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April 10, 2026

US CPI (Mar): Strong, but for how long?

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Consumer Price Index (monthly change, %)	Mar 2026	Feb 2026	Jan 2026	Dec 2025	Nov 2025	Oct 2025	Mar NSA YoY%
All items	0.9	0.3	0.2	0.3	N/A	N/A	3.3
Ex-food/energy	0.2	0.2	0.3	0.2	N/A	N/A	2.6
• Ex-food	1.0	0.2	0.2	0.2	N/A	N/A	3.3
• Ex-energy	0.2	0.2	0.3	0.3	N/A	N/A	2.6
Energy	10.9	0.6	-1.5	0.3	N/A	N/A	12.5
Services	0.2	0.3	0.4	0.3	N/A	N/A	3.1
Housing	0.3	0.3	0.2	0.4	N/A	N/A	3.4
Fuels & util.	1.0	0.5	0.2	0.8	N/A	N/A	5.6
Food/beverages	0	0.4	0.2	0.6	N/A	N/A	2.6
• Food	0	0.4	0.2	0.7	N/A	N/A	2.7
Apparel	1.0	1.3	0.3	0.3	N/A	N/A	3.4
Transportation	4.3	0.2	-0.3	0.0	N/A	N/A	5.0
Medical care	-0.2	0.5	0.3	0.4	N/A	N/A	3.1
Recreation	0	0	0.5	1.2	N/A	N/A	2.2
Education, comm.	0.2	-0.2	0.4	-0.9	N/A	N/A	0.0
Other good, serv.	-0.4	-0.1	1.3	0.3	N/A	N/A	3.8
Commodities	2.0	0.3	-0.2	0.2	N/A	N/A	3.4

Source: Haver Analytics.

- Price pressures surged in the US in March, as the impact of the war in Iran caused gasoline prices to soar. The 0.9% m/m gain in headline prices was in line with expectations, with a 21% jump in prices at the pump driving almost three-quarters of that advance, which saw the annual rate surge to 3.3%. There was little evidence of the oil shock passing through to other components, as core prices (ex. food/energy) increased by a tame 0.2% m/m, as we expected, leaving the annual rate at 2.6%. Next month's report will likely show greater pass through to core components, but looking beyond the war-induced volatility, tariff impacts are boosting many goods categories still. For now, the Fed is set to remain on hold as it assesses the shock to inflation against a slowing underlying economy, but we expect that there will be enough evidence of receding oil prices and a sluggish underlying economy for the Fed to justify cutting rates in the second half of the year.
- Airfares jumped by 2.7% m/m, leaving them 14.9% above year-ago levels, and that category is set to see a further acceleration in April on passthrough from the oil shock. Other categories that are vulnerable to the oil price shock include fertilizer and plastics, although those will take longer to show up in core consumer prices. Next week's producer price data should provide an indication of how fast the supply disruptions are passing through to production costs.

- Tariff impacts are visible when looking at the core category of goods ex. food/energy/used cars, where prices are sitting at 1.9% y/y, up from a pre-Covid five-year average pace of -0.2% y/y. Apparel prices are now sitting 3.4% above year-ago levels following another strong monthly gain, while household furnishings and supplies prices are sitting 3.6% above year-ago levels, after easing slightly on the month. Although tariff pass through is still occurring, the Fed is likely to look through this as a one-time lift to prices, and businesses are likely to face resistance to higher prices this year as the consumer is losing momentum.
- Looking at core services, shelter inflation has stabilized at 3.0% y/y, which is a little slower than the pre-Covid average. We see scope for a further deceleration, however, as home prices are under pressure given constrained demand from elevated mortgage rates, while deportations and immigration restrictions are limiting rent growth. The core services ex. housing group slowed to a 0.2% m/m pace.

Implications & actions

Re: Economic forecast — Headline inflation could come within reach of 4% y/y if oil prices don't start heading materially lower from here, with pass through into core prices seeing inflation in that group get close to 3% y/y. Although there is also further upside to inflation from continued tariff pass through to goods prices, we expect that a tame shelter component will provide an offset. If oil prices are heading sustainably lower through the summer months, then the Fed could still cut twice in the second half of the year in response to a sluggish labor market.

Re: Markets — Market reaction was limited, with the slight downside in core prices not providing reassurance to investors that remain more focused on peace talks.

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