For the second month in a row, headline inflation was 3.7% y/y in September, slightly higher than the consensus expectation of 3.6%. Core inflation continued to edge down to 4.1% y/y, from 4.2% in August, though shelter inflation surprised to the upside. On monthly basis, core inflation rose 0.3% m/m, largely due to stronger shelter prices. Shelter prices increased 0.6%, their strongest increase since May. Headline CPI rose 0.4% m/m, in part, due to the 2.1% rise in gasoline prices.

Core goods prices declined on a m/m basis and are now flat relative to a year ago. The decline in core goods was mostly due to lower used vehicle prices though there were also declines in apparel and household furnishings. Core services, on the other hand, increased 0.6% m/m and are now at 5.7% y/y. While the disinflation trend remains in tact, the September CPI report is a reminder that the path to 2% inflation will be a “bumpy and sticky” one. Today’s report also reaffirms the likelihood of a Fed pause at the Nov 1st meeting, while marginally increasing uncertainty for December.

While m/m inflation data provides very useful information on the recent momentum in (dis)inflation, a look at today’s CPI data on a y/y basis provides a useful lens on the categories in which the consumer is feeling the most cost pressure (and relief) relative to one year ago.