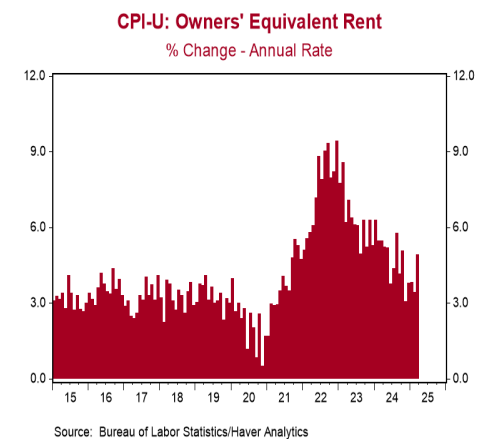
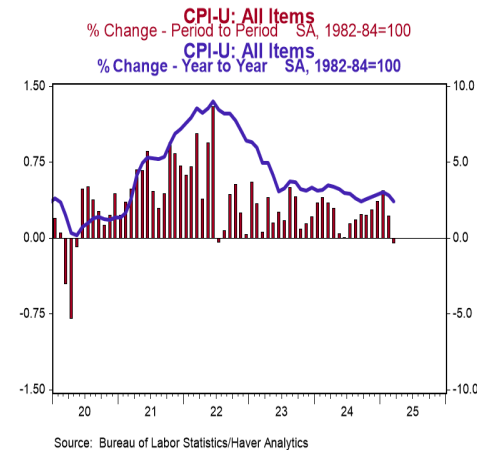


# March CPI

**Nate Gerze, CFA** – Economic Analyst  
**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist

- The Consumer Price Index (CPI) declined 0.1% in March, below the consensus +0.1%. The CPI is up 2.4% from a year ago.
- Energy prices declined 2.4% in March, while food prices rose 0.4%. The “core” CPI, which excludes food and energy, increased 0.1% in March, below the consensus expected +0.3%. Core prices are up 2.8% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 0.3% in March and are up 1.4% in the past year. Real average weekly earnings are up 0.8% in the past year.

**Implications:** Inflation cooled broadly in March despite widespread concerns about tariffs and how they will affect prices. Looking at the headline, consumer prices *fell* 0.1% in March versus a consensus expected *gain* of 0.1%, the first outright monthly decline since the COVID lockdowns. That led the twelve-month reading to drop from 2.8% to 2.4%, matching the low it set back in September. Although reciprocal tariffs were not announced until April, keep in mind that the US began collecting tariffs on steel and aluminum, as well as higher tariffs on imports from China, back in March. Looking at the details, the volatile category for energy led the decline, dropping 2.4% in March as gas prices fell 6.3%. Food prices rose 0.4%, but it’s important to note these two often-volatile categories have not been what’s kept inflation from returning to the Fed’s 2.0% target. “Core” prices, which strip out food and energy, rose 0.1% in March, with the twelve-month reading falling to 2.8%, which is *above* overall inflation. The good news is that is the first twelve-month core reading below 3.0% since the great inflation scare began back in 2021. The main driver of core inflation has been housing rents, which continue to outpace most categories (+0.4% in March), though not as much as in the years prior. Some analysts – including those at the Fed – have argued that housing rents have artificially boosted inflation due to the way it’s measured. But a subset category of prices that Fed Chair Jerome Powell said back in 2022, “may be the most important category for understanding the future evolution of core inflation” – known as the “Supercore” (which excludes food, energy, other goods, and housing rents) – has been running hotter than headline and core inflation, up 2.9% in the past year. The good news is this measure fell 0.2% in March. Notable decliners within the Supercore category were prices for airline fare (-5.3%), hotels and motels (-4.3%), and motor vehicle insurance (-0.8%). Although inflation continues to run above the Fed’s 2.0% target, given the lags in monetary policy and slow growth in the M2 measure of the money supply, it may be time for the Fed to give more consideration to reducing short-term rates in the months ahead. In other news this morning, initial jobless claims rose 4,000 last week to 223,000, while continuing claims fell 43,000 to 1.850 million. These figures are consistent with continued job growth in April, but at a slower pace than in 2024.



CPI - U	Mar-25	Feb-25	Jan-25	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
<b>Consumer Price Index</b>	<b>-0.1%</b>	0.2%	0.5%	2.6%	3.0%	2.4%
<b>Ex Food &amp; Energy</b>	<b>0.1%</b>	0.2%	0.4%	3.0%	3.0%	2.8%
<b>Ex Energy</b>	<b>0.1%</b>	0.2%	0.4%	3.1%	3.1%	2.8%
<b>Energy</b>	<b>-2.4%</b>	0.2%	1.1%	-4.5%	2.2%	-3.3%
<b>Food</b>	<b>0.4%</b>	0.2%	0.4%	3.9%	3.6%	3.0%
<b>Housing</b>	<b>0.3%</b>	0.4%	0.3%	4.1%	4.1%	3.7%
<b>Owners Equivalent Rent</b>	<b>0.4%</b>	0.3%	0.3%	4.1%	4.0%	4.4%
<b>New Vehicles</b>	<b>0.1%</b>	-0.1%	0.0%	0.2%	1.8%	0.0%
<b>Medical Care</b>	<b>0.2%</b>	0.3%	0.2%	2.9%	2.7%	2.6%
<b>Services (Excluding Energy Services)</b>	<b>0.1%</b>	0.3%	0.5%	3.5%	3.6%	3.7%
<b>Real Average Hourly Earnings</b>	<b>0.3%</b>	0.0%	0.0%	1.1%	0.7%	1.4%

Source: U.S. Department of Labor