

Register-Guard Capital

INFLATION GUARD 4/10/26

We predict a softer than expected report. We expect headline CPI inflation to come in below consensus and core CPI inflation to come in below consensus. Specifically, we project headline CPI inflation to jump to 3.6%, year-over-year, and core CPI inflation to slightly increase to 2.6%, year-over-year.

The Bureau of Labor Statistics releases the March 2026 Consumer Price Index Report on April 10, 2026. The Morningstar consensus forecast shows that many are expecting headline CPI inflation of 3.7%, year-over-year, and core CPI inflation at 2.7%, year-over-year.¹ In addition to the consensus, the Federal Reserve Bank of Cleveland projects, using its Inflation Nowcast, headline CPI inflation of 3.25%, year-over-year, and core CPI inflation of 2.6%, year-over-year.²

We are below consensus on headline CPI inflation because we believe the market is slightly overestimating the pace at which diesel-driven distribution costs pass through to consumer prices in a single month. The headline surge is almost entirely an energy story. According to the U.S. Energy Information Administration, the national average for all grades of retail gasoline rose from \$3.223 per gallon in March 2025 to \$3.771 in March 2026, a 17.0% year-over-year increase driven by the Iran war and the effective closure of the Strait of Hormuz.³ Diesel fuel surged even more sharply, from \$3.585 to \$4.921 per gallon, a 37.3% year-over-year increase.⁴ The energy component contributes roughly 0.90 percentage points to the headline reading, swinging from a -0.21 percentage point drag in February. That single component accounts for nearly all of the 1.2 percentage point acceleration in the headline figure. Tariff-driven food price increases add further upward pressure, with the February PPI showing final demand food prices up 2.4% month-over-month.⁵ However, the Morningstar consensus of 3.7% likely assumes a lower March 2025 gasoline base or faster diesel pass-through into food and goods prices than we consider realistic for a single reporting period.

We are below consensus on core CPI inflation because shelter inflation continues to decelerate, offsetting tariff-driven acceleration in core goods. Zillow Research forecasts Owners' Equivalent Rent (OER) at 3.02%, year-over-year, for March, down from 3.19% in February, with Rent of Primary Residence at 2.55%, year-over-year, down from 2.68%.⁶ These forecasts

¹ Rachel Schlueter and Jillian Moore, "March CPI Forecast to Reflect Surge in Energy Prices from Iran War," Morningstar, April 8, 2026, <https://www.morningstar.com/economy/march-cpi-forecast-reflect-surge-energy-prices-iran-war>.

² Federal Reserve Bank of Cleveland, "Inflation Nowcasting," accessed April 8, 2026, <https://www.clevelandfed.org/indicators-and-data/inflation-nowcasting>.

³ U.S. Energy Information Administration, "U.S. Regular All Formulations Retail Gasoline Prices (Monthly), Petroleum & Other Liquids Data, accessed April 8, 2026, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m.

⁴ U.S. Energy Information Administration, "U.S. No. 2 Diesel Retail Prices (Monthly)," Petroleum & Other Liquids Data, accessed April 8, 2026, https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMD_EPD2D_PTE_NUS_DPG&f=M.

⁵ Bureau of Labor Statistics, "Producer Price Indexes—February 2026," news release, U.S. Department of Labor, March 18, 2026, <https://www.bls.gov/news.release/pdf/ppi.pdf>.

⁶ Skylar Olsen, "March 2026 CPI Forecast: Shelter's Long Tail Continues to Wag," Zillow Research, March 26, 2026, <https://www.zillow.com/research/cpi-forecast-2026-mar-36233/>.

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are supported by Apartment List data showing national market rents down 1.7% year-over-year, with the multifamily vacancy rate at 7.3%, the highest level in their estimates going back to 2017.⁷ Shelter carries a roughly 36% weight in CPI, so even modest deceleration has an outsized dampening effect on the core reading.⁸ Working against this, tariff pass-through is beginning to appear in core goods: Goldman Sachs projects core goods inflation nearly tripling month-over-month to 0.22% in March from 0.08% in February, concentrated in recreation, education, household furnishings, and personal care.⁹ The February PPI corroborates this pressure, with final demand goods excluding food and energy running at 4.3% year-over-year.¹⁰ Core services excluding shelter remain sticky, with healthcare, auto insurance, and legal services all elevated per the February PPI.¹¹ On net, these forces roughly cancel, leaving core CPI at 2.6% and only marginally above February's 2.5%.

Overall, March's CPI report should confirm that the headline inflation spike is overwhelmingly energy-driven, while the underlying core trend remains far less alarming. The 3.6% headline will draw attention, but the 2.6% core reading is what the Federal Reserve will focus on. This report is unlikely to change the Fed's posture. The key question going forward is whether the ceasefire announced on Tuesday holds and oil prices stabilize, or whether energy costs continue to feed through into food and goods prices in April and May.

⁷ Apartment List Research Team, "Apartment List National Rent Report," Apartment List Research & Analytics, March 26, 2026, <https://www.apartmentlist.com/research/national-rent-data>.

⁸ Bureau of Labor Statistics, "Consumer Price Index—February 2026," news release, U.S. Department of Labor, March 11, 2026, <https://www.bls.gov/news.release/pdf/cpi.pdf>.

⁹ Schlueter and Moore, "March CPI Forecast."

¹⁰ Bureau of Labor Statistics, "PPI, February 2026."

¹¹ Bureau of Labor Statistics, "PPI, February 2026."