PLYMOUTH INSTITUTE FOR FREE ENTERPRISE

THE OCTOBER 2026 INFLATION REPORT

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TOPLINE: American families continue to lose ground as inflation extends its hot run. Since April, year-over-year prices have risen faster than paychecks, and the war-driven energy squeeze only adds to the inflation problem.

BACKGROUND: The Consumer Price Index (CPI) rose 0.4% in October, an annualized rate of 4.9%, after rising 0.6% in September.

The 11-month change of 3.8% suggests a 4.2% year-over-year change, more than double the Federal Reserve's "target". Core inflation (excluding food and energy) rose 0.3% in October. (*A 12-month-change is not available due to a lack of October 2025 data.)*

Energy led October's increase again, but inflation is across the board:

- The Iran conflict and Strait of Hormuz disruption continue to hold energy costs up.
- Gasoline, up 1.0% in October and 37.4% this past year, **accounted for just 0.04 percentage points of October's 0.4% increase.**

Here's what you need to know about October price increases:

Energy Heating and travel costs	Gasoline ▲ **1.0%**	Fuel oil ▲ **2.0%**	Airfare ▲ **0.4%**	Energy overall ▲ **0.7%**
Groceries Food at home is up just 1.8%, but staples rise faster	Groceries ▲ **0.4%**	Meats ▲ **0.6%**	Baby Food ▲ **5.1%**	Fruits/vegetables ▲ **0.8%**
Import-heavy goods Tariff pressure in household goods	Appliances ▲ **1.3%**	Toys ▲ **1.8%**	Televisions ▲ **3.3%**	Footwear ▲ **1.0%**
Services Prices climbing here too	Rent ▲ **0.3%**	Auto repair ▲ **0.9%**	Water/sewer ▲ **0.6%**	Medical care ▲ **0.3%**

Borrowing costs are missing from the headline. The CPI does not capture the impact of interest rates on the economy.

- On a $400,000 30-year mortgage, the monthly payment has risen nearly 12% in a year, **from $2,476 to $2,770**, as rates climbed from 6.3% to 7.4%.

Real (adjusted for inflation) wages are shrinking. Real average hourly earnings increased by a minuscule 0.02% in October.

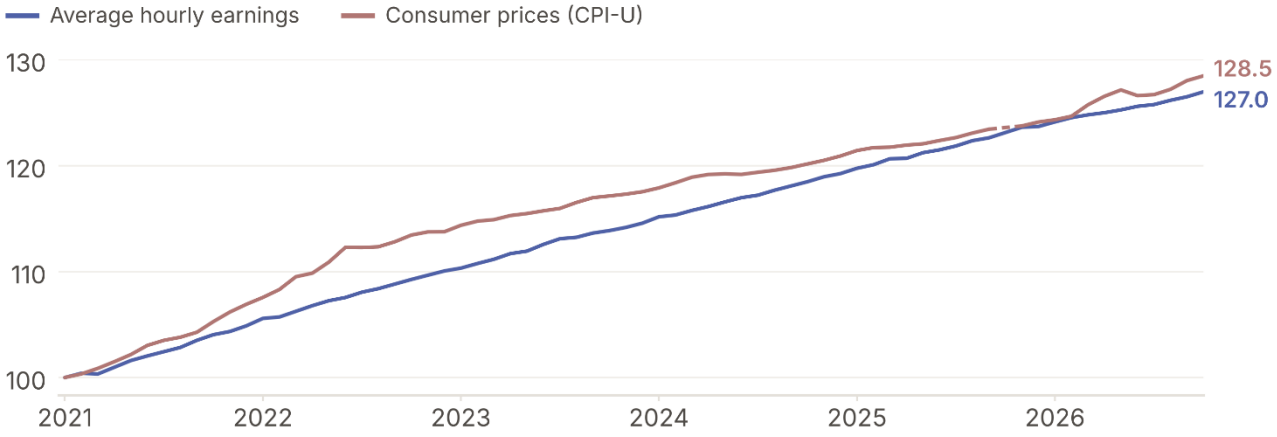
- Since November of last year, real earnings declined by 1.1%.
  - **For a typical American worker, this represents over $800 in lost purchasing power.**
- Since April, year-over-year inflation has outpaced wage growth every month.

Advancing American Freedom Foundation is a nonprofit institution that promotes and defends policies that elevate traditional American val-

Figure 1

Wages have not kept up with inflation

Private average hourly earnings and CPI-U, seasonally adjusted, January 2021 = 100



Note: CPI data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics and Consumer Price Index.

AFFORDABILITY 101: A plan to bring prices down.

- **Eliminate tariffs.** Pursue free trade with free peoples.
- **Win the war in Iran.** End the threat of Iranian terror and reopen the Strait of Hormuz.
- **Get the fiscal house in order.** Government spending bids up the cost of capital.
- **Cut regulations.** Let the supply of goods and services expand naturally.
- **End the central bank's ability to finance large federal deficits.**

CONCLUSION: The conflict with Iran was not the beginning of inflation. From January 2025 through February, before Operation Epic Fury began, headline inflation averaged 2.8% annualized, while core inflation ran even hotter at 2.9%. Tariffs have further pushed up the prices of goods. Yet the principal force driving inflation over the longer term remains monetary policy. **A long-term solution requires allowing a free market to expand the supply of goods and services while reining in government spending.**