



# CPI Inflation Weaker Than Expected, Up +0.3% for September 2025

## Headlines

- **Topline CPI gained 0.3% in September 2025.**
- **Core CPI inflation saw a 0.23% monthly gain**, its weakest pace since May.
- **Housing CPI downshifted to +0.16%**, this largest CPI component's weakest gain since January 2021.
- **Energy CPI jumped in September 2025** with Gasoline price inflation posting its largest one-month gain since August 2023.
- **Both New and Used Vehicle inflation remained tame**, up 0.8% and 2.7% versus one year ago, respectively.
- **Food price inflation eased in September 2025** but is still up 3.1% versus one year ago.

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## Details

**The Consumer Price Index (CPI) came in under PNC's expectations with a 0.3% monthly gain for the topline metric in September 2025.** This result translates to a 3.0% year-over-year pace, below market expectations but up modestly from the 2.9% gain seen in August. A significant pressure release valve may have opened for inflation in September with Housing-related price pressures posting their weakest monthly gain since January 2021. But Energy prices spoiled the necessities-related good news as Gasoline prices jumping in September.

**Core CPI, which excludes volatile Food and Energy prices, rose by 0.2% in September 2025.** This gain represents the weakest monthly Core CPI rise since May 2025 (+0.13%) and allowed the year-over-year Core CPI pace to slow to 3.0%. This slowdown is

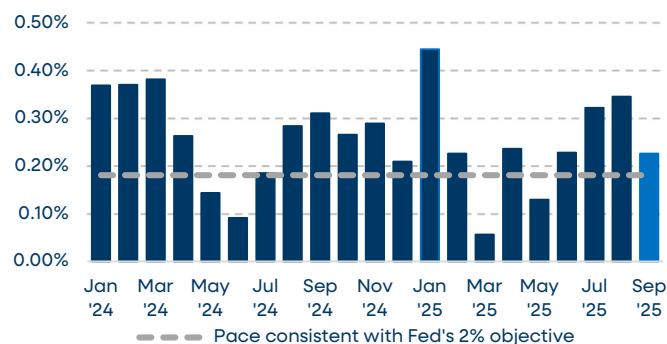
significant as Core CPI mirrors the Federal Reserve's preferred monetary policy-setting inflation gauge, the Core Personal Consumption Expenditures index. PNC already expects three more 25 basis point interest rate cuts from the Fed out of their next three meetings—October, December, and January of next year. September's progress on the Core CPI front shores up that expectation.

Housing CPI slowed considerably in September 2025, rising by only 0.16% for the month. Although on a year-ago basis Housing-related inflation is still 3.9%, **the September result is encouraging as it is the weakest pace seen since January 2021 (+0.05%).** Housing makes up approximately 40% of the overall CPI index and has remained stubbornly high since the pandemic ramped up homebuying and



household maintenance costs followed that push. A break in Housing CPI's trend would open the door to topline and Core CPI having a real chance at achieving the Federal Reserve's 2% average target pace.

**Figure 1: Core CPI (m/m % change)**



Sources: BLS

**Food CPI eased slightly in September 2025.** Both the Food at Home and Food Away from Home categories saw monthly gains slip from recent highs—the Food at Home category having posted its strongest monthly gain in three years in August (+0.58%). Weaker Food price inflation entering the holiday shopping season bodes well for consumers hoping to keep recent strong spending habits intact without breaking household budgets.

Energy price gains threw cold water on the necessities-related inflation narrative in September 2025 with a gain of 1.5% for the month. Gasoline prices alone gained 4.1%, which was the strongest one-month jump since August 2023. Oil prices, though volatile recently, remain in the low \$60 per barrel range (West Texas Intermediate), suggesting that a sustained Energy inflation push is not imminent. Should September's bounce prove to be an anomaly versus outright declines and there be subdued gains otherwise throughout 2025, households will have limited necessities-related pressure standing in their way as holiday spending ramps up in the coming months.

Vehicle price inflation retreated in September 2025 after a spike in August. New Vehicle price inflation gained 0.2% for the month and prices are now 0.8% higher than one year ago. For context, this is approximately the pace of price growth seen in

mid-2019, prior to the pandemic's economic disruptions. Used Vehicles saw outright price declines in September 2025, falling by 0.4% for the month. A short burst of price gains in late 2024 have year-over-year Used Vehicle prices still up 5.1% for the year, but the annualized pace of Used Vehicle price growth since February's peak is -2.3%.

After a worry-inducing set of August 2025 CPI result, markets should find relief with the September numbers. First steps toward unwinding of the problematic and significantly lagged Housing CPI component may have just emerged, and the Energy CPI push in this month's numbers does not have enough upstream oil price pressure to cause alarm. Consumers have defied their expressed diminished confidence in the U.S. economy by continuing to spend throughout the year to date, and they have done so without relying on credit card debt growth. Slower inflation would enable this broadest support for the U.S. economy to continue, leaving only the still-chaotic tariff policy rhetoric and implementation environment as a risk to consumer spending habits entering the new year.



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