

OCTOBER 27, 2025

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Inflation relatively unchanged

Turns out, the delay in the Bureau of Labor Statistics (BLS) release of the September Consumer Price Index (CPI) report likely won't make a difference to the Federal Reserve. The BLS made the data public on Friday, about two weeks late, because of the federal government shutdown: Headline CPI increased 0.3% month-over-month (m/m), while the annualized measure grew at 3.0%; Core CPI rose 0.2% m/m, with the annualized number increasing by 3.0%.

Both readings were close enough to August data, and to expectations, that the Fed likely will keep inflation concern on the back burner to the labor market. Fed Chair Jerome Powell reiterated that policymakers have become more worried about the weakening employment landscape, despite inflation remaining above its 2% target. The markets, and we, still anticipate they will issue another quarter-point reduction in the federal funds target rate at this week's Federal Open Market Committee (FOMC) meeting. The question of how much the dearth of government data will impact policymakers' views will be shifted to the December FOMC meeting unless the government reopens soon.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

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G40461-19 (10/25)