

U.S. Consumer Price Index — March

Under Wraps

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Bottom Line: Inflation remains benign.

The biggest drop in clothing prices on record (-1.9%, and widespread within the category) **held the CPI to a 0.4% increase in March**, a gain propelled by costlier gasoline, food (fruits and veggies) and rental accommodation. As well, prescription drug prices snapped back after their largest decline ever. The yearly rate jumped to 1.9% from 1.5%. The slide in clothing (so much for tariffs with the strong greenback providing an offset) **restrained core prices to a 0.1% advance** (though a high 0.1% at 0.148%...“Missed it by that much”). This allowed the **yearly core rate to slip further to 2.0%**...right on the screws for the Fed. The six-month core rate is somewhat firmer at 2.2%, though the three-month pace is at 2.0%, hinting at no clear trend in the yearly rate, unless oil/gas prices continue to climb. However, core prices should see some bounce alongside clothing in April.

The CPI report will only **encourage the Fed to stay parked on the sidelines**, awaiting clearer direction on inflation and the economy.



Consumer Price Index

United States (month/month % change : s.a.)	(% change : a.r.)				
	Mar	Feb	Jan	6-month	12-month
All Items	0.4	0.2	0.0	1.7	1.9
Ex. Food and Energy	0.1	0.1	0.2	2.2	2.0
Food	0.3	0.4	0.2	2.9	2.1
Energy	3.5	0.4	-3.1	-5.5	-0.4
Clothing	-1.9	0.3	1.1	-1.8	-2.2
Transportation	1.5	0.1	-1.3	-2.3	0.5
New Vehicles	0.4	-0.2	0.2	0.6	0.7
Gasoline	6.5	1.5	-5.5	-12.2	-0.7
Medical Care	0.3	-0.2	0.2	2.2	1.7
Recreation	0.3	-0.4	0.3	1.9	1.2
Education	0.5	0.3	0.3	3.4	3.2
Owners' Equivalent Rent	0.3	0.3	0.3	3.5	3.3

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