6%	2.5%	3.1%

The next meeting of the Federal Open Market Committee (FOMC) is December 8–9. Prior to the release of the CPI it was widely expected the FOMC would raise the target federal funds rate by 25 basis points. These data bring into consideration the possibility of a more aggressive 50-point tightening.

One hopes it is not an important consideration, but the midterms changed the politics surrounding the Fed. It is inconceivable that the reconstituted Senate would confirm a nominee that the president selected simply for the purpose of cutting rates. Accordingly, any incentive for the president to attempt to remove members of the Board of Governors has evaporated as well. The FOMC decision should be perceived strictly on the merits of whether 25 or 50 basis points is the right step toward moving inflation back to the 2-percent target.