

Making Sense

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October's Consumer Price Index: Inflation Cools as Gas Prices Moderate

In Brief:

Takeaways from October's consumer price index:

- Headline inflation (year-over-year): **3.2%**
- Core inflation (year-over-year): **4.0%**

What does it mean for you?

- Consumer inflation is improving but remains elevated.
- Today's report decreases the likelihood of a federal funds rate hike in December.

What to watch:

- Watch the Fed's next rate decision on December 13, along with their Summary of Economic Projections.
- The Fed will continue monitoring economic data as well as developing geopolitical events.
- Stay informed and submit your questions at [FirstCitizens.com/Wealth/Market-Outlook](https://www.firstcitizens.com/wealth/market-outlook).

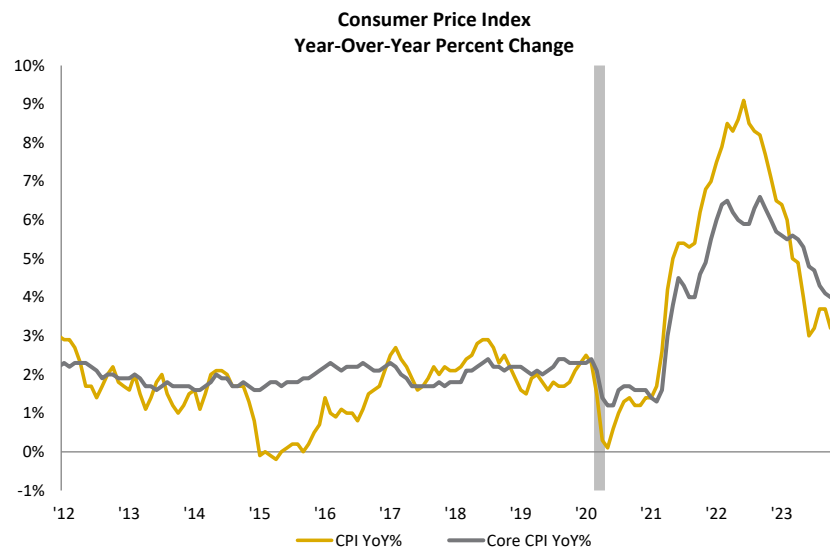
Last month, consumer inflation was flat compared to September. Year-over-year, headline inflation rose 3.2% while core inflation (excludes food and energy) rose 4.0%—both well above the Federal Reserve's 2% target but better than consensus expectations.

Today's better-than-expected inflation data bolsters our view that the Fed will not hike the federal funds rate at the December Federal Open Market Committee meeting. **That said, we do not expect the Fed to begin cutting the overnight rate anytime soon.**

Contributors to the 0.0% month-on-month change in CPI include a 5.0% drop in gasoline prices, along with other categories. Airline prices fell 0.9%, used vehicles declined 0.8%, and new vehicles deflated by 0.1%. The cost of shelter, an important CPI component, rose 0.3%, an improvement from 0.6% in September.

Today's report follows October's employment data from earlier this month, reporting an uptick in unemployment, fewer net new jobs added to the workforce, and slowing wage growth. **In combination with today's CPI data, the inflation picture in the US continues to improve.**

Figure 1: Consumer Price Index



Source: BLS, Bloomberg

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