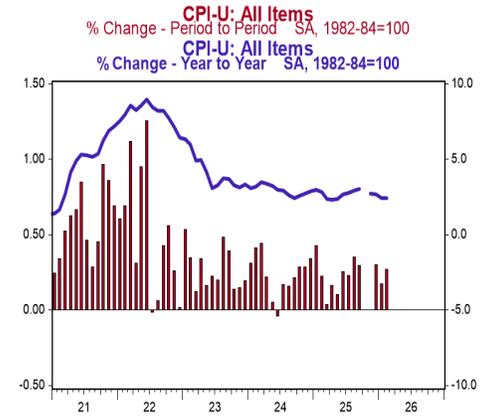


February CPI

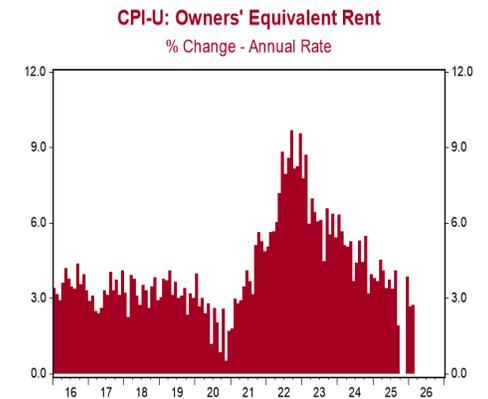
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- The Consumer Price Index (CPI) rose 0.3% in February, matching consensus expectations. The CPI is up 2.4% from a year ago.
- Energy prices increased 0.6% in February, while food prices rose 0.4%. The “core” CPI, which excludes food and energy, increased 0.2% in February, matching consensus expectations. Core prices are up 2.5% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 0.2% in February and are up 1.4% in the past year. Real average weekly earnings are up 1.7% in the past year.

Implications: Inflation came in as expected in February, with the Consumer Price Index rising 0.3% and the year-ago comparison holding steady at 2.4%. “Core” inflation, which strips out food and energy, rose a consensus-expected 0.2%, while the year-ago comparison remained at 2.5%. Looking at the details, headline inflation was led by the volatile energy and food categories in February, with prices increasing 0.6% and 0.4%, respectively. Housing rents (those for actual tenants as well as the imputed rental value of owner-occupied homes) was the main driver of core inflation for the month and has been over the last few years. The good news is that the category finally appears to be turning over, with rents rising only 0.2% and up at a 2.4% annualized rate over the last six months, lagging core inflation. Other notable increases in the core grouping include prices for medical care services (+0.6%), airline fare (+1.4%), and hotels (+1.1%). Many analysts – including those at the Federal Reserve – warned of a renewed inflation surge from tariffs in 2025. But if you’ve been reading our content over the past year, then you would have known to look past the tariffs and instead focus on the M2 measure of the money supply for understanding where inflation would go. Tariffs shuffle the deckchairs on the inflation ship, not how high or low the ship sits in the water. That’s up to the money supply – and given the slow growth over the last 3+ years – we were not surprised to see inflation continue its bumpy path downward in 2025. Now, both headline and core inflation sit at or near their lowest twelve-month pace since the great inflation scare began nearly five years ago. While progress has been made, inflation still remains above the Federal Reserve’s 2.0% target, and the data do not yet capture the effects of surging oil prices following the outbreak of war with Iran on February 28th. As a result, this report will not be enough to persuade Fed officials to resume rate cuts at the meetings next week. Instead, the next rate cut will have to wait until at least June, when the Fed should have new leadership.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

CPI - U	Feb-26	Jan-26	Dec-25	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
Consumer Price Index	0.3%	0.2%	0.3%	3.0%	2.6%	2.4%
Ex Food & Energy	0.2%	0.3%	0.2%	3.0%	2.3%	2.5%
Ex Energy	0.2%	0.3%	0.3%	3.3%	2.4%	2.5%
Energy	0.6%	-1.5%	0.3%	-2.0%	4.7%	0.5%
Food	0.4%	0.2%	0.7%	5.0%	3.1%	3.1%
Housing	0.3%	0.2%	0.4%	3.3%	2.8%	3.3%
Owners Equivalent Rent	0.2%	0.2%	0.3%	3.1%	2.5%	3.2%
New Vehicles	0.0%	0.1%	0.0%	0.8%	1.2%	0.5%
Medical Care	0.5%	0.3%	0.4%	4.6%	3.0%	3.4%
Services (Excluding Energy Services)	0.3%	0.4%	0.3%	3.8%	2.8%	2.9%
Real Average Hourly Earnings	0.2%	0.3%	-0.3%	0.7%	1.2%	1.4%

Source: Bureau of Labor Statistics