

U.S. CPI Preview: Mar 2026

MNI View: The Calm Before The Energy Price Shock

Mar 9, 2026 – By Chris Harrison and Tim Cooper

SUMMARY

- Core CPI is seen moderating in February to 0.23% M/M (SA) after a softer than expected but still solid 0.295% M/M in Jan, in a second important month for non-seasonally adjusted start-of-year price resets.
- Headline CPI is seen at a similar 0.25% M/M (SA) although unlike core that would mark an acceleration from January as energy prices reverse a decline. There is expected to be some offsetting impact from softer food price inflation.
- It's too early for surging fuel prices stemming from the Middle East conflict after US-Israel first strikes on Iran on Feb 28, set to show more materially in next month's March update. The impact of the oil shock on inflation is dependent on both the size and duration of the shock, among other factors but the principle is the same: headline CPI inflation is seen jumping and quickly, with peak core CPI rising in lagged fashion.
- Core services ex-housing items are seen driving the cooling in February core CPI, in large part due to airfares inflation easing after a particularly strong January, which as always doesn't feed into core PCE.
- On the goods side, less negative used car prices should act as a sequential upside driver in Feb and we'll again be watching underlying core goods pressures after a strong acceleration in Jan following Q4 weakness.
- Geopolitical developments continue to dominate intra- and day-to-day market price action and this looks like to continue to be the case through Wednesday's CPI release.
- At typing, a next Fed rate cut isn't fully priced until September with less than two cuts by year-end (39bp). A starting point of already restrictive monetary policy sees Fed rate hikes as not being entertained at this juncture as opposed to in the case of the ECB.
- Nearer-term, the Fed will still receive February PPI on the second day of its Mar 17-18 FOMC meeting for a final update of February core PCE tracking, with the January report still to be released this Friday.

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Headline and Core CPI Seen Converging To A 'High' 0.2% M/M

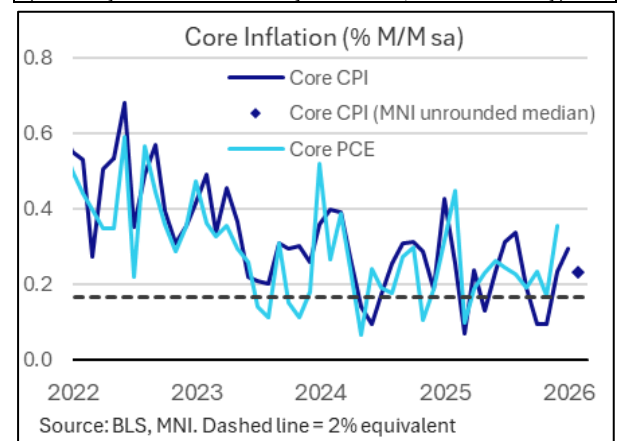
Consumer price inflation is expected to see mixed monthly developments in February, with headline accelerating as an energy price drop reverses but core moderating somewhat. Specifically, MNI's collection of analyst previews suggests headline CPI at 0.25% M/M after 0.17% M/M and core CPI at 0.23% M/M after a softer than expected but still solid 0.295% M/M in January.

Both headline and core CPI Y/Y inflation rates are expected to remain unchanged at 2.4% and 2.5% Y/Y respectively, albeit with analysts ranging from 2.4-2.6% for core.

This February report will help shape up expectations of February core PCE, with a firming up of these estimates due next week with February PPI on Mar 18, although we're still waiting on January PCE (Mar 13) in continued post-government shutdown delays.

	Jan	Feb
Core	0.295%	Median 0.23%
Headline	0.17%	Median 0.25%
Core Y/Y	2.50%	Median 2.5%, Av 2.49%
Headline Y/Y	2.39%	Median 2.4%, Av 2.43%

(*M/M only from unrounded analyst estimates, Y/Y more broadly)



Analyst Expectations Of Key Sequential Drivers:

Analysts expect core CPI M/M moderation in February to primarily come from non-housing services after a strong January increase, which core goods firm (mainly a used cars story) and key rents series firm slightly or are steady:

- On the **core goods** side, used cars are seen falling by less than the surprisingly large decline of -1.8% M/M in January, with a median of -0.5% and mean of -0.1% (-0.9 to 1.35%).
- Apparel is expected to see another solid 0.3% M/M increase although there's a reasonably wide range from 0.12% to 0.75%. That would be the third consecutive 0.3% rise since average declines of -0.2% M/M in Oct-Nov in government shutdown disruption.
- **Core services** are seen moderating, driven by non-housing with supercore roughly expected at 0.3% M/M in a sample of admittedly only four analysts after a strong 0.6% M/M in January.
- This is however concentrated in the non-PCE relevant airfares category, still expected to see a solid increase (median 1.7, mean 1.5) but after a far stronger than expected 6.5% M/M in January.
- Some other non-housing services could see a sequential firming (lodging 0.3/0.4% vs -0.1 in Jan, vehicle insurance -0.1% vs -0.4%) with medical service components are harder one to summarize.
- Rental inflation on the other hand is expected to firm slightly, with an average estimate of 0.25% for OER (range 0.18-0.27) after 0.22% and tenants' rents at 0.24% (range 0.22-0.26) after 0.25%.

Away from core CPI, headline inflation is expected to see conflicting sequential drivers from food and energy.

- **Food** inflation is expected to moderate further to just 0.1% M/M after the 0.2% in Jan followed a particularly strong 0.66% M/M in December in a move that looked suspiciously like a reversal of November holiday discounting (with the later than survey period back in November).
- **Energy** prices on the other hand are expected to increase 0.9% M/M after slipping -1.5% M/M. Seasonally adjusted gasoline prices play a large role here, seen increasing 0.7/0.8% after -3.2%. whilst electricity could also have firmed after dropping slightly in Jan.

[A quick reminder that the below table shows median/mean figures across all estimates, hence the core CPI median of 0.24% M/M vs the 0.23% if only taking unrounded estimates per the separate table shown later.]

Summary of Detailed Analyst Feb 2026 Inflation Expectations

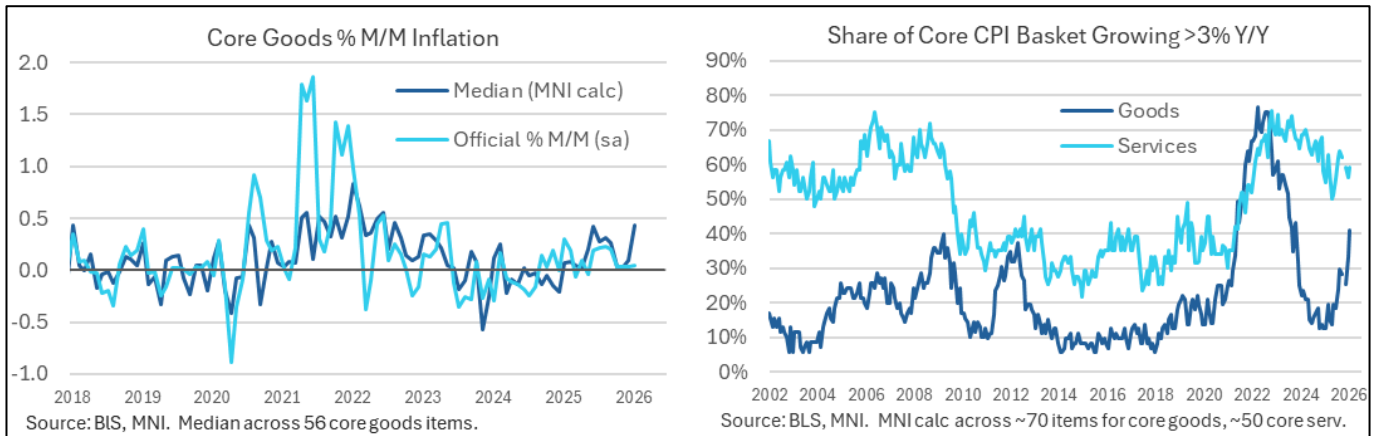
mni	Headline		Core		Headline SA	Core SA	Supercore	Core goods				Core services					Food	Energy	
	NSA Index	NSA Y/Y	NSA Y/Y	M/M				M/M	M/M	M/M	used cars	apparel	OER	rents	lodging	airfares		auto ins.	M/M
January	325.252	2.39	2.50	0.17	0.30	0.59	0.04	-1.8	0.3	0.39	0.22	0.25	-0.1	6.5	-0.4	0.2	-1.5	-3.2	
Feb (median)	326.778	2.40	2.5	0.27	0.24	0.27	0.14	-0.5	0.3	0.27	0.25	0.24	0.4	1.7	-0.1	0.1	0.9	0.8	
Feb (mean)	326.814	2.43	2.49	0.26	0.25	0.27	0.17	-0.1	0.4	0.28	0.24	0.24	0.3	1.5	-0.1	0.1	0.8	0.8	
Bbg consensus	326.696	2.4	2.5	0.3	0.2														
Goldman Sachs		2.34	2.42	0.18	0.17			-0.5		0.22	0.22	0.5	0.0	-0.3		0.10	0.5		
Wells Fargo	326.657	2.37	2.4	0.21	0.19	0.08	0.26			0.17						0.06	0.72	0.8	
ABNAMro		2.4	2.5	0.2	0.2														
Desjardins		2.4	2.5	0.2	0.2														
Jefferies		2.4	2.5	0.23	0.20														
Lloyds		2.5	2.4	0.3	0.2														
Scotia		2.4	2.4	0.2	0.2														
Wrightson ICAP			2.5	0.3	0.2														
BNP Paribas	326.698	2.39	2.5	0.2	0.21														
UBS	326.761	2.41	2.46	0.25	0.22		0.19	-0.56	0.12	0.23	0.18	0.23	0.4	1.7		0.02	1.13		
Barclays	326.793	2.42	2.5	0.25	0.23		0.11	-0.55	0.3	0.26	0.25	0.25	0.30	3.00	0.20	0.11	0.82	0.82	
TD Securities	326.762	2.41	2.5	0.25	0.23	0.27	0.15	-0.51	0.62	0.26	0.25	0.26	-0.52	1.87		0.06	0.93		
Nomura	327.083	2.51	2.49	0.33	0.24	0.28	0.13	-0.7	0.6	0.27	0.27	0.25	0.4	0.9	0.3	0.3	1.7	0.7	
Deutsche Bank		2.40	2.46	0.27	0.24												1.0		
BofA	326.880	2.44	2.5	0.27	0.26														
Morgan Stanley	326.921	2.46	2.5	0.33	0.27	0.45	0.02	-0.90	0.30	0.34	0.27	0.24	1.35	2.3	-0.1	0.2	1.5		
JP Morgan	326.910	2.45	2.5	0.29	0.28		0.0	1.3	0.3	0.4	0.24	0.22	0.7			0.2	0.5		
NatWest	326.671	2.38	2.5	0.25	0.29		0.5	1.35	0.75	0.3	0.25	0.24	-0.40	0.48	-0.38	0.24	-0.29		
CIBC		2.4	2.5	0.3	0.3														
Commerzbank		2.4	2.5	0.3	0.3														
HSBC		2.5	2.5	0.3	0.3														
ING		2.5	2.6	0.3	0.3														
RBC		2.4	2.5	0.3	0.3														
SEB		2.5	2.5	0.3	0.3														
SocGen				0.2	0.3														
UniCredit		2.4	2.6	0.3	0.3														

Sorted on core CPI from smallest to largest M/M. Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

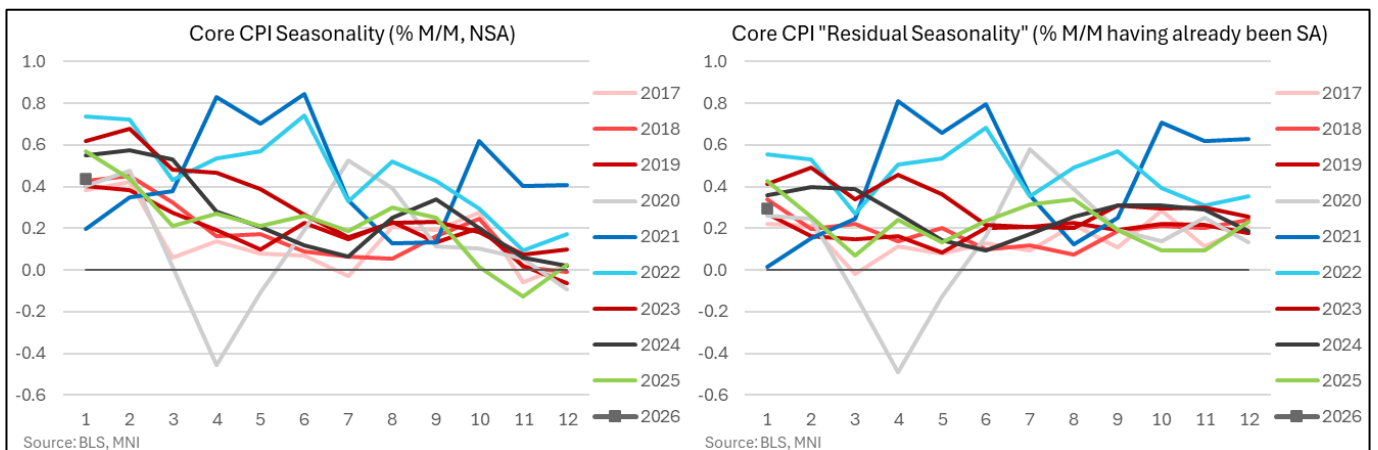
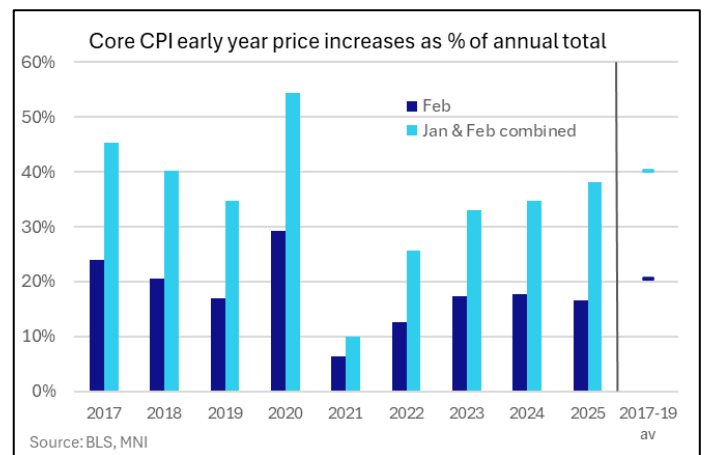
Breadth of Core Goods Inflation Watched After January Strength

Our calculation of median core goods inflation accelerated in January to 0.44% M/M, matching the previous peak back in June in what had previously looked like the largest tariff impulse landed in mid-2025. It did however follow a weak Q4 patch with government shutdown-driven distortions and so we'll be watching closely to see if it moderates (implying January was just payback) or is a sign of more notable upward pressure. Echoing this, an estimated 41% of core goods items saw inflation of 3% Y/Y or faster vs 33% in December and 25% in November. For context, it started 2025 at 13% and averaged 18.5% in 2019 or 12% over 2015-19.



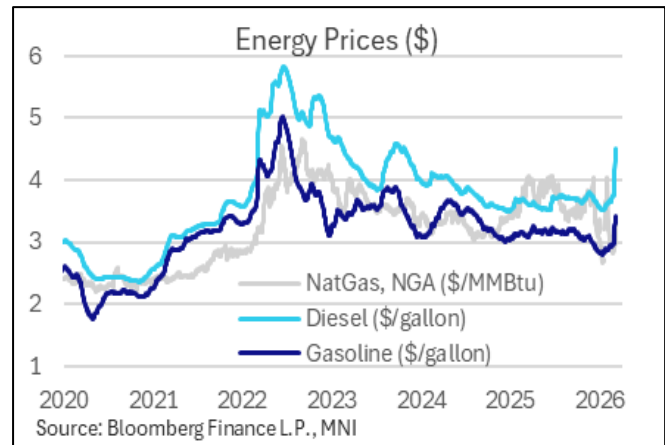
Less Of A Case For Residual Seasonality Than In Jan

February can still see residual seasonality – biasing seasonally adjusted inflation rates higher – although it tends to be smaller than January effects. Last month's seasonal adjustment revisions didn't materially change this on net with core CPI trimmed 2bps in Jan but lifted 3bps in Feb. Nevertheless, it's still a second important month at the start of the year, with the two months having historically (pre-pandemic) accounted for an average 40% of price increases that are seen over the upcoming year. That has historically been split broadly equally over January and February although recent February's have seen slightly less of a return to pre-pandemic trends, with Feb 2025 accounting for 16.5% of 2025 price increases.



Too Early For Energy Shock To Show

As noted above, seasonally adjusted fuel prices are expected to have seen a sequential acceleration in February driving a shift in overall energy price inflation from -1.5% M/M in Jan to perhaps close to 1.0% M/M in Feb. Fuel prices increased in non-seasonally adjusted terms through Feb but it paled in comparison to increases seen so far in March following the Middle East conflict stemming from US-Israel strikes on Feb 28. AAA retail gas prices increased a non-seasonally adjusted 3.2% M/M in Feb but as of Friday (Mar 6) were another 16% higher than average February levels. Diesel prices are more pronounced still, currently another 22.5% higher after a 3.9% average increase in February. Natural gas prices meanwhile are currently ~5% higher than average February levels, offsetting a -4.3% decline over the month.

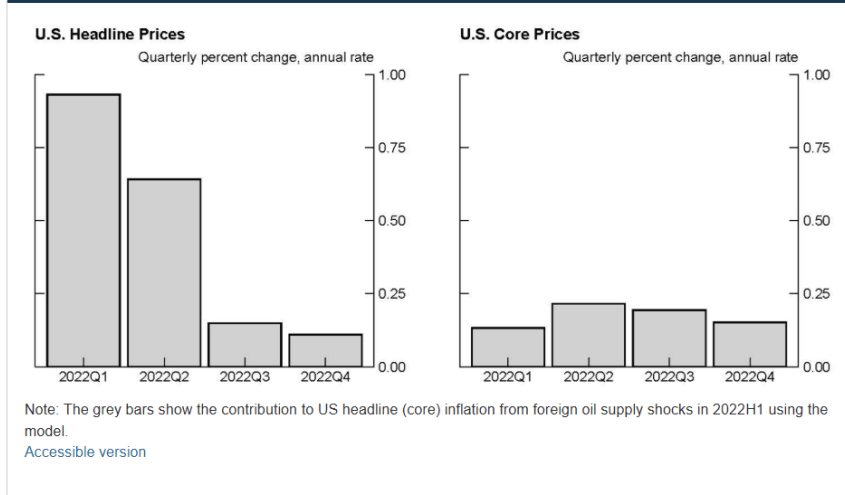


Supply-Side Oil Shock Expected To Raise Headline CPI In Near-Term, Core Less Impacted

We've seen multiple estimates of the impact on US inflation from a supply-driven energy price shock, but the broad assumption that we have seen from sell-side analyst scenarios is that a 10% persistent increase is good for an increase in headline CPI of 0.2pp very quickly (1-2 months), though core impacts are later and smaller.

- The Dallas Fed noted in a 2023 paper that "Given that the cost share of crude oil in the retail price of gasoline is about one half, a rough rule of thumb is that a 20% unexpected increase in the price of crude oil translates to a 10% increase in the consumer price of gasoline, which is expected to raise the CPI by 0.3%, all else equal. Since the full passthrough from an increase in the price of oil to the price of gasoline takes only about four weeks, oil price shocks tend to have an immediate effect on the monthly consumer price index (CPI) and the price index for personal consumption expenditures (PCE)".
- Front WTI contracts are up 35% vs the end of February at the time of writing (though were up 75% at one point early on March 9). A 2024 Fed paper that attempted to quantify the effect on inflation and GDP via a DSGE model of the global economy used the contemporary example of a 30% rise.
- The impact is dependent on both the size and duration of the shock, among other factors (including the share of oil in consumption and wage stickiness) but the principle is the same: headline CPI inflation jumps quickly, with peak core CPI lagging by about a year.
- In the case of the Ukraine-Russia induced shock which began in February 2022, "Oil prices climbed from about \$80 per barrel to almost \$125 within the first two quarters of 2022". The Fed staff assume a 2-quarter shock, from which they calculate "higher oil prices accounted for almost one percentage point of the increase in headline in 2022Q1 (in annualized rates), and about half a percentage point of the increase in headline for 2022 overall. Turning to core... the contribution of the oil supply shocks was less front-loaded than for headline inflation, with only 0.17 percentage points of the increase in core in 2022 attributed to the oil supply shocks."
- Roughly speaking, the same model but assuming just a 1-quarter shock - i.e., if the current conflict is resolved relatively quickly - implies about an 0.45pp jump in peak headline price growth (again on an annualized basis, and vs 1.0pp in the 2-quarter scenario), falling to about 0.17pp three quarters in; by that point in time, core CPI's largest contribution is being made, at +0.13pp, before fading thereafter.
- Both of the above assume similar conditions in the labor market as in 2022, so it stands to reason that a softer labor market now than then will mean less stickiness and therefore a weaker core (especially) CPI impact than we saw back then - not to mention other supply-side issues at the time including Covid-induced supply chain issues. Though as our Policy Team articles at the end of this preview note, there may be some echoes of those supply chain problems in the current episode that may exacerbate inflation.

Figure 4. Effects of 2022H1 Foreign Oil Shock on US Inflation



Presno, Ignacio, and Andrea Prestipino (2024). "Oil Price Shocks and Inflation in a DSGE Model of the Global Economy," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, August 02, 2024. <https://doi.org/10.17016/2380-7172.3570>.

Geopolitics At The Fore With Next Fed Cut Not Priced Under September On Incoming Energy Price Shock

Geopolitical developments have been dominating data in the past one to two weeks, with further large increases in oil prices driving renewed net hawkish shifts in US rate paths as the front end reverses a large part of Friday's soft payrolls report. With such a fluid risk backdrop (WTI 1st peaked at nearly \$120/bbl overnight before falling to \$95/bbl at typing, still +4% on the day), we suspect it will take a larger than usual surprise from February CPI to have a lasting material impact. Fed Funds futures currently point to a next Fed cut only in September along with a cumulative 39bp of cuts for 2026. A strong report will be viewed as coming even before the incoming energy price shock whilst a weak report might still support the growth concerns behind the potentially stagflationary impact of recent energy price swings. As for readthrough to the Fed's preferred core PCE inflation, PCE reports are still delayed after last year's government shutdown with the January release only due this Friday (Mar 13). Wednesday's CPI report will give a better idea of subsequent tracking in February although this will only be firmed up with the February PPI report on Mar 18. That's on the second day of the two-day FOMC meeting, due of course with a revised SEP including economic forecasts and the dot plot, the last under Fed Chair Powell before his Chair role ends in May.

FOMC-dated Fed Funds futures implied rates

Meeting	Latest			pre NFP (Mar 6)			chg in rate bp	pre NFP (Feb 11)			chg in rate bp
	%	step (bp)	cum. (bp)	%	step (bp)	cum. (bp)		%	step (bp)	cum. (bp)	
Effective	3.64			3.64				3.64			
Mar'26	3.63	-0.7	-0.7	3.63	-1	-1.2	0.5	3.59	-5	-5	4.7
Apr'26	3.61	-2.5	-3.2	3.60	-3	-3.8	0.6	3.52	-6	-12	8.5
Jun'26	3.54	-7.3	-10.5	3.54	-7	-10.5	0.0	3.38	-15	-26	15.9
Jul'26	3.47	-6.8	-17.3	3.48	-6	-16.3	-1.0	3.28	-9	-36	18.4
Sep'26	3.38	-8.5	-25.8	3.39	-9	-24.8	-1.0	3.17	-11	-47	21.0
Oct'26	3.33	-5.4	-31.2	3.34	-5	-29.8	-1.4	3.11	-6	-53	21.6
Dec'26	3.25	-7.6	-38.8	3.27	-8	-37.3	-1.5	3.05	-6	-59	20.2

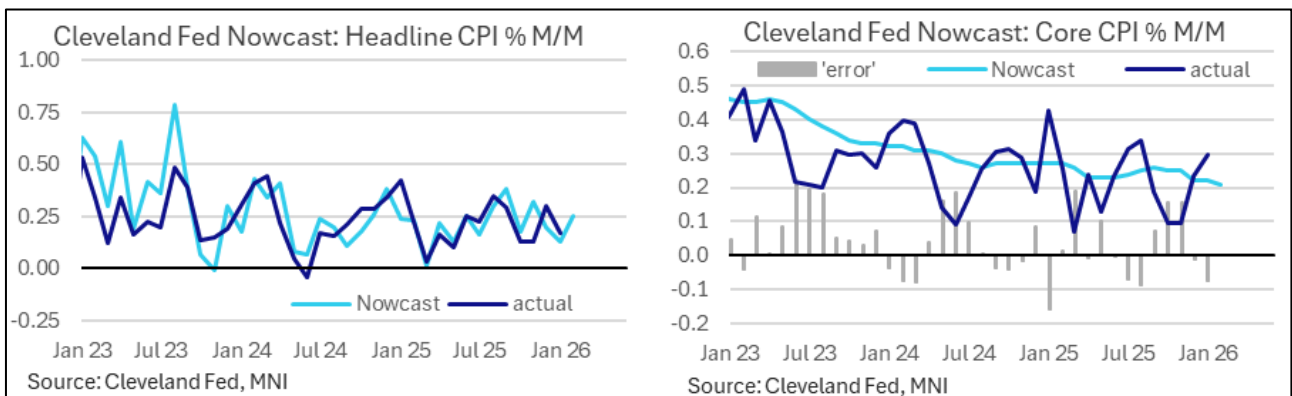
Source: Bloomberg Finance L.P., MNI. Assuming same EFRF-target lower bound spread from latest fix going ahead

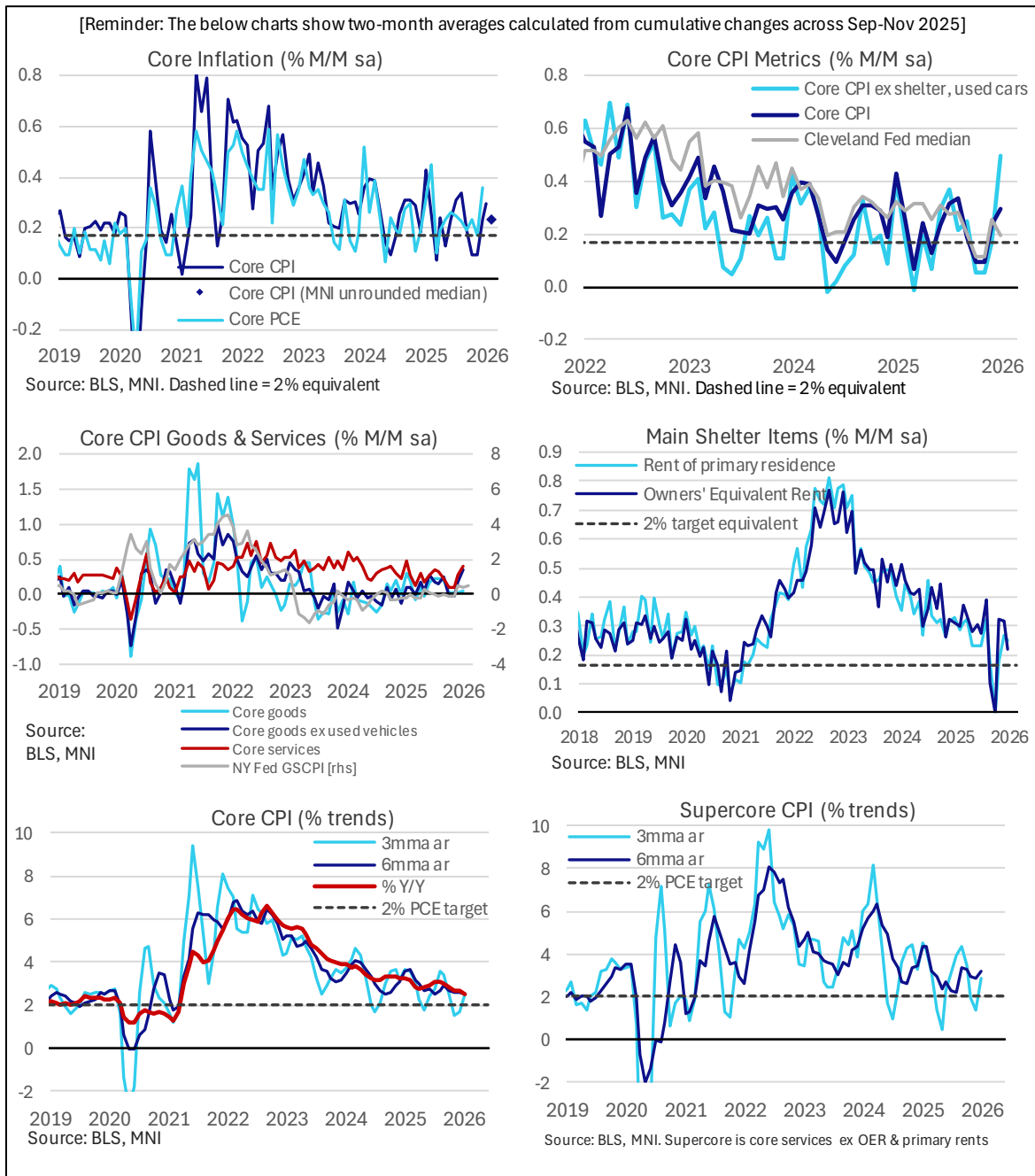
Recent Inflation Developments

Betting markets: Kalshi betting has a forecast of 0.2% M/M and a weighted chart sitting around 0.23/0.24% for very close to the above unrounded median. The latter sees 91% odds that core CPI is above 0.1% M/M, 43% above 0.2% M/M and 8% above 0.3% M/M, an area we'll increasingly monitor but for now is a very thin market when it comes to core M/M estimates.

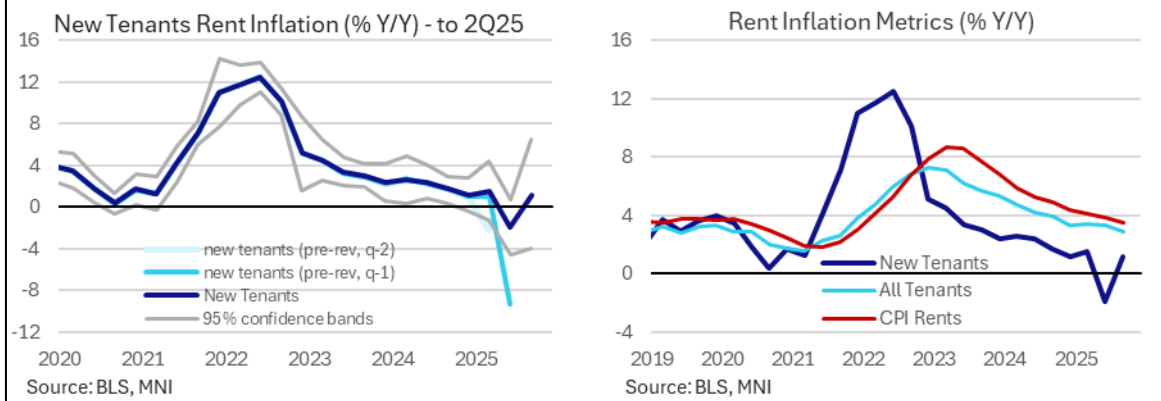
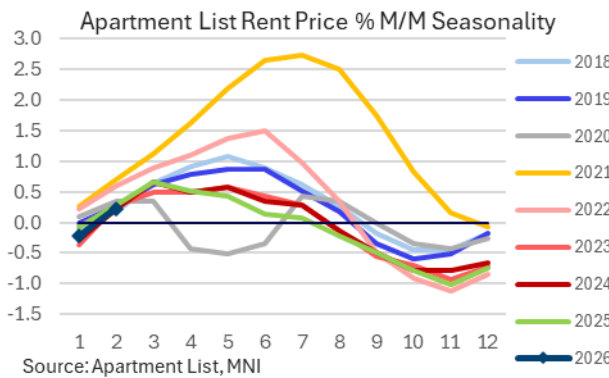
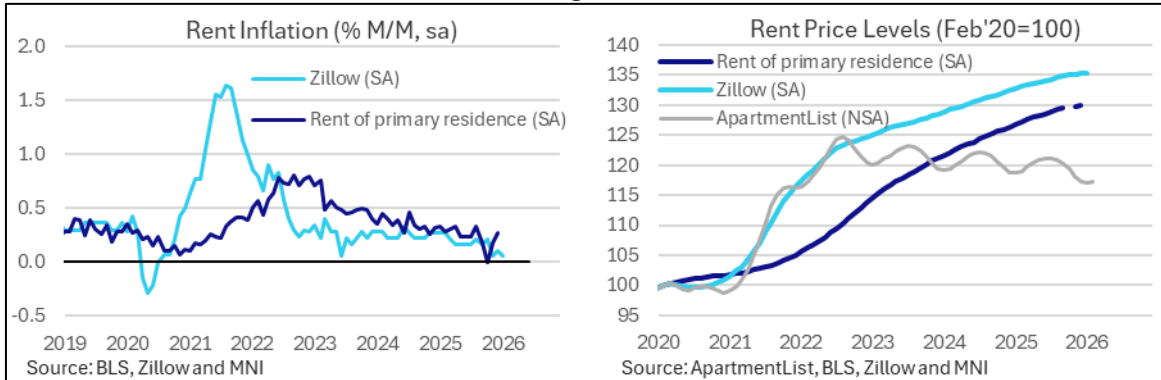


Nowcast: The Cleveland Fed nowcast has headline CPI at 0.25% M/M in February and core CPI at 0.21% M/M. It's core CPI nowcast undershot at 0.22% vs a realized 0.295% M/M, a similar sized miss but in the other direction to analysts who had seen 0.36%. It was close in Dec with 0.22% vs the 0.24% first reported and subsequently revised 0.23%, outperforming analysts in the process, but did follow a large overshoot when it pointed to 0.25% M/M in both Oct and Nov vs the average 0.09% M/M realized (with a large shutdown distortion shaped caveat).

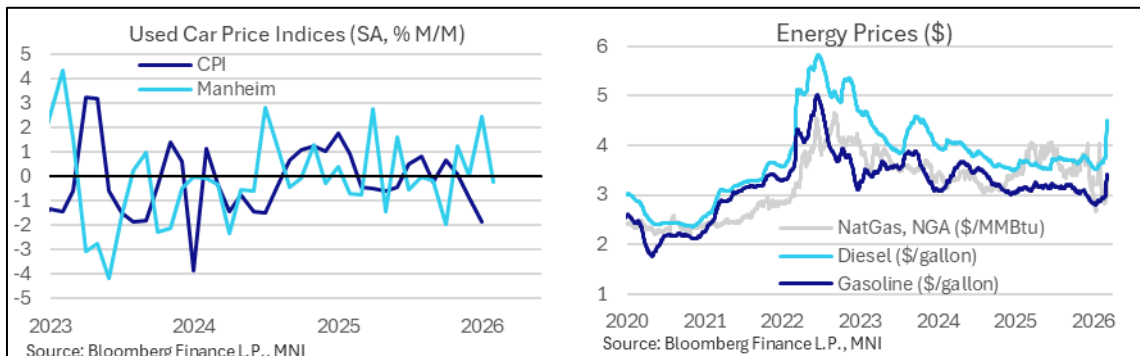




Housing Inflation



Notable Goods Prices



Full recap of the prior CPI report here, with our report titled "Underlying Pressures Remain":
https://media.marketnews.com/US_Inflation_Insight_Feb2026_696747e852.pdf

Summary Of Analyst Estimates

Overview Of Unrounded Core CPI Analyst Estimates

mni	Headline		Core		Headline		Core PCE	
	NSA	NSA	NSA	SA	SA	SA M/M		
	Index	Y/Y	Y/Y	M/M	M/M	Jan	Feb	
January	325.252	2.39	2.50	0.17	0.30	Both estimates		
February (median)	326.778	2.41	2.5	0.25	0.23	0.43	0.25	
Bbg consensus	326.696	2.4	2.5	0.3	0.2			
Goldman Sachs		2.34	2.42	0.18	0.17	0.39		
Wells Fargo	326.657	2.37	2.4	0.21	0.19	0.3		
Jefferies		2.40	2.5	0.2	0.20			
BNP Paribas	326.698	2.39	2.5	0.2	0.21			
UBS	326.761	2.41	2.46	0.25	0.22			
Barclays	326.793	2.42	2.5	0.25	0.23	0.24		
TD Securities	326.762	2.41	2.5	0.25	0.23			
Nomura	327.083	2.51	2.49	0.33	0.24	0.44	0.25	
Deutsche Bank		2.40	2.46	0.27	0.24	0.42		
BofA	326.880	2.44	2.5	0.27	0.26	0.43	0.22	
Morgan Stanley	326.921	2.46	2.5	0.33	0.27	0.50	0.27	
JP Morgan	326.910	2.45	2.5	0.29	0.28	0.42		
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Source: Analyst previews, Bloomberg Finance L.P., MNI

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mni	Headline		Core		Headline	Core	Supercore		Core goods								Core services			Food Energy		
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Desjardins		2.4	2.5	0.2	0.2																	
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Nomura	327.083	2.51	2.49	0.33	0.24	0.28	0.13	-0.7	0.6	0.27	0.27	0.25	0.4	0.9	0.3	0.3	1.7	0.7				
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BofA	326.880	2.44	2.5	0.27	0.26																	
Morgan Stanley	326.921	2.46	2.5	0.33	0.27	0.45	0.02	-0.90	0.30	0.34	0.27	0.24	1.35	2.3	-0.1	0.2	1.5					
JP Morgan	326.910	2.45	2.5	0.29	0.28		0.0	1.3	0.3	0.4	0.24	0.22	0.7			0.2	0.5					
NatWest	326.671	2.38	2.5	0.25	0.29		0.5	1.35	0.75	0.3	0.25	0.24	-0.40	0.48	-0.38	0.24	-0.29					
CIBC		2.4	2.5	0.3	0.3																	
Commerzbank		2.4	2.5	0.3	0.3																	
HSBC		2.5	2.5	0.3	0.3																	
ING		2.5	2.6	0.3	0.3																	
RBC		2.4	2.5	0.3	0.3																	
SEB		2.5	2.5	0.3	0.3																	
SocGen				0.2	0.3																	
UniCredit		2.4	2.6	0.3	0.3																	

Sorted on core CPI from smallest to largest M/M. Supercore is core services excluding primary rents and owner equivalent rents

Source: Analyst previews, Bloomberg Finance L.P., MNI

Analyst Previews for CPI Report

(In order of weakest to strongest M/M core inflation forecasts, shown on SA basis for M/M and NSA basis for Y/Y unless stated otherwise):

Goldman Sachs: Core CPI seen at 0.17% M/M and 2.42% Y/Y in Feb, headline at 0.18% M/M and 2.34% Y/Y

- “We expect softer autos inflation, reflecting a 0.5% decline in used car prices, a slight increase in new car prices (+0.2%), and a decline in the car insurance category (-0.3%).”
- “We expect a smaller contribution from travel services inflation (airfares: flat vs. +6.5% in January; hotels: +0.5% vs. -0.5% in January), reflecting signals from alternative price data.”
- “We forecast a benign increase in the shelter categories (rent: +0.22%, OER: +0.22%), reflecting a continued slowdown in their underlying trend.”
- “We expect unchanged medical services prices, reflecting a continued decline in medical insurance prices (-1.0%). We expect upward pressure from tariffs on categories that are particularly exposed (such as recreation) worth +0.05pp.”
- Headline CPI is seen at a similar pace to core (0.18% vs 0.17% M/M) owing to some offsetting volatile factors with food (+0.1%) and energy (+0.5%).
- Core PCE estimated at 0.39% M/M in *January*, for 3.07% Y/Y [due for release Mar 13]

Wells Fargo: Core CPI seen at 0.19% M/M and 2.4% Y/Y in February, headline at 0.21% M/M and 2.4% Y/Y

- “February CPI is likely to show that progress on lowering inflation is stalling out again.”
- For core CPI, “Services should lead the moderation. We project primary shelter inflation to rise roughly in line with January’s 0.23% increase, but softer price growth in travel-related services and medical care likely will weigh on core services inflation. Hotel occupancy and air traveler throughput tracked their seasonal norms in February, leaving room for payback after two months of outsized gains. Professional medical services and hospital services prices rose well above their recent trends in January and thus are ripe for some mean reversion.”
- Core goods “likely strengthened in February. We look for the pickup to be driven primarily by a rise in used autos prices after a firming in wholesale auction prices around the end of last year. Excluding autos, we look for core goods prices to increase 0.17%, which would be weaker than in January but still slightly above the 2025 average as tariff costs continue to filter through to consumer prices. The staggered pass through of tariff-related costs and firming in transportation costs are expected to keep goods prices advancing faster than their pre-pandemic pace.”
- (Wells Fargo estimates January Supercore at 0.73% vs most estimates of 0.59%).

Jefferies: Core CPI seen at 0.20% M/M and 2.5% Y/Y in February, headline at 0.23% M/M and 2.4% Y/Y

- “We expect continued disinflation in OER and rent, stable pricing in used cars and airfare, and a potential drag from lodging away from home. Taken together, these dynamics should result in a slightly better print.”

UBS: Core CPI seen at 0.22% M/M and 2.46% Y/Y in February, headline at 0.25% M/M and 2.41% Y/Y

- “We feel the risks are tilted toward the upside of our February projection. We would not be surprised to see a February core CPI increase anywhere between 0.16% and 0.32%.” In particular, goods price data from Adobe, the Harvard Pricing Lab, and Nielsen all show strengthening price increases in recent months, though the CPI data has been more moderate.”
- “OER, the largest single component in the CPI, is projected to see one of its smallest increases in the past 5 years in February (0.18%). The modest February increase is a combination of a slowing trend in rents and a reversal of the somewhat above trend increase when the February/August panel of rental units was observed in August.”
- “Core non-transportation goods prices are projected to once again see an elevated increase (though less than January), but, as in January, that tariff-driven increase is partially offset by falling used vehicle prices. Wholesale used vehicle prices have been rising notably in recent weeks, which should lead to CPI used vehicle prices turning upward over the next couple of months.”
- “Core non-rent services are projected to see a much smaller increase in February than in January, though our forecast for these components could change in coming days as we receive additional data on airfares and the share of US consumer service firms increasing prices (from the S&P consumer services output price diffusion index).”
- They see headline CPI staying at 2.4% Y/Y in February. “We estimate this 12-month change is biased downward by around 0.09pp as a result of the imputation of a zero rent increase during the October

government shutdown. That downward bias should disappear with the re-sampling of the April/October rent panel for the April CPI released in May.”

- Core PCE estimated at 0.44% M/M in *January* for 3.13% Y/Y [due for release Mar 13] and 0.27% M/M in *February* for 2.95% Y/Y.

Barclays: Core CPI seen at 0.23% M/M and 2.5% Y/Y in February, headline at 0.25% M/M and 2.4% Y/Y

- This 7bp moderation in core should be led “entirely” by core services.
- “[S]everal services, including medical care, recreation and “other” services that registered sharp beginning-of-year price increases in January are likely to experience less inflation. On the other hand, we expect core goods inflation to have accelerated, led by less deflation in used cars, and modest inflation elsewhere amid signs of continued tariff passthrough.”
- “A good chunk of the Truflation data that we found quite useful for nowcasting were available only through mid-February on Bloomberg at the time of writing, bringing to our attention a timing issue. Should that data become available next week before the CPI release, we would be curious to see how the CPI fixings market moves in response.”
- Core PCE estimated at 0.24% M/M in *February* for 2.9% Y/Y. “The inflation wedge between the PCE and the CPI (PCE y/y less CPI y/y), which has historically tracked -0.3 to -0.4pp, turned positive to +0.1pp in November, partly due to the amplification of core goods inflation in the PCE basket due to category weight differences. If outcomes are in line with our forecast, it implies a further widening of that wedge in January, to about +0.4pp (January PCE data are due next week), staying at that level for a few months.”

TD: Core CPI seen at 0.23% M/M and 2.5% Y/Y in February, headline at 0.25% M/M and 2.4% Y/Y

- “A slower rise in services prices along with more modest tariff pass-through should help keep the core segment under control... We see the risks to our forecasts skewed to the upside in the event our assumption for services disinflation does not fully materialize.”
- “Given the ongoing conflict in the Middle East our medium-term CPI forecasts are under review.”
- “As has been the case in recent reports, the core goods ex-vehicles segment should provide the bulk of the increase in prices, with strong gains in household goods and apparel acting as key drivers. Another sharp decline in used vehicle prices likely acted as an offset.”
- “The services segment is expected to slow down to 0.26% in February following the turn-of-the-year prices increases recorded in the last report. While OER/rents inflation should stay largely unchanged, cooling in transportation and lodging away from home prices should have led the move lower in the services basket. We look for airfares to lose speed after registering a notable 6.5% m/m jump in January.”

Deutsche: Core CPI seen at 0.24% M/M and 2.5% Y/Y in February, headline at 0.27% M/M and 2.4% Y/Y

- “We continue to look for tariff-related strength in core goods, particularly apparel. In addition, recent gains in wholesale used car prices have the potential to begin adding to price pressures over the next couple of months.”
- “On the services side, we continue to expect rental disinflation, though recent upward revisions to the repeat-rent indices suggest caution around the speed at which that can occur. We will also be looking for payback from January’s particularly large increase in airfare prices, though recent moves in energy prices could add to airfares going forward.”

Nomura: Core CPI seen at 0.24% M/M and 2.5% Y/Y in February, headline at 0.37% M/M and 2.6% Y/Y

- “Airfares likely decelerated following a 6.5% m-o-m advance in January (which we believe was boosted by the delayed data collection in November due to the government shutdown). Used vehicle prices, another volatile component, likely continued to decline in February.”
- “By contrast, we anticipate a rebound in OER inflation in February. Excluding noise stemming from volatile components, non-auto core goods inflation remained relatively strong, reflecting the pass-through of higher tariffs. Supercore CPI inflation excluding airline fares likely decelerated, but only modestly.”
- Core PCE estimated at 0.44% M/M in *January* [due for release Mar 13] and 0.25% M/M in *February* for 2.9% Y/Y.
- “Despite the anticipated moderation, monthly core PCE inflation of 0.254% (annual rate of 3.1%) remains too high for the Fed. In addition, elevated geopolitical risks pose upside risk to the inflation outlook. We maintain our Fed call of two rate cuts in June and September, although risks are rising for a more prolonged pause in the easing cycle.”

BofA: Core CPI seen at 0.26% M/M and 2.5% Y/Y in February, headline at 0.27% M/M and 2.4% Y/Y

- “The February CPI report should continue to show consumer prices are contained with headline and core projected to rise by 0.3% m/m. That is unlikely to tilt the scales on the Fed’s near-term policy stance. Perhaps more important than next week’s data is the evolving risk landscape for inflation as the Iran conflict poses upside risks to the inflation outlook through rising oil prices.”
- Core PCE estimated at 0.43% M/M in *January*, for 3.1% Y/Y [due for release Mar 13]

JPMorgan: Core CPI seen at 0.28% M/M and 2.5% Y/Y in February, headline at 0.29% M/M and 2.5% Y/Y

- “growth in services prices cooled modestly while growth in core goods prices remained elevated relative to historical norms, reflecting a combination of tariff cost pressures and a weaker US dollar... The ongoing Mideast conflict raises risks for higher energy prices and thus a reacceleration in headline inflation for March if not beyond, depending on how long oil production and export is impacted. However, we do not expect a material spillover into core inflation in that circumstance.”
- “While we recognize that a gradual cooling trend is in place for shelter prices, we expect broadly similar readings last month as in ... Industry data suggests a significant rebound in lodging prices last month (up 0.7%) after a slight decline in January. The other travel-related sector that has seen sizable growth this past year is airfares, but we look for a more muted gain in February than in recent prior months, based on available industry data.”
- On the core goods side, industry data points to higher prices for vehicles....Outside of vehicles, we continue to expect modest upward pressure on core goods prices as tariff pass-through continues...We continue to look for additional upward pressure throughout the first half of this year due to tariffs.”

NatWest: Core CPI seen at 0.29% M/M and 2.5% Y/Y in February, headline at 0.25% M/M and 2.4% Y/Y

- “The February CPI report should be unscathed from the rescinding the IEEPA tariffs and the subsequent imposition of tariffs under Section 122. At the same time, the escalation in the Middle East and the recent surge in energy prices will play a major role in monthly headline price data going forward but given the timing of the start of the conflict last weekend won’t have any impact on the February report.”
- “we expect used vehicle prices rebounded in February as indicated by wholesale used car values. New vehicle prices may have eked out a small gain. Additionally, core goods excluding vehicle prices may have advanced by another 0.4%. January witnessed a sharp gain across the board in the core goods excluding vehicles sub aggregate, likely reflecting a combination of greater passthrough from tariffs and start-of-the-year prices increases by businesses. We expect similar factors were at play in February. The CPI’s bi-monthly pricing methodology (so that some regions are sampled in odd and others in even months), would capture higher prices in the evenly priced months in February and would therefore boost core goods prices once again. Moreover, other data suggests businesses continued to pass on firmer cost pressures to consumers.”
- “Within core services, rent growth likely continued to slow last month... Core services ex rents prices’... solid jump in January was representative of the typical start-of-the-year price increases across various services such as recreation, communication, and personal care. We expect part of those gains to show up in the February print, due to the aforementioned bi-monthly pricing methodology. However, away from those services, we expect price gains for travel-related services, including airfares and hotel rates slowed in February relative to January.”

MNI Policy Team Insights

MNI INTERVIEW: Iran War Risks Broadly Higher Shipping Costs

By Harrison Moore (Mar 6, 2026)

LONDON - An extended U.S.-Israeli conflict with Iran would push up shipping costs around the globe, further feeding oil price hikes and affecting container traffic and goods going well beyond oil, the co-founder of an initiative aimed at providing port data to governments told MNI.

Seven-day average transit volumes through the Straits of Hormuz, which handles about 20% of global oil maritime trade volume, fell by almost one million tonnes to 3.30 million tonnes in the week to March 1, according to data from PortWatch, a joint initiative between the IMF, Oxford University and TU Delft aimed mainly at governments.

While ports could play catch-up if the conflict is short-lived, a longer war will force more vessels to be rerouted, said Jasper Verschuur, PortWatch's co-founder and an assistant professor at TU Delft.

"Everyone is talking about oil, of course, but the thing I'm worried about mainly is that some of the smaller ports in East Africa, for instance, are usually not big enough to have direct shipping connections with China, for instance," Verschuur said in an interview.

If shipping companies have to re-prioritise routes they could "get rid of those lines and then put everything to Europe," he said.

"Instead of having an efficient system, where you have ships coming from both directions, and then rotating these containers, now you need to have these big ships going all the way, and that means that the system just becomes a lot more inefficient. So, if this will be a longer-term thing, yes, of course, we'll see an increase in shipping prices," Verschuur said. (See MNI SOURCES: ECB's Ukraine Lesson Lowers Oil Shock Tolerance)

An increase in freight or insurance costs is too marginal to stop shipping activity altogether but could have a greater upward effect on oil prices because of its lower value relative to ship size, he said.

RED SEA

A re-organisation of shipping, in particular away from Middle Eastern ports such as Dubai, is already visible, he said, noting that the impact of attacks in the Red Sea by Iran-backed Houthis' in 2023 is still being felt, with shipping volumes halved on that route. (See MNI INTERVIEW: Long Conflict A Risk To China Chemical Output)

"The tricky thing with the Strait of Hormuz... is that there's no alternative," he said. "Oil can get through some of those pipelines to Saudi Arabia, but the capacity is super small," he added, so "it's not a feasible alternative."

There could also be a "really unfortunate double effect" with the Red Sea already being a "sort of no-go area, and now people [are] trying to avoid the Persian Gulf."

Activity in the Red Sea is still "around 50% of what it used to be," Verschuur said.

For the UK, "it could be that you have reallocation of transport, and it means that more, bigger ships are going to arrive at Felixstowe and it could maybe lead to congestion or something like that," he said.

However, if there is a clear end to a conflict, negative effects can be swiftly overcome.

"In most cases ... there's a post-disaster surge in activity," he said, noting that "ports generally don't work at their maximum capacity level."

This is "assuming that today everything is over and the shipping lane is free," he said, adding that if shipping companies perceive that the threat remains then that could also have a lasting effect.

Verschuur was unconvinced by the idea that higher shipping insurance costs will reduce trade volumes. "These are relatively marginal increases, especially in this world of tariffs."

MNI INTERVIEW: US Services Surged Before Middle East War - ISM

By Evan Ryser (Mar 4, 2026)

WASHINGTON - The U.S. service economy picked up steam in the early part of 2026, a jump that will likely be extended as long as the higher energy costs, uncertainty, and geopolitical risk linked to U.S. and Israeli attacks on Iran do not last too long, Institute for Supply Management services chair Steve Miller told MNI.

"This was definitely a good month, prior to last week," Miller said, acknowledging a blurred outlook due to the start of a war in the Middle East. The February report saw the highest reading since July 2022.

The February ISM services survey jumped 2.3ppts to 56.1, well above expectations. The ISM improvement came as the new order index increased 5.5ppts to 58.6 and new export orders surged 12.2ppts to 57.2. The employment index rose 1.5ppts to 51.8 and the prices index fell 3.6ppts to 63.0, the lowest reading in 11 months.

Miller said the better-than-expected February report doesn't cause him to readjust his view of the outlook. "I think we'll probably see something in the middle 53 to 56 range because we're going to see new orders drop some and supplier deliveries go up, in terms of a number with the shipping impacts of the war."

IRAN WAR

If the Middle East conflicts lasts for months then the PMI will sag, possibly into contraction, Miller said.

"If the conflict is extended and we're not able to keep shipping routes safe or production running for oil, then we'll start seeing that impact the services sector significantly, high 40s and low 50s," he said. "Kind of bouncing around there, but that doesn't happen until June or July."

A build back in inventories and move higher in order backlogs across the sector are additional signs that demand continues to ramp back up.

Miller was surprised by the February report, which also showed new export orders index increasing to their highest level since July 2024.

"I don't know the reason behind them. Maybe the weaker dollar. Maybe the finalization of tariff deals opened things up that people were putting on hold. I'm not sure but it was pretty pretty significant. A 12.2 percentage point increase on export orders. I think that probably drove the increase in the new orders in total, and that seems to be what drove the overall number most definitely."

EASING COST PRESSURES

The ISM report noted that respondents say that tariff impacts have stabilized and are now embedded in supply chain costs. "Although there were several comments on tariff uncertainty regarding the U.S. Supreme Court decision, there was no alarm regarding supply chain performance, suggesting that services companies have developed capabilities to routinely address shifts in tariff policies."

Signs of easing cost pressures may also dampen the need for more Federal Reserve rate cuts, Miller said, anticipating a quarter point cut this year. He acknowledged a complicated outlook as the ISM manufacturing report this week showed a surge in its prices index. (See: MNI POLICY: Fed Embraces Pause As Downside Labor Risks Abate)

Respondents in the ISM survey are mostly silent about calling for rate cuts, except the construction industry, Miller said.

MNI INTERVIEW: Uncertainty Dominates US Hiring Outlook - Indeed

By Jean Yung (Mar 3, 2026)

WASHINGTON - The uncertainty over trade, geopolitics and AI that has frozen the U.S. labor market even as growth exceeds expectations will have to break one way or the other as the macro picture shifts, Indeed Hiring Lab economist Laura Ullrich told MNI, predicting mediocre payrolls growth in February and potentially negative revisions for January.

Despite the Indeed job postings index gapping notably higher than the Bureau of Labor Statistics' official JOLTS report over the past few months, there are fewer openings than unemployed persons and time-to-hire has lengthened, in line with an overall softening of the labor market, Ullrich said.

"I don't think we can stay in this low-hire, low-fire environment forever with economic growth continuing like it has -- unless AI all of a sudden is able to do much more than it can today," Ullrich, director of North American economic research and a former Richmond Fed economist, said in an interview.

"I can envision a scenario where consumption remains relatively strong, uncertainty does clear up to some extent and so companies start hiring more," she said. "I also can envision a scenario where the opposite happens, where there is a stock market correction from an AI bubble or geopolitical developments and there's a pullback."

DIVERGENCE

Jobs figures are especially important for the Federal Reserve in the first half of 2026 as it weighs resuming rate cuts, and officials have cited deteriorating job openings in particular as a reason for worry. (See: MNI POLICY: Fed Embraces Pause As Downside Labor Risks Abate)

JOLTS openings dipped below pre-Covid levels late last year, while Indeed's series remains slightly higher than before the pandemic. December openings, according to JOLTS, fell to their lowest since 2017, while Indeed's inched higher.

The private data series last diverged from JOLTS in the first half of 2024, for which no particular reason was found at the time. In retrospect however with revisions in hand, "that was when the labor market really started slowing down a bit," Ullrich said.

"So it could be we have these little one- or two-month divergences that just recover and it's just a statistical anomaly, or it's really a pattern. I think it's too early to say."

HEALTH CARE AND AI

More important has been the markedly different evolution in hiring trends from sector to sector, particularly in health care, which has dominated job growth over the past year, Ullrich said, noting jobs in occupational therapy and physical therapy are up 91.1% compared to pre-Covid, while data analytics is down 37%.

"In health care, we have both constrained supply and high demand," and that is likely to continue, she said. An Indeed analysis of signing bonuses found health care postings continuing to offer extra pay for physicians and nurses, an indication that employers feel pressure to attract workers.

"Not only do we have increased spending on health care because of aging baby boomers, but also because they're wealthy. So long as asset values continue to grow, I think we'll continue to see that generation spend a lot of money on health care, on optional procedures, and also in leisure and hospitality, retail and housing."

The path forward for jobs affected by AI is less certain and is a subject of ongoing research at Indeed, Ullrich said. The share of job postings with AI-related terms rose to 4.7% by end-January. Tech sector layoffs thus far likely reflect a pullback from the over-hiring during Covid, rather than sweeping technological changes, she said.

"Right now what we're seeing is more of a shift toward investment in capital, in AI, and lower investment in labor. I don't think we're in a world yet where AI is doing all the work -- or even a lot of the work." (See: MNI INTERVIEW: US Labor Market 'On Pause' Amid AI Uncertainty)

MNI INTERVIEW: Manufacturing Showing Signs Of Upswing - ISM

By Evan Ryser (Mar 2, 2025)

WASHINGTON - The U.S. manufacturing sector's ability to sustain early-year momentum into February provides some hope for the long-dormant sector, though continued tariff uncertainty is still weighing, Institute for Supply Management manufacturing chair Susan Spence told MNI.

"I'm encouraged, but I see nothing in the headlines on the tariff front that's going to make people feel any better," she said in an interview. "I still am in the cautious area."

The ISM manufacturing index was down by two tenths to 52.4 in February, above consensus expectations. The first two reports of the year were the best since the summer of 2022, when the economy was still recovering from the pandemic.

"Maybe we're not going to take a leap at 55 or 60. Maybe we'll hover," the ISM manufacturing chief said about the PMI.

"I will feel better with a couple more months of new orders," said Spence. The new orders subindex declined 1.3ppts to 55.8, but still up considerably since December's 47.4. The new orders measure slipped after January's 10-point gain but held at the second-best level since February 2022.

The February ISM Manufacturing report shows "sentiment is holding" and reinforces the optimism for growth but there are concerns of rising prices.

INFLATION WORRIES

The prices index surged by more than 11 points to 70.5 in February, the highest reading since June 2022. There were 18 commodities reported up in price versus 1 reported down in price, and 4 reported in short supply.

Spence attributed higher input prices to the steel and aluminum sector and to tariffs. "The price index has taken this huge leap," she said. "I wouldn't be surprised if price pressures continue. I think the inflation worries kind of start again."

With some stabilization in the labor market, the Federal Reserve is likely to keep its focus on combatting price pressures, Spence said. (See: MNI POLICY: Fed Embraces Pause As Downside Labor Risks Abate)

The employment subindex remained in contraction at 48.8 in February. Attrition rather than layoffs was the main head-count management strategy this month, the ISM report noted.

Companies will be watching the war in the Middle East closely to see potential impacts on prices and overall manufacturing, particularly around energy and chemicals, Spence said. "It really depends on how long this war lasts."

TARIFF IMPACTS

Peak uncertainty around the Trump administration's upending of global trade is likely in the rearview mirror after the Supreme Court struck down the President's use of reciprocal tariffs, Spence said.

"We'll see what the SCOTUS impact is. Is that enough to calm people down that, there is a limit finally to what the administration can do, as far as weaponizing tariffs?" she asked.

"If trade deals hold, if they're in the 10% to 15% range, and they're not going to change, then I think that's helpful," she said. "But it also depends on what these countries decide to do."

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