Scotiabank

GLOBAL ECONOMICS

SCOTIA FLASH

October 14, 2026

US CPI Lights Up Fed Hike Expectations

- **Core CPI was hotter than consensus, matching Scotia's estimate**
- **Early mapping points to elevated core PCE inflation**
- **Pass through into goods and services prices is evident**
- **Seasonal adjustment factors tamped down the jump**
- **Markets raise Fed hike pricing for October onward…**
- **…as Scotiabank Economics forecasts two more hikes**

US CPI / core CPI, m/m %, SA, September:
Actual: 0.65 / 0.33
Scotia: 0.6 / 0.3
Consensus: 0.6 / 0.2
Prior: 0.40 / 0.29

US inflation surprised consensus and market expectations while matching my estimates. Core CPI climbed 0.33% m/m SA with total CPI inflation up 0.65%. Core CPI inflation is clearly not waning (chart 1). The results raised the year-over-year rates to 3.7% (3.4% previously) and 2.6% y/y (2.4% prior) for total CPI and core CPI respectively.

Core goods prices (ex-food and energy) were up by 0.3% m/m SA and at an annualized rate are on an accelerating trend (chart 2). This reflects pass through of commodities and tariffs and is consistent with soft survey guidance as a leading indicator.

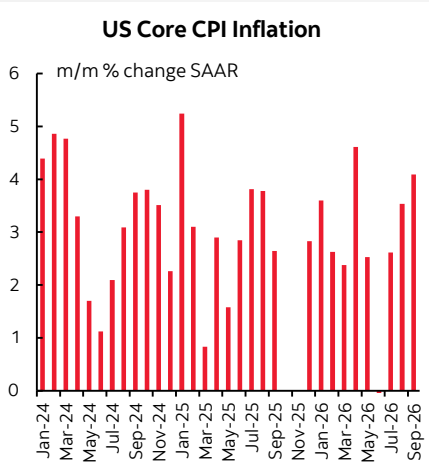
Core services CPI (ex-housing and energy services) was up by 0.4% m/m SA and at an annualized rate continues to post sharp increases (chart 3). Here too, we are seeing pass through effects.

PCE is tracking a rise of 0.45% m/m SA and core PCE is tracking 0.27% m/m SA. This is derived by taking the CPI figures and adjusting for weighting differences. We'll reassess the implications for PCE inflation when we get producer prices tomorrow including the components that are included in PCE. The bottom line is that underlying inflation in the US economy remains rather warm. I wouldn't rule out another hike on October 28th despite some guidance from FOMC officials. Accordingly, market pricing for that meeting shot up from about 5bps to about half of a 25bps rate hike.

Contributors

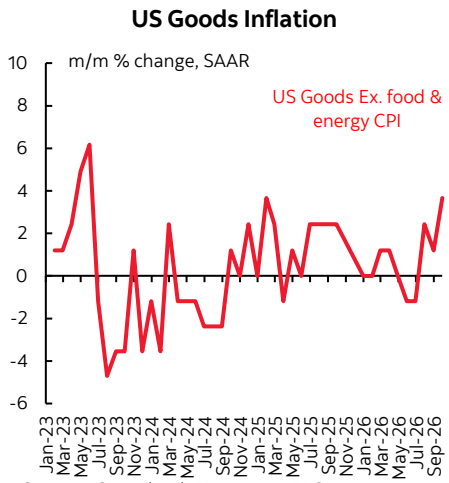
Derek Holt
VP & Head of Capital Markets Economics
Scotiabank Economics
416.863.7707
derek.holt@scotiabank.com

Chart 1



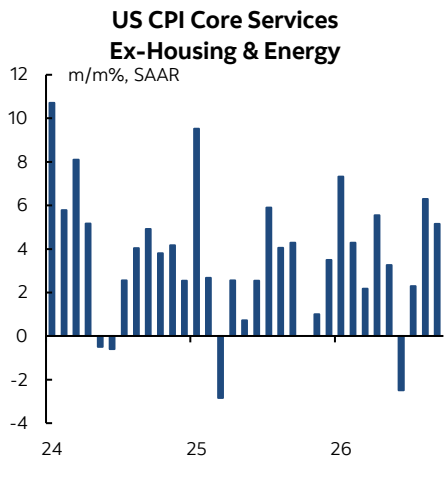
Sources: Scotiabank Economics, BLS.

Chart 2



Sources: Scotiabank Economics, BLS.

Chart 3



Sources: Scotiabank Economics, BLS.

Breadth of inflationary pressures remains high (chart 4).

Having said that, the smoothed m/m price increases fall into buckets that represent a rather lumpy profile of inflationary pressures (chart 5).

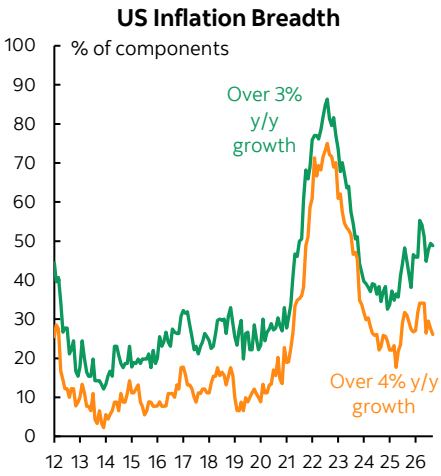
The jump in core CPI was driven by seasonally unadjusted prices (chart 6) that were tamped down by another relatively tame seasonal adjustment factor (chart 7).

Charts 8–16 break down individual parts of the basket.

Charts 17–18 break down the basket in unweighted terms and in terms of weighted contributions to m/m inflation. Charts 19-20 do likewise for y/y rates.

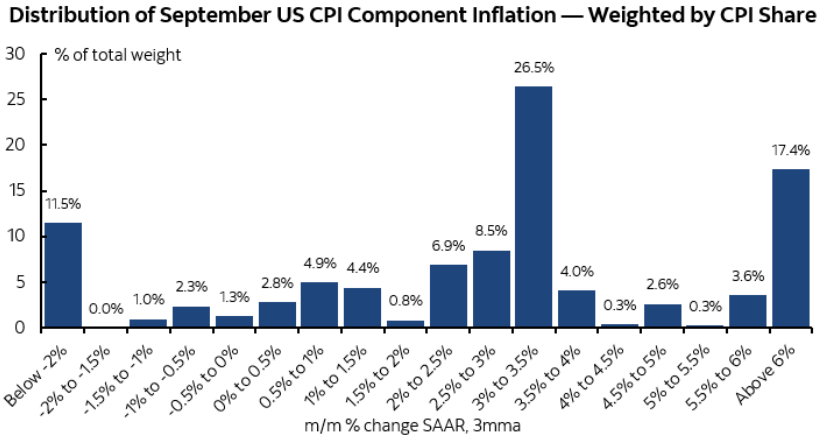
Please also see the accompanying table that provides further details.

Chart 4



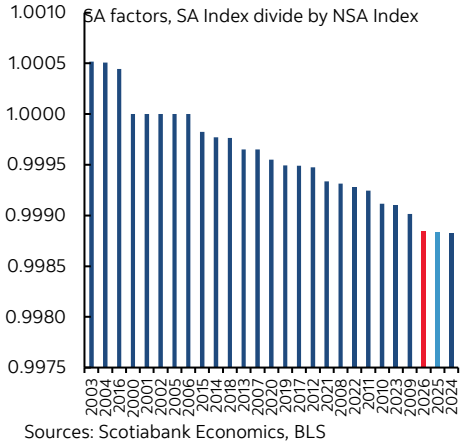
Sources: Scotiabank Economics, BLS.

Chart 5



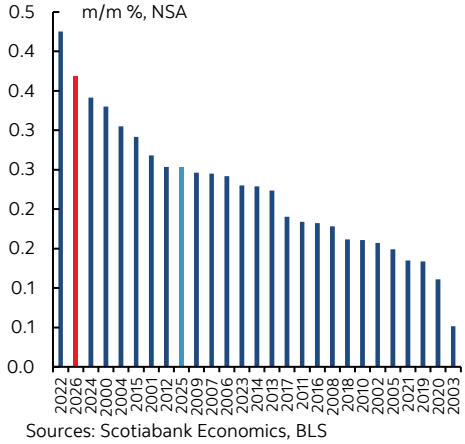
Sources: Scotiabank Economics, BLS.

Chart 6



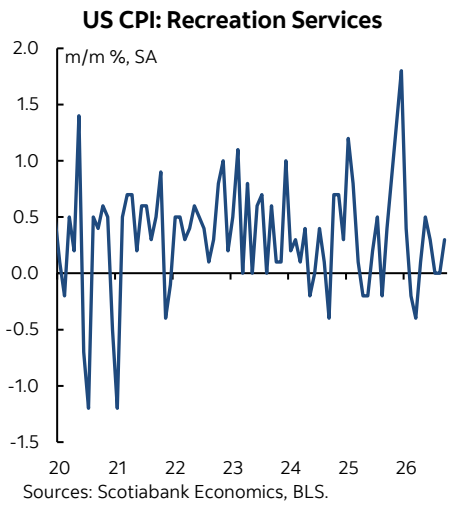
Sources: Scotiabank Economics, BLS

Chart 7



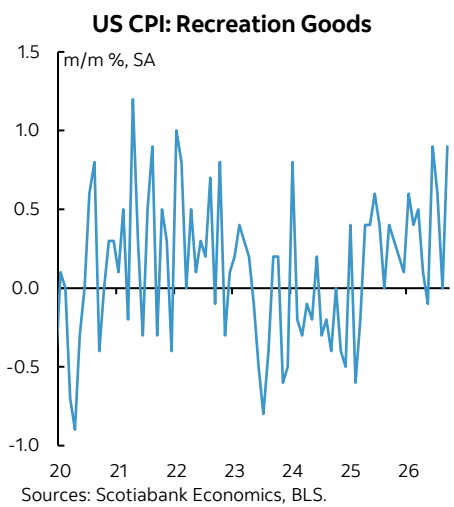
Sources: Scotiabank Economics, BLS

Chart 8



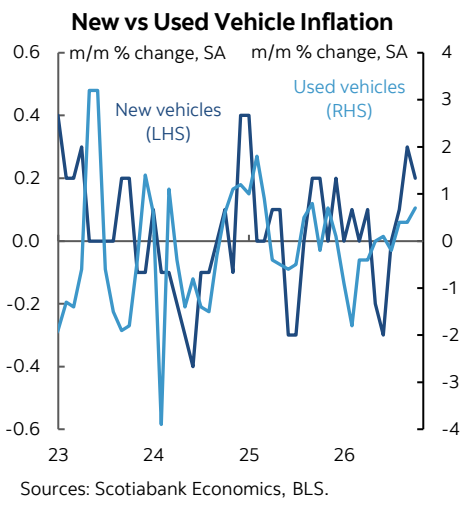
Sources: Scotiabank Economics, BLS.

Chart 9



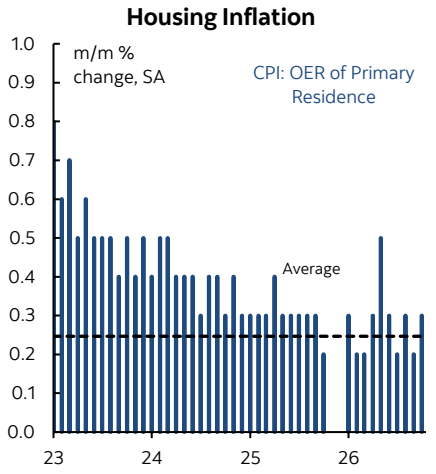
Sources: Scotiabank Economics, BLS.

Chart 10



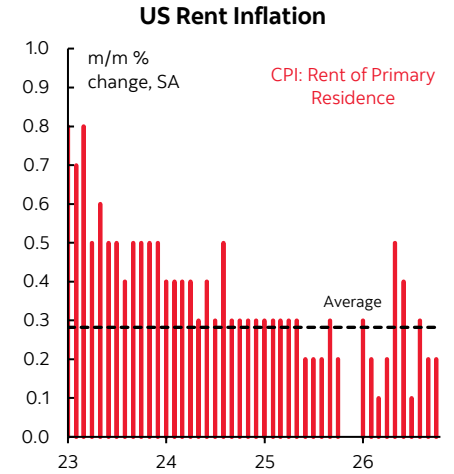
Sources: Scotiabank Economics, BLS.

Chart 11



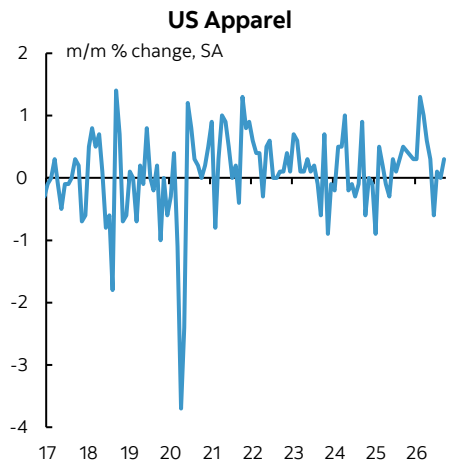
Sources: Scotiabank Economics, BLS.

Chart 12



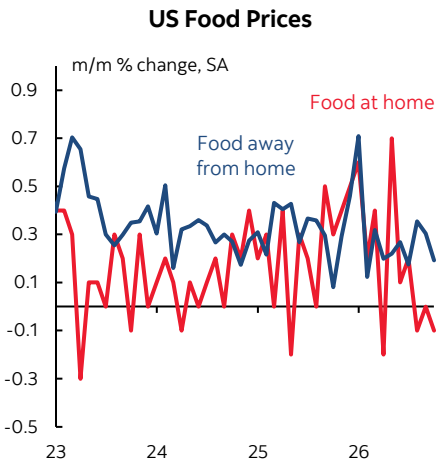
Sources: Scotiabank Economics, BLS.

Chart 13



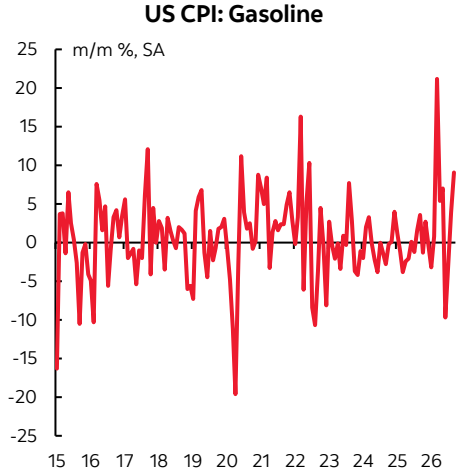
Sources: Scotiabank Economics, BLS.

Chart 14



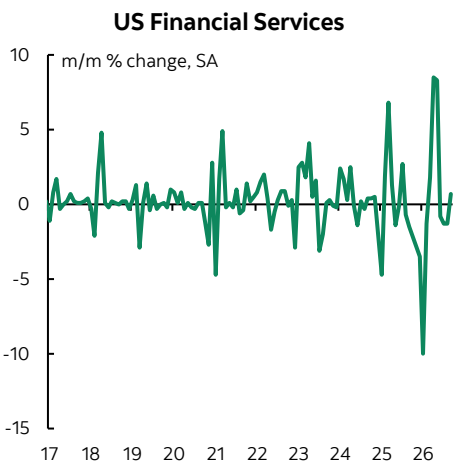
Sources: Scotiabank Economics, BLS, Haver.

Chart 15



Sources: Scotiabank Economics, BLS

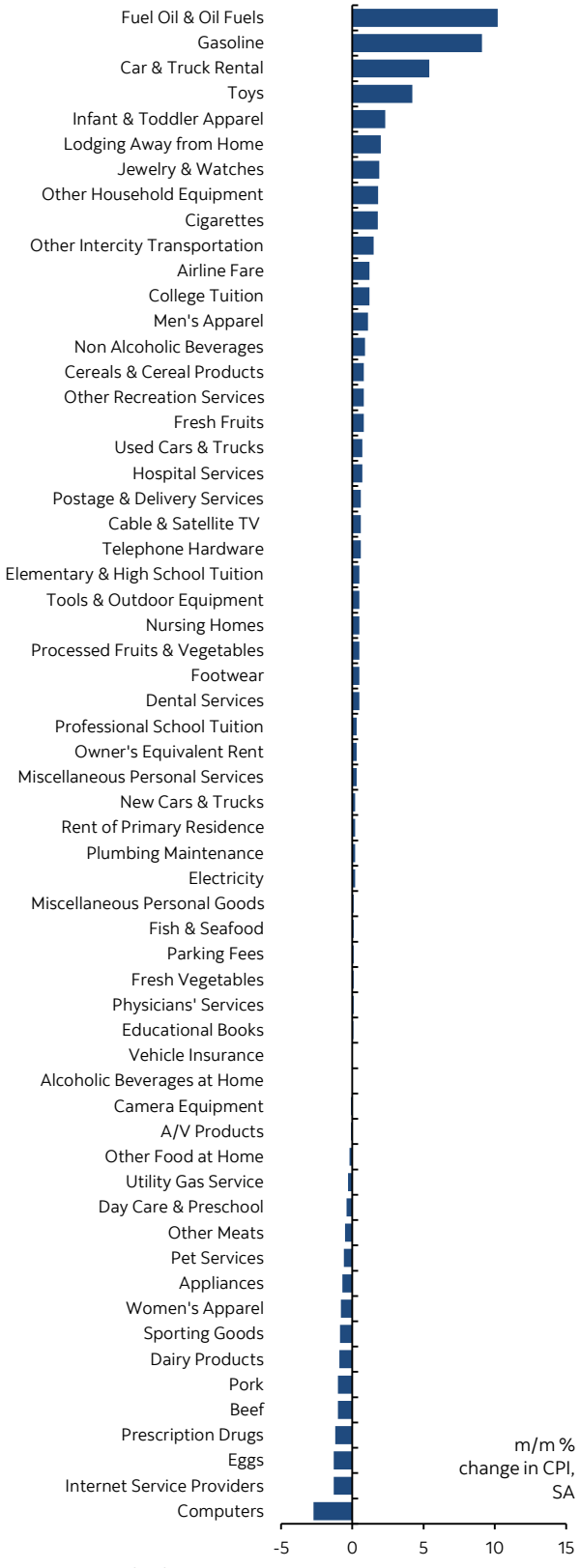
Chart 16



Sources: Scotiabank Economics, BLS.

Chart 17

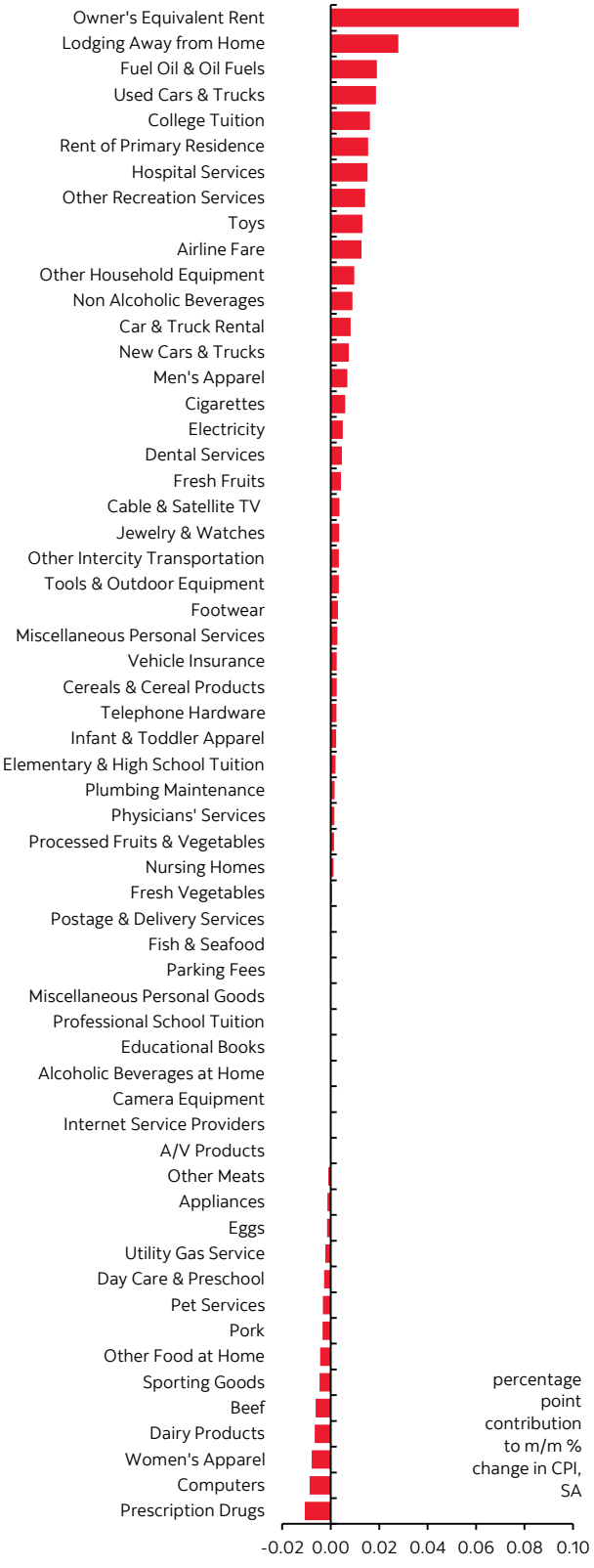
September Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

Chart 18

September Weighted Contributions to Monthly Change in US Headline CPI ex Gasoline



Sources: Scotiabank Economics, US BLS.

Chart 19

September Weighted Contributions to the 12-Month Change in US Headline CPI



Source: Scotiabank Economics, BLS.

Chart 20

September 12-Month Changes in US Headline CPI Categories



Sources: Scotiabank Economics, BLS.

October 14, 2026

Sep 2026				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Food	**2.5**		**0.0**	**13.507**	**0.34**	**0.00**	**1.3**	**0.8**	**1.6**	**1.7**	**1.1**	**0.7**
Food, home	**1.8**		**-0.1**	**8.203**	**0.14**	**-0.01**	**0.2**	**1.1**	**1.4**	**1.2**	**1.9**	**0.3**
Cereals & bakery products	2.1		0.1	1.021	0.02	0.00	0.4	0.9	1.9	0.9	1.7	0.7
Meats, poultry, fish & eggs	0.3		-0.5	1.956	0.00	-0.01	-0.2	3.2	0.2	2.1	3.9	-0.5
Dairy & related products	-0.7		-0.9	0.741	-0.01	-0.01	-0.6	1.6	-0.1	1.1	3.1	-0.6
Fruits & vegetables	3.7		0.5	1.270	0.05	0.01	0.4	1.7	1.9	1.0	2.0	1.3
Non-alcoholic beverages	3.8		0.9	0.986	0.03	0.01	0.6	1.0	3.1	0.5	1.6	2.1
Other food at home	1.8		-0.2	2.227	0.04	0.00	0.5	0.6	2.1	1.0	1.6	0.5
Food, away	**3.5**		**0.2**	**5.304**	**0.20**	**0.01**	**2.7**	**0.3**	**2.7**	**2.5**	**0.5**	**2.0**
Full services meals & snacks	3.8		0.3	2.354	0.09	0.01	2.6	0.4	3.3	2.4	0.5	2.8
Limited services meals and snacks	3.2		0.2	2.647	0.09	0.01	2.8	0.3	1.2	2.5	0.7	1.0
Food at employee sites and school	3.8		0.5	0.064	0.00	0.00	2.8	2.4	0.4	2.8	1.9	0.5
Food from vending machines & mobile vendors	2.0		-0.2	0.053	0.00	0.00	3.1	1.0	-1.1	2.5	1.3	-0.4
Other food away from home	4.0		0.1	0.185	0.01	0.00	2.5	1.3	1.1	2.3	1.0	1.7
Energy	**20.4**		**5.2**	**7.418**	**1.30**	**0.39**	**-1.9**	**10.0**	**2.2**	**1.6**	**9.6**	**2.0**
Energy comm.	**35.3**		**9.3**	**4.146**	**1.13**	**0.39**	**-2.8**	**17.0**	**2.2**	**3.0**	**17.1**	**1.9**
Fuel oils & other fuels	43.8		10.2	0.170	0.06	0.02	-2.3	15.8	2.9	2.7	14.4	2.9
Motor fuel	34.9		9.3	3.976	1.07	0.37	-2.8	17.1	2.2	3.0	17.3	1.8
Gasohe	*34.2*		*9.1*	*3.853*	*1.02*	*0.35*	*-2.8*	*17.1*	*2.2*	*3.0*	*17.4*	*1.8*
Other	*60.9*		*11.9*	*0.123*	*0.05*	*0.01*	*-2.3*	*19.5*	*3.2*	*3.6*	*17.9*	*3.2*
Energy serv.	**4.6**		**0.1**	**3.272**	**0.15**	**0.00**	**0.0**	**2.4**	**1.9**	**0.5**	**2.7**	**1.5**
Electricity	4.4		0.2	2.529	0.11	0.01	0.5	1.5	2.6	1.0	1.7	2.0
Utility (piped gas service)	5.0		-0.3	0.743	0.04	0.00	-1.4	7.5	0.9	-0.9	7.3	0.8
All items less food and energy	**2.6**		**0.3**	**79.075**	**2.08**	**0.24**	**2.0**	**0.2**	**2.5**	**1.8**	**0.4**	**1.9**
Commodities less food and energy	**0.7**		**0.3**	**18.835**	**0.14**	**0.06**	**-0.3**	**0.4**	**2.6**	**0.2**	**0.9**	**0.6**
Household furnishings	**0.2**		**-0.2**	**3.410**	**0.01**	**-0.01**	**-0.8**	**1.2**	**0.9**	**-0.9**	**1.2**	**0.9**
Window & floor coverings	*-0.8*		*-1.8*	*0.232*	*0.00*	*0.00*	*-2.3*	*1.7*	*0.9*	*-2.8*	*1.8*	*1.1*
Furniture & bedding	*-2.4*		*-0.8*	*0.845*	*-0.02*	*-0.01*	*-0.3*	*1.7*	*-1.2*	*-0.9*	*2.1*	*-0.7*
Appliances	*-1.0*		*-0.7*	*0.199*	*0.00*	*0.00*	*-1.2*	*3.1*	*0.1*	*-1.6*	*3.0*	*0.2*
Other household equipment	*1.3*		*2.1*	*0.533*	*0.01*	*0.01*	*-3.5*	*1.8*	*2.6*	*-3.7*	*1.5*	*3.4*
Tools & hardware	*2.2*		*0.5*	*0.673*	*0.02*	*0.00*	*-0.1*	*1.0*	*2.2*	*-0.3*	*1.2*	*2.1*
Housekeeping supplies	*1.2*		*-0.1*	*0.830*	*0.01*	*0.00*	*0.3*	*1.2*	*0.8*	*0.4*	*1.3*	*0.6*

Sep 2026				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Apparel	**3.4**		**0.3**	**2.445**	**0.09**	**0.01**	**-0.5**	**1.0**	**4.0**	**0.3**	**1.7**	**1.8**
Men's & boys apparel	3.8		1.1	0.607	0.03	0.01	-0.3	1.5	2.7	0.5	2.3	1.5
Women's & girls apparel	2.5		-0.8	0.969	0.03	-0.01	-1.3	1.9	2.1	-0.1	2.5	1.0
Footwear	3.4		0.5	0.594	0.02	0.00	0.2	1.3	2.4	0.8	1.7	1.6
Infant & toddler's apparel	-1.3		2.3	0.096	0.00	0.00	0.4	3.8	-0.4	0.5	3.6	-0.5
Jewlery & watches	10.8		1.9	0.178	0.02	0.00	1.0	3.4	2.9	1.5	3.8	2.5
Trans. less fuel	**-0.1**		**0.4**	**6.849**	**-0.01**	**0.03**	**-0.3**	**0.9**	**0.2**	**0.4**	**1.5**	**-0.3**
New vehicles	0.6		0.2	3.748	0.03	0.01	0.1	0.7	0.8	0.8	1.2	-0.2
Used cars & trucks	-1.5		0.7	2.688	-0.04	0.02	-1.3	2.1	-0.1	1.1	4.8	-0.5
Motor vehicle parts & equipment	0.8		0.4	0.339	0.00	0.00	0.2	1.1	0.5	0.9	2.2	-0.1
Medical comm.	**-3.3**		**-0.7**	**1.396**	**-0.05**	**-0.01**	**2.1**	**1.7**	**-3.2**	**2.3**	**1.5**	**-3.8**
Medicinal Drugs	-3.4		-0.8	1.267	-0.04	-0.01	2.2	1.8	-3.2	2.3	1.6	-3.6
Medical equipment & supplies	-1.3		0.4	0.129	0.00	0.00	0.4	1.2	-1.3	0.3	1.2	-1.4
Recreation comm.	**3.6**		**0.9**	**1.922**	**0.07**	**0.02**	**-2.6**	**1.1**	**5.8**	**-2.3**	**0.9**	**6.5**
Video & audio products	1.9		-0.1	0.262	0.00	0.00	-10.1	2.4	5.0	-9.2	2.2	5.0
Pets & pet products	1.3		-0.3	0.601	0.01	0.00	0.4	1.5	0.6	0.5	1.5	0.6
Sporting goods	4.7		0.4	0.535	0.02	0.00	-0.7	1.5	3.5	-0.6	1.2	4.4
Photographic Equipment & supplies	-0.8		-0.1	0.025	0.00	0.00	-1.7	4.6	0.2	-3.0	4.0	0.6
Recreational reading materials	7.0		2.2	0.115	0.01	0.00	1.6	1.9	2.9	1.5	1.8	3.1
Other recreational goods	5.9		3.5	0.384	0.02	0.01	-6.5	1.3	9.3	-5.2	1.7	6.3
Educ. & communication comm.	**-2.6**		**0.9**	**0.789**	**-0.02**	**0.01**	**-3.7**	**1.0**	**1.1**	**-3.5**	**0.9**	**1.0**
Educational books & supplies	1.9		0.2	0.038	0.00	0.00	2.2	3.0	-0.1	3.6	2.7	-0.6
IT commodities	-2.9		0.9	0.752	-0.02	0.01	-6.1	1.9	1.7	-6.8	1.8	2.1
Alcohol	**1.4**		**0.0**	**0.823**	**0.01**	**0.00**	**1.3**	**0.3**	**0.4**	**1.4**	**0.4**	**0.1**
Alcoholic beverages at home	0.2		0.0	0.385	0.00	0.00	0.8	0.6	-1.1	0.8	0.5	-1.1
Alcoholic beverages away from home	2.6		-0.1	0.438	0.01	0.00	1.9	0.5	1.6	2.2	0.7	0.6
Other goods	**3.7**		**0.1**	**1.300**	**0.05**	**0.00**	**1.4**	**0.9**	**2.7**	**1.4**	**0.7**	**3.2**
Tobacco & smoking products	6.4		0.7	0.449	0.03	0.00	4.3	1.5	1.4	4.4	3.8	0.5
Personal care products	2.1		0.0	0.672	0.01	0.00	-0.3	0.6	4.2	-0.1	0.8	2.7
Miscellaneous personal goods	2.9		1.0	0.179	0.00	0.00	-2.4	3.1	1.7	-1.7	2.4	1.9

Sep 2026				Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
Services less energy services	**3.1**		**0.4**	**60.240**	**1.88**	**0.24**	**2.8**	**0.2**	**1.2**	**2.4**	**0.6**	**1.1**
Shelter	**3.2**		**0.4**	**35.323**	**1.13**	**0.14**	**3.3**	**0.2**	**-0.5**	**2.5**	**1.2**	**0.6**
Rent of shelter	3.2		0.4	35.035	1.12	0.14	3.3	0.2	-0.6	2.5	1.2	0.6
Rent of primary residence	2.8		0.2	7.728	0.21	0.02	3.7	0.1	-6.7	2.9	1.1	-0.1
Lodging away from home	4.4		2.0	1.405	0.06	0.03	2.3	2.0	1.1	2.2	2.2	1.0
OER of residences	3.3		0.3	25.902	0.87	0.08	3.2	0.2	0.4	2.4	1.1	0.8
Tenants' & household insurance	3.0		0.2	0.287	0.01	0.00	1.4	1.2	1.4	2.3	1.5	0.5
Water, sewer, trash collection	**4.8**		**0.2**	**1.147**	**0.05**	**0.00**	**3.6**	**0.6**	**2.1**	**4.3**	**1.0**	**0.5**
Water & sewage maintenance	4.7		0.2	0.784	0.03	0.00	4.0	0.8	0.9	4.8	1.4	-0.1
Garbage & trash collection	5.2		0.3	0.363	0.02	0.00	2.5	1.5	1.8	2.5	1.1	2.5
Household ops.	**5.7**		**-0.3**	**0.881**	**0.00**	**0.00**	**3.8**	**1.3**	**1.5**	**2.6**	**1.6**	**1.9**
Domestic services	3.1		0.7	0.277	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawncare	8.8		1.1	0.373	0.05	0.00	4.3	2.7	1.7	2.8	2.6	2.3
Moving, storage, freight	-7.1		-2.2	0.075	-0.01	0.00	5.6	3.9	-3.3	3.3	3.9	-2.7
Repair of household items	5.0		1.7	0.097	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	**2.5**		**0.3**	**6.834**	**0.17**	**0.02**	**2.9**	**1.0**	**-0.4**	**3.0**	**0.8**	**-0.7**
Professional Services	3.4		0.1	3.405	0.12	0.00	1.5	0.9	2.0	1.8	0.8	2.0
Hospital & related services	5.4		0.6	2.611	0.12	0.02	3.8	1.1	1.4	4.5	1.3	0.6
Health insurance	-9.0		-0.2	0.818	-0.07	0.00	5.0	5.8	-2.4	3.6	6.0	-2.1
Transportation serv.	**2.7**		**0.6**	**6.261**	**0.17**	**0.04**	**2.6**	**1.1**	**0.0**	**2.6**	**1.0**	**0.1**
Leased cars & trucks	-0.1		0.3	0.384	0.00	0.00	0.5	3.0	-0.2	-1.6	3.2	0.5
Motor vehicle maintenance & repair	5.8		0.7	1.063	0.06	0.01	2.2	0.7	5.2	2.0	0.6	6.6
Motor vehicle insurance	-5.0		0.1	2.531	-0.14	0.00	5.5	2.6	-4.0	4.8	2.0	-4.8
Motor vehicle fees	0.5		-0.3	0.500	0.00	0.00	1.8	0.7	-1.9	2.2	1.9	-0.9
Public transportation	15.6		1.2	1.630	0.22	0.02	-1.2	1.5	11.1	1.0	3.6	4.1
Recreation serv.	**2.3**		**0.3**	**3.141**	**0.08**	**0.01**	**2.6**	**0.7**	**-0.4**	**2.3**	**0.7**	**0.0**
Video & audio services	4.1		-0.1	0.780	0.03	0.00	2.7	1.4	1.0	2.6	1.3	1.1
Pet services	3.1		-0.6	0.543	0.02	0.00	3.1	0.8	0.1	3.3	0.9	-0.2
Photo services	2.9		-0.7	0.036	0.00	0.00	-0.2	2.0	1.5	0.8	1.8	1.1
Other recreation services	1.3		0.8	1.781	0.03	0.01	2.4	0.6	-1.8	1.7	1.1	-0.4
Educ. & communication serv.	**3.1**		**0.0**	**5.018**	**0.15**	**0.00**	**0.4**	**1.3**	**2.0**	**1.1**	**1.3**	**1.6**
Tuition, school fees, child care	3.8		0.6	2.542	0.10	0.02	2.8	0.6	1.8	3.3	0.8	0.6
Postage & delivery	13.0		0.6	0.066	0.01	0.00	2.3	2.0	5.5	3.3	2.0	5.0
Telephone services	3.2		-0.1	1.493	0.04	0.00	-2.4	3.0	1.9	-1.3	2.4	1.9
Internet services	0.2		-1.3	0.906	0.00	-0.01	-0.2	1.5	0.3	0.1	1.3	0.1
Other personal serv.	**4.5**		**0.4**	**1.600**	**0.07**	**0.01**	**2.7**	**0.7**	**2.7**	**2.4**	**0.6**	**3.3**
Personal care services	3.7		0.4	0.668	0.02	0.00	2.3	0.7	2.0	1.8	0.8	2.3
Miscellaneous personal services	5.1		0.3	0.932	0.05	0.00	2.9	0.9	2.4	2.7	0.7	3.3

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed in this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V, Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.