



**The Daily Dish**

# September CPI Report

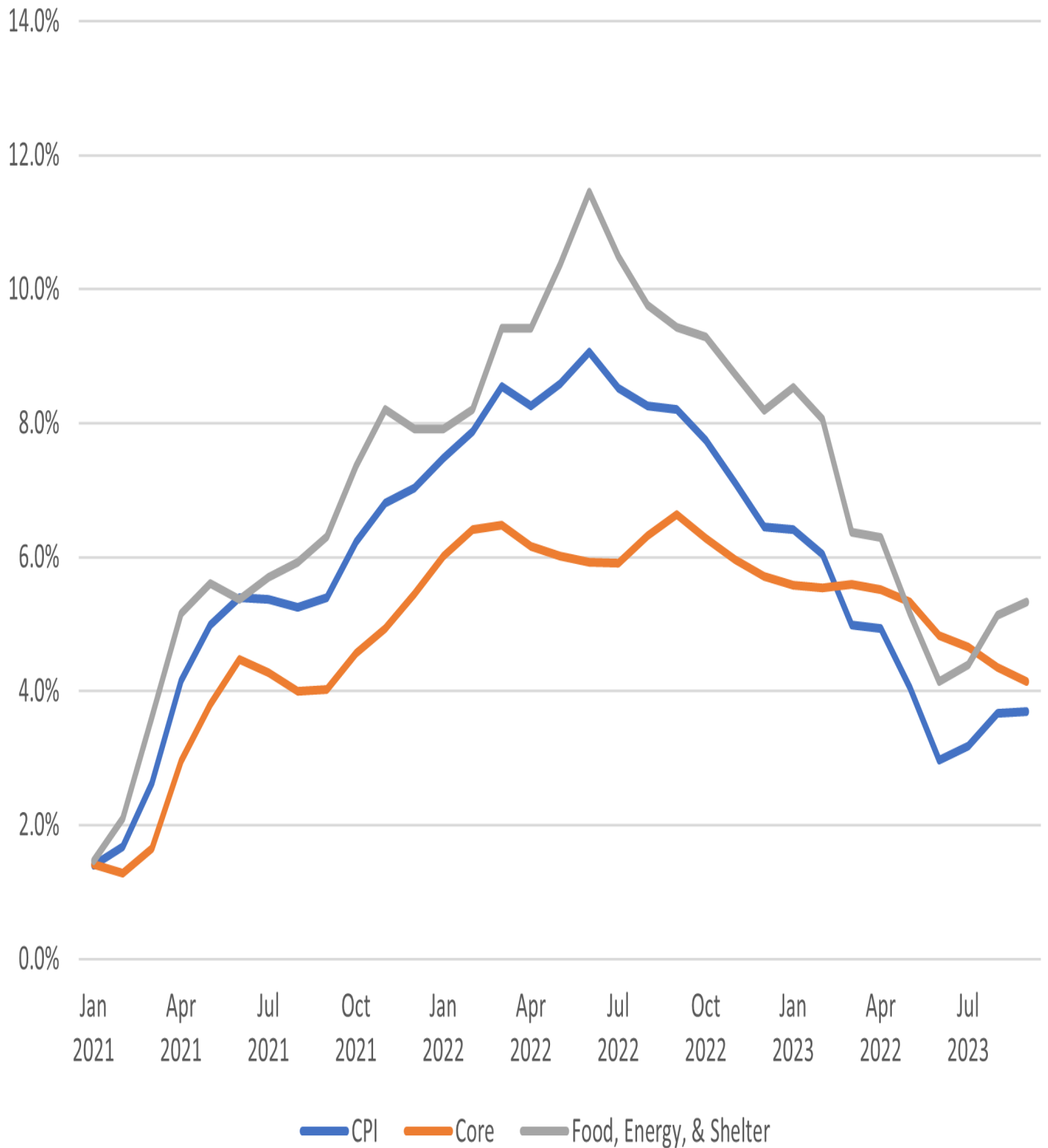
DOUGLAS HOLTZ-EAKIN | OCTOBER 13, 2023

The inflation watch remains the top economic issue. Yesterday the Bureau of Labor Statistics (BLS) released the report on the September Consumer Price Index (CPI). The chart below summarizes the key insights.

First, the good news. Inflation is down markedly from its highs of 2022. The CPI is 3.7 percent, compared to a high of 9.1 percent. “Core” (non-food, non-energy) inflation registered 4.1 percent compared to a peak of 6.6 percent. Finally, the bundle of food, energy, and shelter (FES) was 5.3 percent, well below the high of 11.4 percent. FES represents roughly 50 percent of the typical family budget.

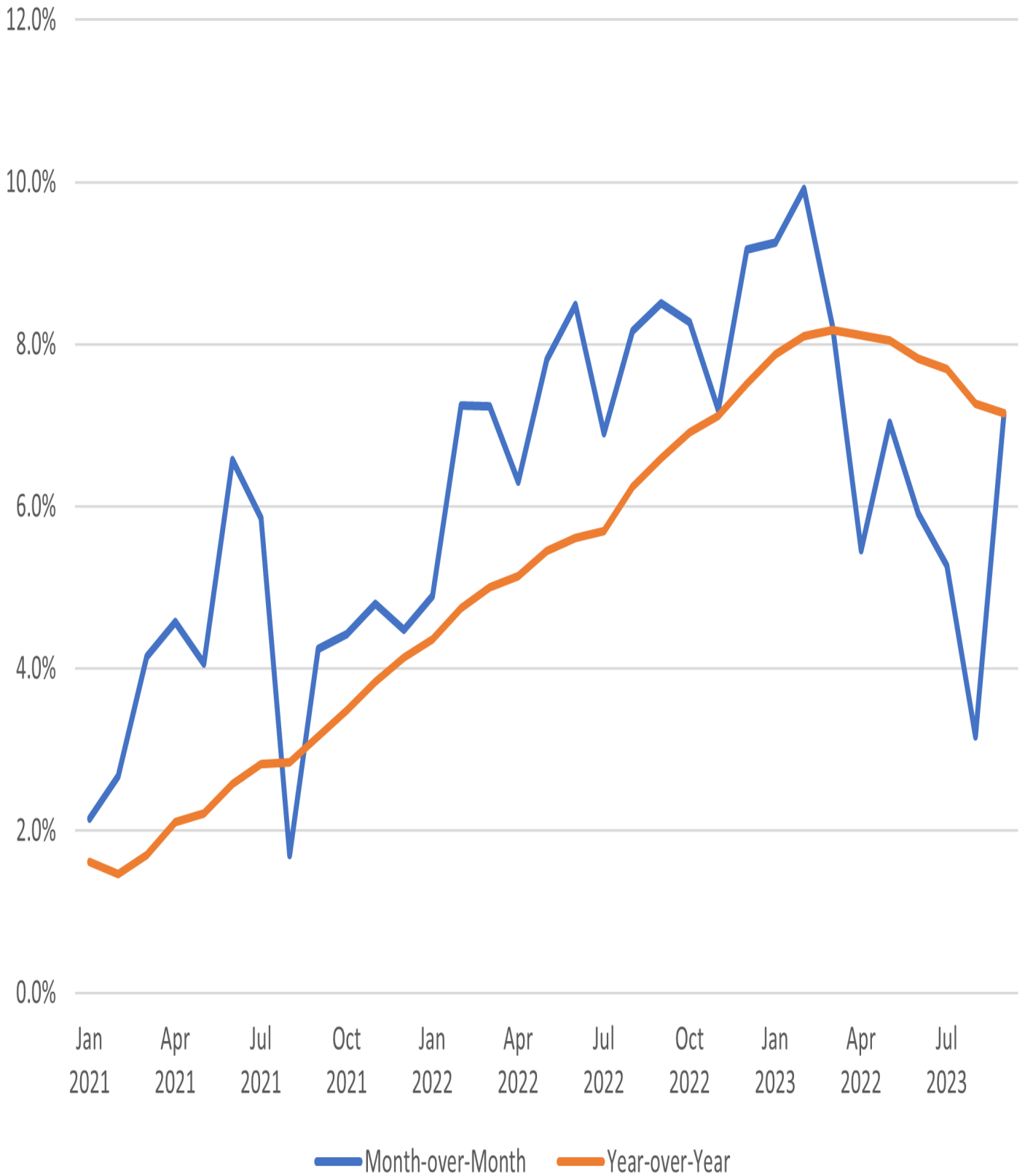
Of course, there is some bad news, as well. Not all of the lines continued to move downward in the most recent data. While core inflation went from 4.3 to 4.1 percent (year over year), the CPI inflation was unchanged at 3.7 percent and FES moved upward from 5.1 percent to 5.3 percent. At best, the data are sending the message that inflation is dissipating slowly and remains stubbornly high.

# Measures of CPI Inflation (year-over-year)



The rise in FES was driven by an anomalous rise in shelter inflation, documented below. Monthly shelter inflation (at an annual rate) is shown in the blue line and moved down from 10 percent to 3.2 percent between February and August. This has pulled down the year-over-year measure (orange line) from its high of 8.2 percent earlier this year. In September, however, monthly inflation jumped to 7.2 percent, which happens to coincide with the year-over-year inflation, as well.

# Shelter CPI Inflation



The September data likely do little to change the stance of Federal Reserve policy. The shelter data are out of line with recent trends and other measures of the housing market. Core inflation continues to move down, albeit very slowly. The Fed will continue to monitor the evolution of the economy before deciding whether to stay on hold or further raise the federal funds rate.