



Consumer Price Index September 2024

October 10, 2024

Strategy realized



EY Parthenon
Shape the future with confidence

Author: **Greg Daco**

Risks to the inflation outlook remain balanced

- While Consumer Price Index (CPI) inflation eased less than expected in September, the combination of selective consumer prudence, increased pricing sensitivity, reduced markups, moderating wage growth and cooling rent inflation should continue to drive a healthy disinflationary impulse heading into 2025.
- Headline CPI rose 0.2% month over month (m/m) in September, a tick more than expected, with energy prices plunging 1.9% and food prices up a strong 0.4%. Core CPI rose a moderate 0.3% – in line with the August gain, but firmer than the 0.2% average advance over the prior three months.
- Core commodities prices rose 0.2% – their first increase since February – as auto and apparel prices rebounded. Core services prices rose 0.4%, driven by transitory strength in medical care and transportation services as shelter costs were tied for the lowest post-pandemic gain, up only 0.2%.
- Headline CPI inflation eased 0.1 percentage points (ppt), to 2.4% year over year (y/y) – the lowest since February 2021 – while core CPI inflation rose a tick to 3.3% y/y – still near its lowest since April 2021.
- Short-term inflation dynamics remain encouraging with headline CPI inflation at 1.6% on a six-month annualized basis and 2.1% on a three-month annualized basis. Core CPI inflation remains a little hotter at 2.6% on a six-month annualized basis and 3.1% on a three-month annualized basis.
- We foresee headline CPI inflation closing the year around 2.3% and core CPI inflation just below 3% in December, but we note the risk from rising tensions in the Middle East pressuring oil and gasoline prices as well as the risk from hurricane distortions.
- We anticipate a 25 basis points (bps) rate cut in November, but stress that the economic picture will be muddled by recent hurricanes, strikes and Election Day two days before the Federal Open Market Committee (FOMC) meeting. Unless there is a notable weakening in underlying payroll growth, hours worked and the unemployment rate next month, policy gradualism will likely prevail.



Looking into the details

Energy prices fell 1.9% on a 4.1% plunge in prices at the pump that was partially offset by 0.7% gain in both electricity and utility natural gas prices.

Food prices rose a strong 0.4% – the strongest gain since January – on higher grocery prices driven by fresh fruit (apple pies will cost more this fall!). Restaurant prices, meanwhile posted a 0.3% gain in line with their pre-pandemic trend. Grocery prices are up 1.3% y/y while restaurant prices are up 3.9% y/y.

Core goods prices posted their first increase since February, up 0.2%. Apparel prices rebounded 1.1% in what appears to be more of a seasonal adjustment oddity. New and used vehicle prices posted modest gains, up 0.2% and 0.3%, respectively, after multiple months of decline – nothing alarming on that front. Overall, core goods prices are 1.0% lower than a year ago and have been falling since January.

Core services prices showed some transitory bumpiness, up 0.4%, despite very encouraging news on the shelter cost front. Shelter costs only rose 0.2% – their smallest post-pandemic advance – as rent and owners' equivalent rent both rose 0.3% – their smallest post-pandemic advance. Hotel prices plunged 2.3%. Shelter cost inflation eased to 4.9% y/y, its lowest since February 2022.

Looking into **other core services categories**, there is no reason for inflation concern. Medical care services was a culprit for the larger-than-expected CPI advance, but it seemed to be mostly driven by a one-off increase in physicians' services cost. Auto insurance prices again advanced a strong 1.2%, but the pace of inflation eased to a still-elevated pace of 16.3% y/y. Airfare also posted a robust 3.2% monthly advance, pushing airfare inflation up to a modest 1.6% y/y.

How EY-Parthenon can help

Strategy consulting services

[Read more](#)

Contacts



Gregory Daco

EY-Parthenon Chief Economist
Strategy and Transactions
Ernst & Young LLP



Lydia Boussour

EY-Parthenon Senior Economist
Strategy and Transactions
Ernst & Young LLP



Marko Jevtic

EY-Parthenon Senior Economist
Strategy and Transactions
Ernst & Young LLP



EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multidisciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

About EY-Parthenon

EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their ecosystems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized – helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

© 2024 Ernst & Young LLP.
All Rights Reserved.

2408-36946-CS

ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, legal or other professional advice. Please refer to your advisors for specific advice.

ey.com

The views reflected in this article are the views of the author and do not necessarily reflect the views of Ernst & Young LLP or other members of the global EY organization.

[See more on Macroeconomic insights](#)