



Consumer Price Index — March 2026

Energy Shock Lifts Headline; Core Inflation Remains Contained

Mark P. Vitner, Chief Economist | Piedmont Crescent Capital | April 10, 2026

Key Takeaways

Key Concept	Findings
Headline CPI	+0.9% MoM in March 2026 — the largest monthly increase in nearly two years, lifting the year-over-year rate to 3.3%, up sharply from 2.4% in February.
Energy	Prices surged 10.9%, led by a 21.2% spike in gasoline — the largest single-month jump on record — and accounted for nearly three-quarters of the overall monthly increase.
Core CPI	+0.2% MoM (slightly less than expected), holding the annual rate at 2.6%. Core inflation remains stable and consistent with the Fed’s disinflation trajectory.
Shelter	Rose 0.3%, with rent and owners’ equivalent rent advancing at a similar pace. Year-over-year shelter inflation has declined to 3.0%, continuing its gradual cooldown.
Food	Flat for the month, with grocery prices declining modestly. Year-over-year food inflation stands at 2.7%, well below peak levels, though cumulative price levels remain approximately 30% above pre-pandemic levels.
Policy Signal	The March spike is energy-driven and unlikely to derail the broader disinflation trend. The Fed will focus on core inflation, not volatile headline readings. Rate cuts, if pursued, represent insurance, not stimulus.

<p>Data Note Source and Methodology</p>	<p>This report draws on the U.S. Bureau of Labor Statistics Consumer Price Index for All Urban Consumers (CPI-U) released April 10, 2026, covering March 2026 activity. All figures are seasonally adjusted unless stated. Year-over-year comparisons reflect non-seasonally adjusted data per BLS convention. Shelter data incorporates the Owners’ Equivalent Rent (OER) and Rent of Primary Residence components. Market rent index references draw on third-party multifamily data for directional context.</p>
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<p>+0.9% Headline CPI, MoM — March 2026</p>	<p>+3.3% Headline CPI, year-over-year — largest YoY reading since mid-2024</p>	<p>+0.2% Core CPI, MoM — stable for second consecutive month</p>	<p>2.6% Core CPI, year-over-year — continuing the disinflation trend</p>
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A Headline Surge Driven by Energy, Not Demand

March’s CPI report initially reads as a major setback. Headline inflation surged 0.9% over the month, the largest monthly increase in nearly two years, pushing the year-over-year rate up to 3.3%.

The composition tells a very different story.

Energy prices surged 10.9%, with gasoline alone jumping 21.2% — the largest single-month increase on record for that series and responsible for nearly three-quarters of the total CPI advance.

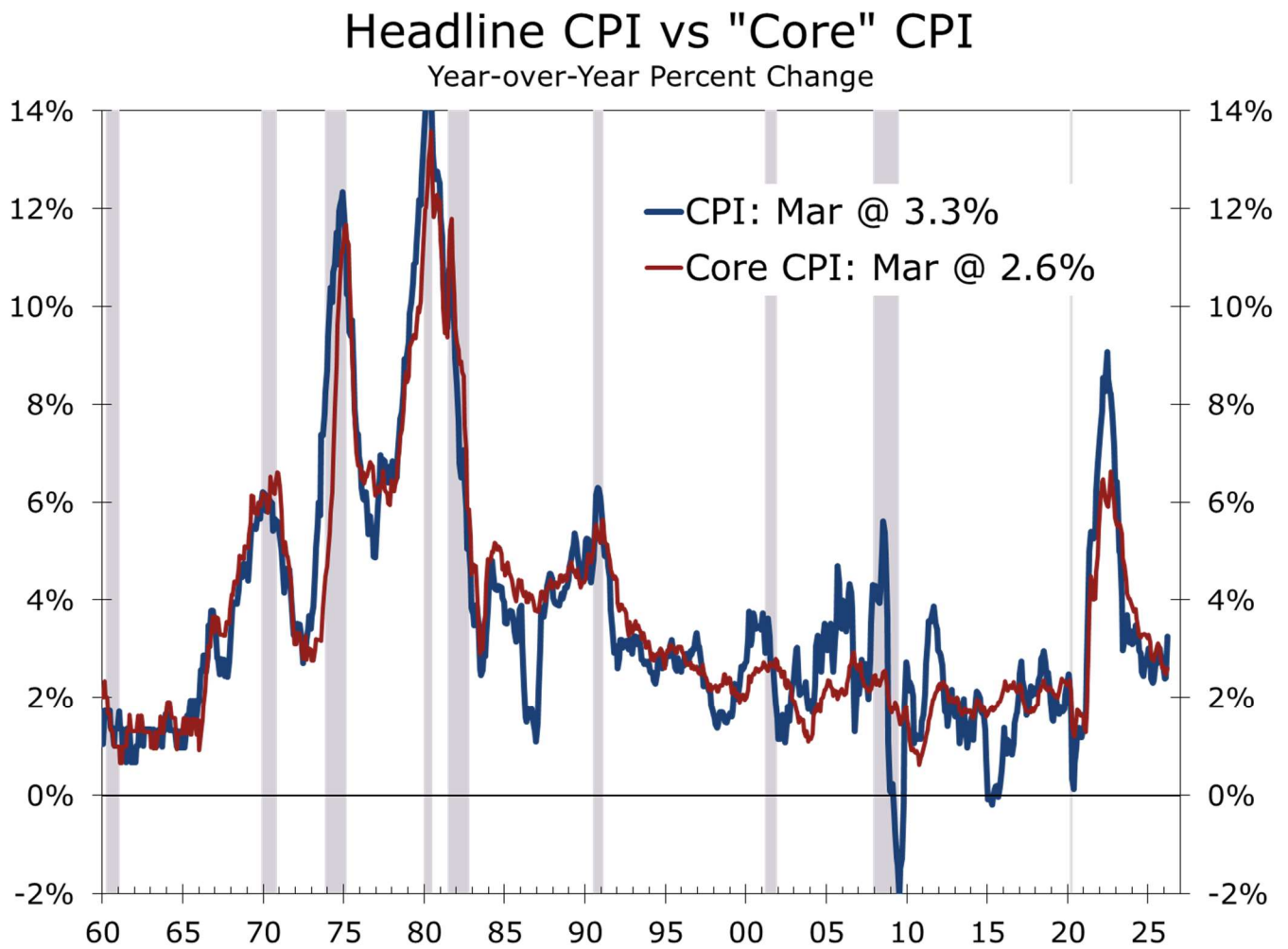
Absent energy prices, inflation remains well-behaved. The distinction is critical. Energy acts as a tax on consumers and a volatility driver in headline inflation, but it does not necessarily feed sustained inflation unless it spills into wages and expectations. As long as the Fed does not accommodate the temporary spike in energy prices, the impact on overall inflation should remain relatively modest. Hence, the Fed’s cautious rhetoric. If consumers are paying more to fill their gas tanks, they have fewer dollars to spend elsewhere, which reduces pricing power for providers of other goods and services.

Key Signal

This Was an Energy Shock, Not a Broad-Based Inflation Resurgence

Headline CPI surged 0.9% in March on the back of the largest single-month gasoline price jump ever recorded. Strip energy from the calculation, and inflation rose just 0.2% — the same as in February and consistent with the longer-run ongoing disinflation trend. The headline number demands attention; the underlying data do not yet warrant alarm.

Chart 1: Headline vs. Core CPI — Year-over-Year Percent Change (1960–2026)



Sources: U.S. Bureau of Labor Statistics. Shaded areas denote NBER recessions. CPI: Mar @ 3.3%; Core CPI: Mar @ 2.6%.

Core Inflation: Steady and Contained

Core CPI rose just 0.2% in March, unchanged from February and consistent with the disinflation trend seen over the past year. The year-over-year rate held at 2.6%, which is in-line with its long-run average pace and close to the Federal Reserve’s effective target range.

The composition is favorable on balance. Core goods prices continue to deflate — used vehicles fell 0.4% and are down more than 3% year-over-year — and supply chains remain stable. Squeezed household budgets and elevated uncertainty are prompting consumers to defer discretionary purchases, further dampening pricing power across non-energy categories.

Services inflation remains the stickiest element of core, but momentum is fading. Airline fares jumped 2.7%, and education costs edged higher, but medical care prices declined, providing a meaningful offset. The trend within services is one of gradual, uneven moderation.

Key Signal

Core Inflation Continues to Drift Lower, Even as Headline Volatility Rises

The Federal Reserve’s preferred measure of underlying inflation — the core CPI — rose just 0.2% for the second consecutive month, holding the year-over-year rate at 2.6%. Goods deflation is broadening, services momentum is fading, and no second-round effects from the energy shock are yet visible in the data.

Full CPI Component Breakdown — March 2026

Sources: U.S. Bureau of Labor Statistics, CPI-U, March 2026 release. All figures seasonally adjusted (MoM); YoY figures non-seasonally adjusted per BLS convention.

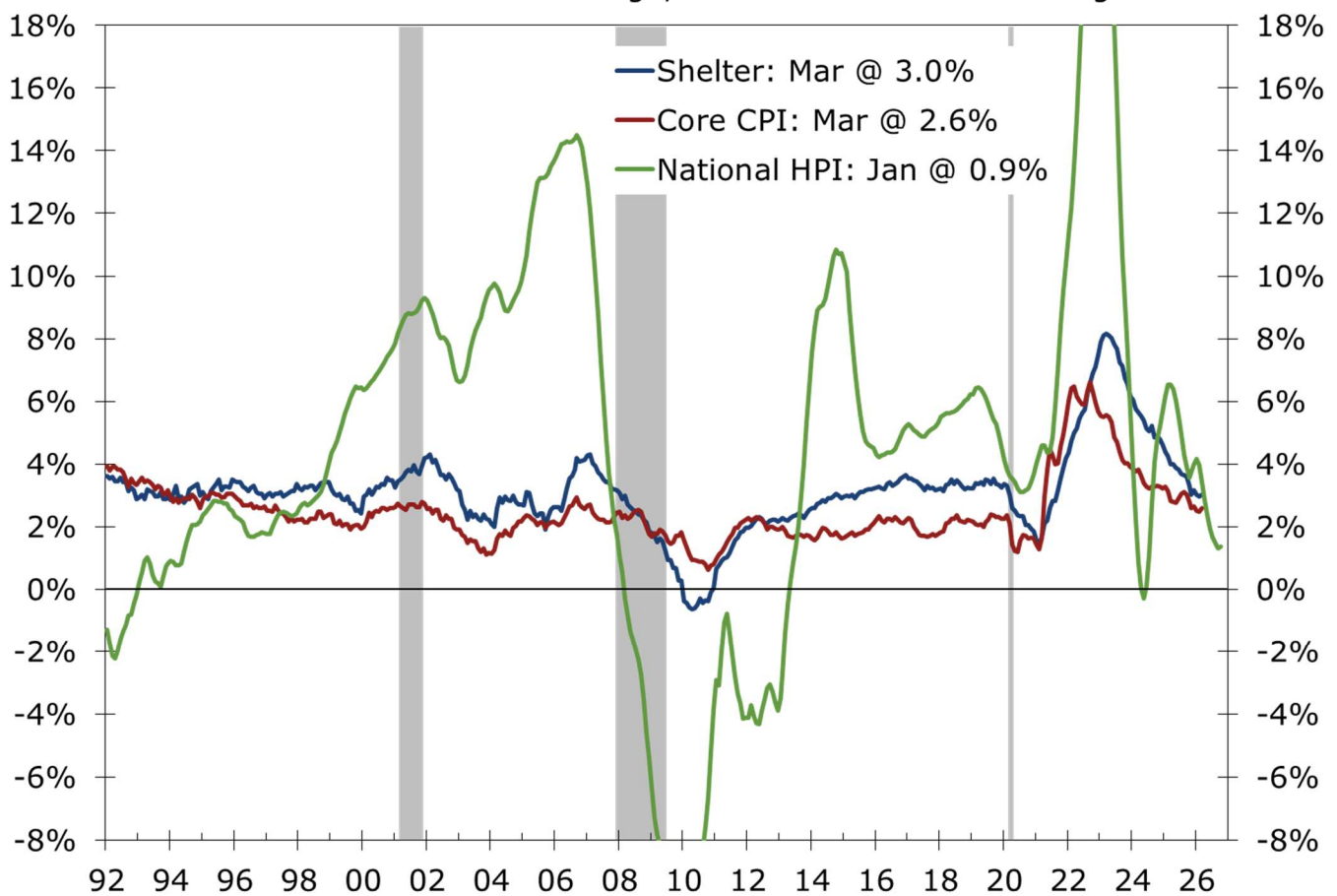
Component	MoM Change	YoY Change
All Items (Headline)	+0.9%	+3.3%
Core CPI (ex-Food & Energy)	+0.2%	+2.6%
Energy	+10.9%	+12.5%
Gasoline	+21.2%	+15.8%
Electricity	+0.9%	+3.6%
Fuel Oil	+5.5%	+8.2%
Food (All)	0.0%	+2.7%
Food at Home (Grocery)	-0.2%	+2.3%
Food Away from Home	+0.3%	+3.4%
Shelter	+0.3%	+3.0%
Rent of Primary Residence	+0.2%	+3.1%
Owners’ Equivalent Rent	+0.2%	+3.0%
Services (ex-Energy)	+0.3%	+3.8%
Airline Fares	+2.7%	+1.4%
Medical Care Services	-0.2%	+2.1%

Component	MoM Change	YoY Change
Goods (ex-Food & Energy)	-0.1%	-0.4%
Used Cars & Trucks	-0.4%	-3.2%
Apparel	+0.2%	+1.0%

Chart 2: Home Prices Lead Shelter & Core CPI — Year-over-Year Percent Change, HPI Shown as 12-Month Lag (1992–2026)

Home Prices Lead Shelter & Core CPI

Year-over-Year Percent Change, HPI Shown as 12-Month Lag



Sources: U.S. Bureau of Labor Statistics; S&P CoreLogic Case-Shiller National Home Price Index (12-month lag). Shaded areas denote NBER recessions.

Shelter: Gradual Cooling Continues

Shelter costs rose 0.3% in March, with rent up 0.2% and owners’ equivalent rent rising at a similar pace. Year-over-year shelter inflation stands at 3.0%, continuing its steady decline from earlier peaks above 8%.

The underlying drivers remain intact. Market rents have softened across many regions, particularly in areas with elevated multifamily supply. Demand for rental apartments remains strong but has lost some momentum over the past year, reflecting the slowdown in job growth. Home price appreciation has

slowed, and affordability constraints are limiting upward pressure on housing costs. Home prices feed into shelter costs with a long lag, so the recent improvement has more room to go.

Given shelter’s outsized weight in CPI, at roughly one-third of the overall index and 44% of the core CPI, this gradual cooling remains central to the broader disinflation narrative. While it may seem counterintuitive given long-running affordability challenges, the moderation in home price appreciation and rents will likely continue to be a potent force for disinflation over the next year to 18 months.

Structural Context

Shelter Is No Longer Driving Inflation Higher — It Is Slowly Bringing It Down

Year-over-year shelter inflation has decelerated from a peak above 8% to 3.0% in March. Market rent indexes, which lead the CPI shelter component by 12–18 months, continue to moderate. Elevated multifamily completions in Sun Belt metros are accelerating this process. Shelter disinflation will remain the most important structural tailwind for the broader CPI trajectory through the remainder of 2026.

Food: Stable, With Relief at the Grocery Store

Food prices were unchanged in March, with grocery prices falling 0.2%. Declines were broad-based, including meats, cereals, and dairy products. Restaurant prices rose modestly, reflecting ongoing wage pressures in food services.

On a year-over-year basis, food inflation stands at 2.7%, well below peak levels. However, the cumulative burden remains significant: grocery prices are still roughly 30% higher than they were prior to the pandemic, continuing to shape consumer sentiment more broadly.

Risk Factor

Food Inflation Has Stabilized, but Cumulative Price Levels Remain Elevated

The month-to-month stabilization in food prices is welcome news, but the approximately 30% cumulative increase since 2019 at the grocery level continues to weigh on consumer sentiment and compress real purchasing power, particularly for lower-income cohorts who spend a disproportionate share on groceries.

Energy: Volatility Returns

Energy prices rose sharply in March, reversing the disinflationary contribution seen earlier in the year. Gasoline surged 21.2% — the largest monthly jump on record for that series — fuel oil spiked, and electricity rose modestly.

On a year-over-year basis, energy inflation now stands at 12.5%, reintroducing meaningful volatility into the inflation outlook. The geopolitical backdrop — including the U.S./Israel war with Iran and its attendant supply disruptions — is the proximate driver.

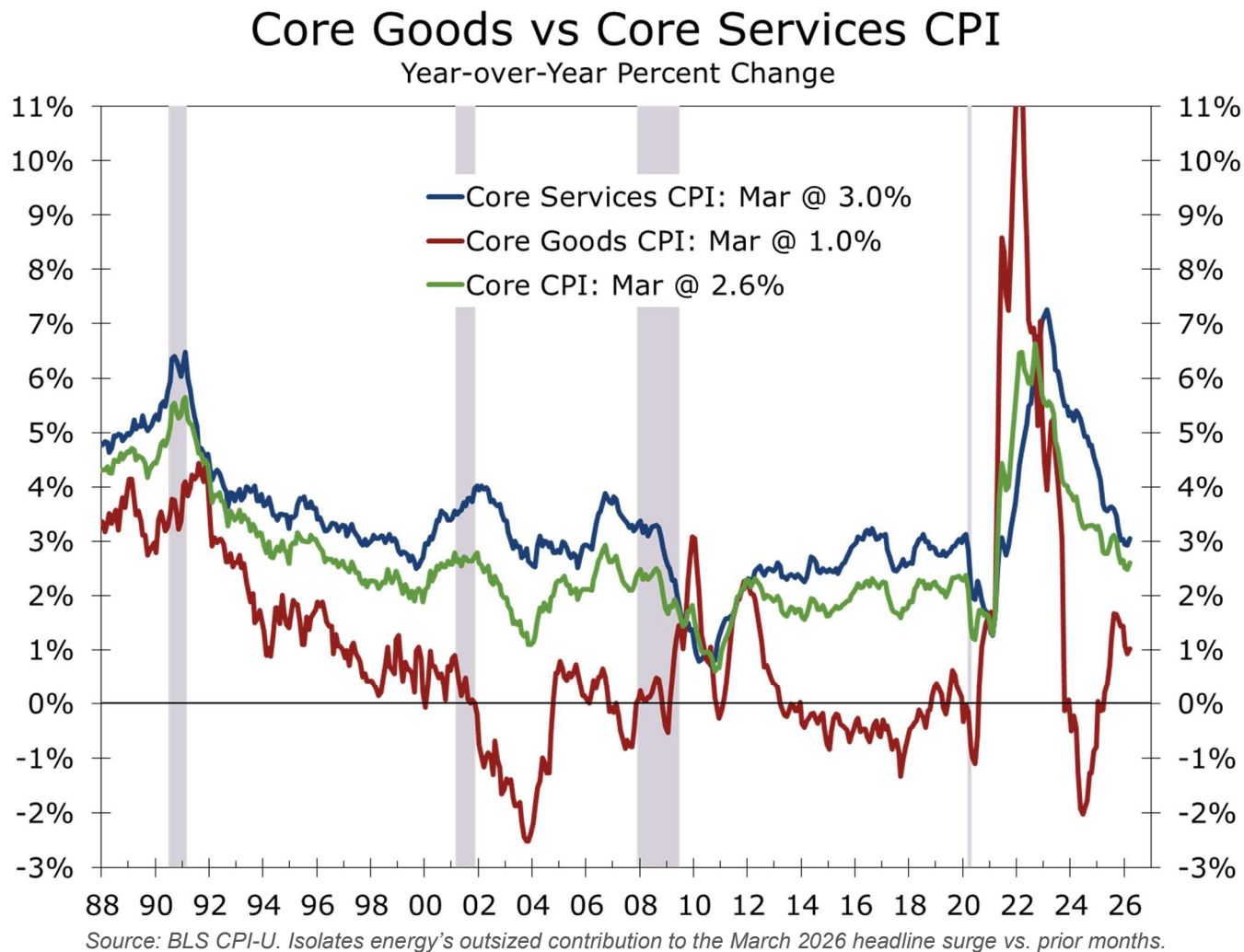
Supply-driven energy shocks have historically proven transitory absent a sustained geopolitical disruption or a policy accommodation error. The U.S. economy is substantially less energy-intensive today than in the 1970s, and the Federal Reserve’s commitment to price stability is considerably more credible. We do not expect the current energy spike to upend the longer-run disinflation trend, which remains clearly evident in core CPI and core services.

Risk Factor

Energy Is Driving the Headlines, but Not the Trend

The 21.2% surge in gasoline prices in March represents the largest single-month increase ever recorded for that series. The war-related energy shock will weigh on household budgets and suppress discretionary spending through at least Memorial Day. However, absent a sustained geopolitical disruption, energy prices are expected to gradually recede in the second half of 2026, allowing headline inflation to converge back toward the core trend.

Chart 3: Core Goods vs. Core Services CPI — Year-over-Year Percent Change (1988–2026)



Inflation Is Narrowing, Not Reaccelerating

The March data reinforce a structural shift that has been building for over a year. The broad-based price pressure that defined the 2021–2022 inflation episode has given way to a far more concentrated pattern of price increases.

Energy is volatile. Goods prices are soft. Shelter is easing. Services remain the primary area of persistence, but even there, momentum is slowing as wage growth moderates and post-pandemic normalization runs its course.

Inflation is narrowing to fewer categories, and the categories still showing persistence are moderating. March should be read as a temporary deviation from a declining trend, not a reversal of it.

Policy Implications: Look Through the Noise

For policymakers, the key question is whether to respond to the headline or the trend. March's CPI argues for looking through the energy-driven spike. Core inflation remains contained, and the broader disinflation process is intact.

Energy shocks do not ordinarily warrant a monetary policy response unless they trigger second-round effects in wages and inflation expectations. Neither dynamic is currently present. Five-year breakeven inflation rates have edged higher but remain well-anchored relative to 2022 levels, and wage growth is decelerating on trend.

The underlying economy remains two-speed. Structural investment in AI, defense, pharmaceuticals, and aerospace continues to support growth, while rate-sensitive sectors — housing, consumer durables, and small business formation — remain under pressure. Given the well-established lags in monetary policy transmission, the case for easing rests on cyclical support, not inflation containment.

Key Signal

The Fed Will Focus on Core Inflation, Not Energy-Driven Volatility

The Federal Open Market Committee's reaction function is calibrated to core and underlying inflation, not headline prints distorted by energy. March's report changes neither the trajectory of core CPI nor the Fed's assessment of inflation persistence. Rate cuts, if pursued, would be best understood as insurance against cyclical softness rather than a response to energy-driven headline volatility.

Perspectives from Piedmont Crescent Capital

The following views represent our current assessment of the inflation landscape and its implications for monetary policy and portfolio positioning.

The Disinflation Trend Remains Intact

"March's CPI print is the noisiest number of the year so far, but it is not the most important one. Core inflation at 2.6% year-over-year is the signal. The 0.9% headline surge driven by surging energy prices is the noise. The Federal Reserve knows the difference, and so do we. We are maintaining our view that the U.S. economy remains in the final mile of disinflation, and that the path to the Fed's 2% target remains intact, although not without a significant detour."

— Mark P. Vitner, Chief Economist, Piedmont Crescent Capital

Energy Shocks Are Transitory by Nature

"The gasoline price surge in March is striking in its magnitude, but the historical record is clear: supply-side energy shocks are transitory unless reinforced by wage-price spirals or entrenched inflation expectations. Neither condition is present today. We expect energy prices to recede as the geopolitical situation evolves and as summer driving demand normalizes. The second half of 2026 should bring meaningful relief to headline inflation."

— Mark P. Vitner, Chief Economist, Piedmont Crescent Capital

Shelter Disinflation Is the Story of 2026

"If you want to understand where headline inflation is going over the next twelve months, watch shelter. The CPI rent component is running at 3.1% year-over-year, and it has further to fall. Market rent indexes, which typically lead CPI shelter by over a year, are pointing to sub-2% shelter inflation by the

end of 2026. As shelter's weight in CPI is nearly 35%, this deceleration alone could take headline inflation back toward 2.5% even without any improvement in services or energy."

— Mark P. Vitner, Chief Economist, Piedmont Crescent Capital

Bottom Line: Noisy but Not Alarming

March's CPI report is a headline number that overstates the underlying inflation reality. The 0.9% monthly surge was driven almost entirely by an historic spike in gasoline prices, itself a product of geopolitical supply disruption rather than excess domestic demand.

Core inflation remains stable at 2.6% year-over-year. Shelter continues to ease. Food prices are flat. Goods deflation is broadening. The underlying trend remains one of gradual disinflation, and the Federal Reserve's preferred indicators have not meaningfully deteriorated.

Energy is driving the noise, not the narrative. The disinflation trend remains intact. Policymakers and investors should resist the temptation to overreact to a print that should look considerably better in 60 to 90 days as the energy base effect fades.

Key Data Releases to Monitor

April CPI (May 13) will provide the first read on whether energy prices are persisting or intensifying. April retail sales (May 15) will indicate whether the energy shock has passed through to discretionary spending. The Q1 Employment Cost Index (April 30) will clarify whether wage growth is decelerating on schedule. The Federal Reserve's May FOMC meeting (May 6–7) and subsequent communications will signal whether policymakers intend to 'look through' the energy spike, gently lean against it (our thought) or respond to it (less likely in the near term). The March PCE deflator (April 30) should rise less dramatically than the CPI but will still likely post an increase of 0.6% to 0.7%. The core PCE deflator should rise in line with the core CPI, given the moderation in medical care products and services.

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April 10, 2026