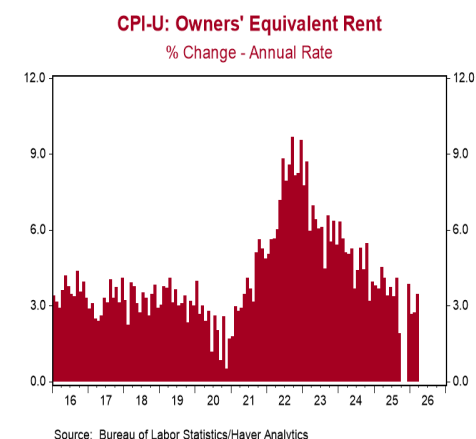
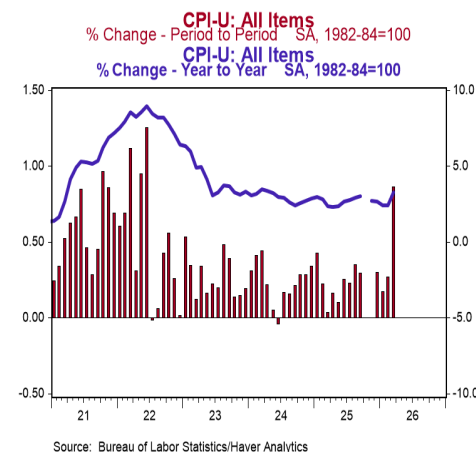


# March CPI

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- The Consumer Price Index (CPI) rose 0.9% in March, matching consensus expectations. The CPI is up 3.3% from a year ago.
- Energy prices increased 10.9% in March, while food prices were unchanged. The “core” CPI, which excludes food and energy, increased 0.2% in March, below the consensus expected +0.3%. Core prices are up 2.6% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – declined 0.6% in March but are up 0.3% in the past year. Real average weekly earnings are up 0.2% in the past year.

**Implications:** Inflation came in very high but as expected in March, with the Consumer Price Index rising 0.9%. The “core” CPI, which excludes food and energy, rose 0.2% on March, slightly less than the consensus expected 0.3%. The difference between headline and core inflation came from energy, as gasoline prices jumped 21.2% in response to a sharp increase in oil prices following the outbreak of war in Iran. Gasoline prices accounted for nearly three quarters of the overall monthly increase, which pushed the year-ago comparison for headline inflation to a two-year high of 3.3%. While we expect the effects of higher energy costs to reverse once oil prices normalize, the timing remains uncertain, leaving the Fed with little conviction in the near term for monetary policy. In the meantime, core prices are up 2.6% from a year ago, still above the Fed’s 2.0% target. Housing rents (those for actual tenants as well as the imputed rental value of owner-occupied homes) were the main driver of core inflation for the month and have been over the last few years. The good news is there have been some signs of rents finally turning over, with rents rising 0.3% in March and up at a 2.6% annualized rate over the last six months. Other notable movers in the core grouping include rising prices for airline fare (+2.7%) and apparel (+1.0%) and falling prices for prescription drugs (-1.5%), health insurance (-1.4%), and used cars (-0.4%). Fed Chair Jerome Powell at one point highlighted “Supercore” inflation – a subset category of prices that excludes food, energy, other goods, and housing rents. That measure rose 0.2% in March but remains up 3.1% from a year ago. The worst part of the report was that wages did not keep pace with the inflation surge in March, as “real” inflation-adjusted hourly earnings declined 0.6% and have risen only 0.3% over the past year. With the inflation picture highly uncertain in the near term, there is very little chance of a rate change at what could be Powell’s final meeting as Fed Chair in May. We in the meantime will be focused on developments in the M2 money supply, which we believe is the most reliable tool for forecasting sustained inflation.



<b>CPI - U</b>	<b>Mar-26</b>	<b>Feb-26</b>	<b>Jan-26</b>	<b>3-mo % Ch.</b>	<b>6-mo % Ch.</b>	<b>Yr to Yr</b>
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>				<b>annualized</b>	<b>annualized</b>	<b>% Change</b>
<b>Consumer Price Index</b>	<b>0.9%</b>	0.3%	0.2%	5.3%	3.8%	3.3%
<b>Ex Food &amp; Energy</b>	<b>0.2%</b>	0.2%	0.3%	2.9%	2.3%	2.6%
<b>Ex Energy</b>	<b>0.2%</b>	0.2%	0.3%	2.8%	2.3%	2.6%
<b>Energy</b>	<b>10.9%</b>	0.6%	-1.5%	46.1%	25.1%	12.5%
<b>Food</b>	<b>0.0%</b>	0.4%	0.2%	2.3%	2.7%	2.7%
<b>Housing</b>	<b>0.3%</b>	0.3%	0.2%	3.2%	3.1%	3.4%
<b>Owners Equivalent Rent</b>	<b>0.3%</b>	0.2%	0.2%	3.0%	2.8%	3.1%
<b>New Vehicles</b>	<b>0.1%</b>	0.0%	0.1%	1.2%	1.1%	0.5%
<b>Medical Care</b>	<b>-0.2%</b>	0.5%	0.3%	2.4%	2.3%	3.1%
<b>Services (Excluding Energy Services)</b>	<b>0.2%</b>	0.3%	0.4%	3.6%	2.8%	3.0%
<b>Real Average Hourly Earnings</b>	<b>-0.6%</b>	0.1%	0.3%	-1.1%	0.0%	0.3%

Source: Bureau of Labor Statistics