US CPI in October 2026

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Economy

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Persistent price pressures reinforce the prospect of an interest rate hike by the Fed in December, as well as a more restrictive stance throughout 2027

During October, the headline and core Consumer Price Index (CPI) showed a monthly change (m/m) of 0.35% and 0.30%, respectively. Although these increases were lower than those observed in September (see Figure 1), the report shows broad price pressures across the U.S. economy that extend beyond energy supply shocks caused by the prolonged conflict in the Middle East. On an annual basis (y/y)[1], we estimate headline CPI to be at 3.95% and core CPI around 2.77%, both reaching their highest levels since May 2026. Because of these persistent pressures and a stable labor market, HR Ratings expects the Federal Reserve (Fed) to raise interest rates by 25 basis points (bp) at its December meeting. If the vote is not unanimous, dissent could come from certain policymakers seeking a 50bp hike, an increase not seen since December 2022.

Figure 1. CPI Inflation Evolution as of October 2026

Inflation During:	September-26		October-26		Annualized 3MMA		
	Monthly	Annual	Monthly	Annual	Aug-26	Sep-26	Oct-26
Headline	**0.65%**	**3.72%**	**0.35%**	**3.95%**	**1.14%**	**1.73%**	**3.46%**
Core	**0.33%**	**2.57%**	**0.30%**	**2.77%**	**1.97%**	**2.34%**	**3.04%**
Services less Energy	0.35%	3.15%	0.30%	3.40%	2.27%	1.98%	2.60%
Services less Rent	0.31%	3.22%	0.45%	3.47%	2.21%	2.27%	2.95%
Rent of Shelter	0.41%	3.22%	0.27%	3.39%	2.99%	2.60%	3.06%
Non Durable Goods	1.38%	6.65%	0.48%	7.00%	-1.02%	0.03%	4.45%
Durable Goods	0.92%	-0.05%	-0.04%	-0.17%	0.32%	2.35%	3.30%
Food	0.05%	2.45%	0.47%	2.89%	2.30%	1.47%	1.74%
Energy	5.20%	20.35%	0.70%	20.35%	-9.32%	-4.15%	11.44%
Gasoline	9.09%	34.17%	1.04%	37.36%	-16.98%	-7.39%	20.10%

Source: HR Ratings with seasonally adjusted information from the U.S. Bureau of Labor Statistics, retreived from FRED. The annual changes in CPI for October 2026 are calculated by using, for October 2025, an average of the data from September 2025 and November 2025.

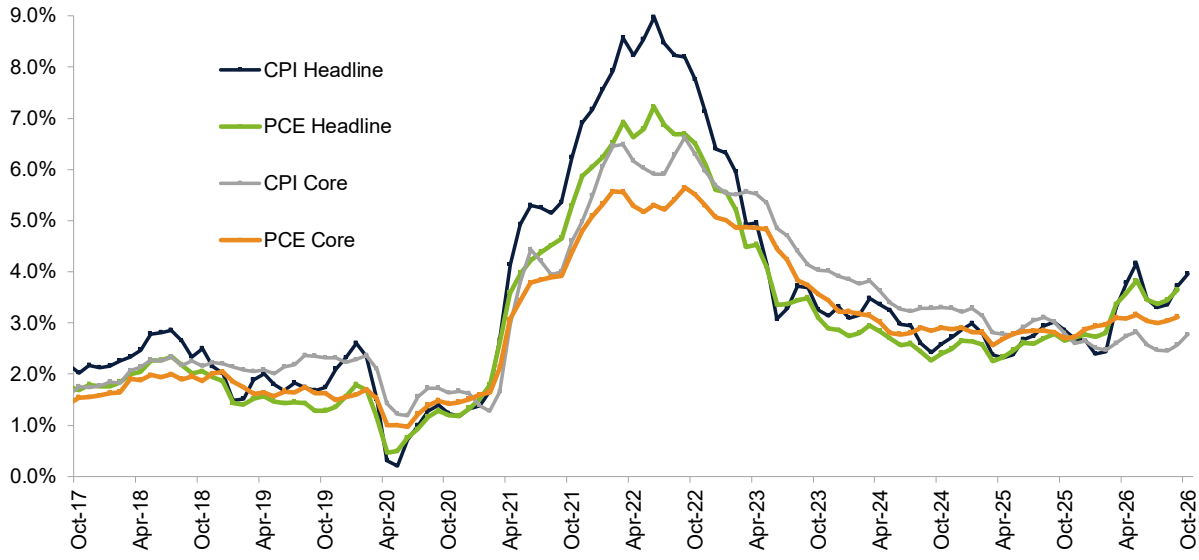
[1] Due to the government shutdown that occurred last year, the CPI data for October 2025 was not published. However, at HR Ratings, we calculated it as the average of the data from September 2025 and November 2025, in order to provide a more robust analysis.

Within core CPI, the services less energy index advanced 0.30% m/m, marking a significant rise despite moderating from the previous month. Among its main components, shelter moved up 0.30% m/m, accounting for over 30% of the total monthly all-items increase, according to the Bureau of Labor Statistics (BLS). Transportation services climbed 0.84% m/m, posting the highest jump since January 2026. Airline fares remained a major driver (0.41% m/m) due to higher fuel costs, alongside a notable 0.70% m/m rise in motor vehicle insurance. Meanwhile, the goods index edged up 0.16% m/m. While non-durable goods rose 0.48% m/m, durable goods posted their first decline (-0.04% m/m) in four months. This drop was largely driven by a 1.20% m/m decrease in used cars and trucks, despite a moderate gain of 0.20% m/m in new vehicle prices. Overall, the strong momentum currently experienced by the U.S. economy appears to be driving prices higher across most sectors.

The energy CPI advanced 0.70% m/m in October, easing from the steeper jumps recorded over the previous two months (2.10% m/m and 5.20% m/m). This slowdown reflects a smaller uptick in gasoline prices, which grew 1.04% m/m. Furthermore, in early November, the American Automobile Association (AAA) reported that the national average price for gasoline fell below US$4.00 per gallon for the first time since July 2026. This could bring some relief to headline inflation, as WTI crude oil prices have dropped around 8.7% since the November 3 midterm elections, amid expectations that challenging results for Republicans—partially tied to the war with Iran—could ease geopolitical tensions. Meanwhile, increasing reports of substantial oil flows through the Strait of Hormuz suggest that, once reserves are restocked, prices for oil and its derivatives should stabilize. On the other hand, the food index increased 0.47% m/m.

Based on HR Ratings calculations, annual core CPI inflation was fueled by services (rising from 3.15% in September to 3.40% in October) and non-durable goods (up from 6.65% to 7.00% over the same period). In contrast, durable goods (-0.17% y/y) remained in annual contraction for the seventh straight month. Energy inflation held steady at around 20.35% y/y for the second consecutive month, while annual gasoline inflation accelerated from 34.17% y/y in September to 37.36% y/y in October. As shown in Figure 2, the upward trend in headline and core CPI is also reflected in the headline and core Personal Consumption Expenditures (PCE) price indexes. Although PCE data is only available through September, it confirms the recent price pressures felt by households. In fact, core PCE is ahead of core CPI, which is unusual and is likely to be of concern for the Fed.

Figure 2. Annual CPI and PCE Evolution as of October 2026



Source: HR Ratings Retrieved from FRED. Data is seasonally adjusted. The annual changes in CPI for October 2026 are calculated by using, for October 2025, an average of the data from September 2025 and November 2025.

Overall, the CPI data indicates that the Fed will maintain a restrictive stance for the foreseeable future as broad price pressures and labor market stability persist. For next month's monetary policy decision, HR Ratings anticipates a 25bp hike, aligning with market expectations. However, recent remarks by Fed Governor Christopher Waller regarding a potential 50bp increase (a move not seen in nearly four years) have drawn attention. Combined with the CPI report, these comments have led the market to fully price in a 25bp hike while assigning a 10.3% probability to a 50bp move, according to the Chicago Mercantile Exchange (CME). While we do not believe current conditions warrant an increase of that magnitude, it could spark divergence among central bank members, preventing a unanimous vote and prompting investors to price in tighter policy ahead. For 2027, traders currently expect an additional 50bp in rate hikes on top of December's projected 25bp move.

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