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Economic Research

Economic Briefing

US inflation remains too high

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U.S. consumer prices rose 0.4% in October from the previous month, more than expected. Higher energy prices accounted for only part of the increase. Underlying price pressures, as measured by core inflation excluding food and energy, were also very strong at 0.3%. Prices are still rising too quickly, even though the increase was somewhat smaller than in September. The rapid decline in inflation that the Federal Reserve had hoped for has yet to materialize. We continue to expect the Fed to raise interest rates at its next meeting in December.

The data

U.S. consumer prices rose 0.4% in October from the previous month, slightly more than expected. Excluding food and energy, prices increased 0.3%. This core reading exceeded the consensus forecast of 0.2% but matched our forecast. A year-over-year rate is not being calculated this time because not all prices were collected in October 2025 due to the government shutdown that affected the Bureau of Labor Statistics.

To obtain at least an estimate of the year-over-year rate, the missing October 2025 figure can be interpolated from the September and November data. On this basis, the headline inflation rate rose from 3.7% to 4.0%. The core rate excluding food and energy increased from 2.6% to 2.8%.

The details

Inflation pressures in the U.S. remain elevated, even though the month-over-month increases eased slightly from September. The headline increase was 0.4%, down from 0.6%, while the core increase was 0.30%, down from 0.33%.

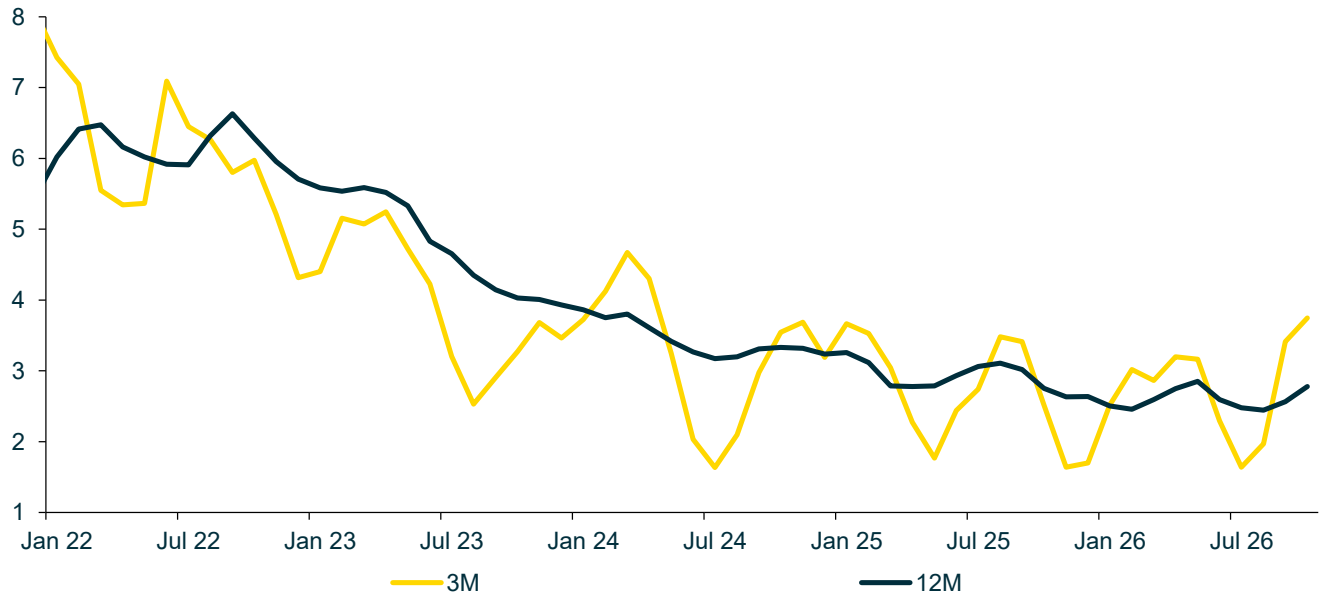
Gasoline prices rose 1.0%, but price increases were broadly based. The indirect effects of higher energy prices were reflected in food prices (+0.5%) and transportation services (+0.8%). Overall, prices for goods excluding food and energy, which are normally stable, rose 0.2%. Services excluding food and energy increased 0.3%, also above the usual pace for this category.

Core inflation, a key gauge of the underlying trend, thus remains (too) high and is no longer trending downward (Chart 1). Over the past three months, it reached an annualized rate of 3.7%. The strong economy and the ongoing conflict in the Middle East suggest that inflation is unlikely to ease in the near term. Inflation is not expected to

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decline until 2027, and even then it is likely to remain above a level consistent with price stability.

Chart 1 - Underlying inflation picked up recently
Consumer price index excluding food and energy, 3- and 12-month changes, annual rate in % (missing values for Oct 2025 interpolated)



Source: BLS, S&P Global, Commerzbank Research

Another Fed Rate Hike Likely in December

Underlying inflation pressures remain too high and appear to be intensifying. In a speech this morning before the data were released, influential Fed Governor Christopher Waller had already called for a 25-basis-point rate hike at the Fed's next meeting in December, even if the figures came in better than in September. Waller said that if the monthly core reading was 0.3% (as now reported) or higher, a 50-basis-point hike should even be considered. This signals the direction of the debate, although we do not expect such a drastic move to win majority support on the Federal Open Market Committee.

We continue to believe that September's single rate hike is not enough to bring inflation down meaningfully, especially with the economy still humming and unemployment low. We expect the Fed to raise rates by another 25 basis points in December.

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