

# U.S. Inflation Insight: March 2026

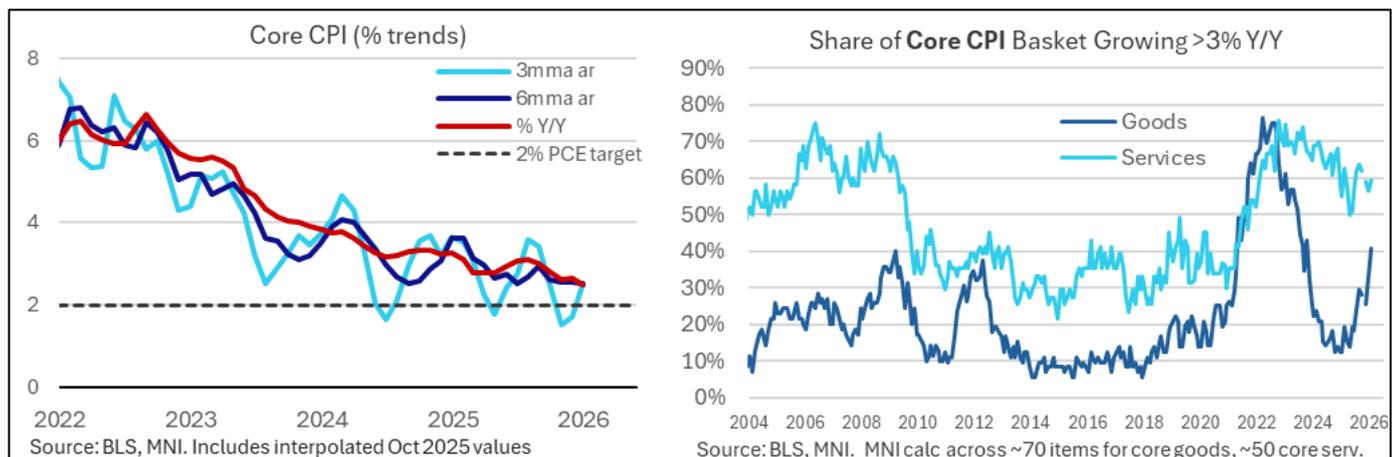
## MNI View: Mind The PCE Gap

Mar 11, 2026 – By Chris Harrison and Tim Cooper

### Executive Summary

- February's CPI aggregates came in broadly in line with expectations, though the underlying details will have appeared less encouraging from the Fed's perspective.
- Unrounded core CPI printed at 0.216% M/M (vs MNI median 0.24%) and headline at 0.267% M/M (vs 0.27%).
- Core Y/Y of 2.46% remained at a rounded 2.5% as per consensus, while rounded headline CPI held at 2.4% Y/Y (2.41% vs 2.4% median), the lowest since May.
- The details mattered though: analysts lifted Feb core PCE estimates to ~0.39% M/M (range 0.31–0.45) vs closer to 0.25% pre-CPI, citing in part stronger core goods components with heavier PCE weights.
- Core goods inflation printed a slightly below-expected 0.08% M/M with large category swings; ex-used vehicles inflation cooled, while median core goods inflation fell sharply after January's tariff-related jump.
- Supercore CPI (ex-housing core services) cooled to 0.35% M/M (from 0.59%) but was still slightly hotter than expectations. The PCE translation from key categories were more punchy than the overall CPI data.
- The three-month core CPI run rate rose to 3.0% annualized while the six-month pace eased to 2.3%, suggesting mixed underlying momentum.
- Inflation breadth widened by MNI's estimates: 50% of the CPI basket rose 3%+ Y/Y, and core goods breadth reached 42%, the highest since Oct 2023. That said, regional Fed estimates of stickiness and dispersion showed continued disinflation over a longer-term horizon.
- Key to FOMC doves' overall disinflation narrative is housing CPI which moderated again, with OER at 0.22% M/M and primary rents at 0.13% M/M; softness was concentrated in the South region.
- Food prices reaccelerated, with food-at-home at 0.44% M/M and food-away-from-home at 0.32% M/M (a positive driver of core PCE); energy saw modest recovery ahead of the March shock.
- Due to government shutdown-related delays we still don't have the January PCE release, which comes Friday March 13. February's PCE drops on April 9, well after the Fed's next decision on March 18.
- Of course even the latter would be considered somewhat stale given the significant inflationary impulse implied by spiking energy prices amid the Middle East conflict.
- Market rate expectations moved slightly hawkish on the day, with 2026 Fed cuts repriced from 36bp to 32bp in the hours after the release, and the next cut now seen in October rather than September.

| CPI          | Jan    | Feb                   |
|--------------|--------|-----------------------|
| Core M/M     | 0.295% | 0.216%<br>(cons 0.24) |
| Headline M/M | 0.171% | 0.267%<br>(cons 0.27) |
| Core Y/Y     | 2.50%  | 2.46%<br>(cons 2.5)   |
| Headline Y/Y | 2.39%  | 2.41%<br>(cons 2.4)   |



## CPI Details

### Main CPI Categories Largely Match MNI Medians

February's unrounded core CPI reading of 0.216% M/M was very slightly on the lower side of MNI unrounded median consensus of 0.24%, with headline likewise largely in line at 0.267% vs 0.27% (and 0.17% prior).

- Unsurprisingly this also meant that the main categories of inflation also largely came in as expected: supercore inflation of 0.35% M/M was slightly on the high side of 0.27% median (0.59% prior).
- Core goods were a little on the soft side (0.08% M/M vs 0.14% median, and 0.04% prior), which drove the "miss" on overall core, with core services exactly in line at 0.27% (0.39% prior).

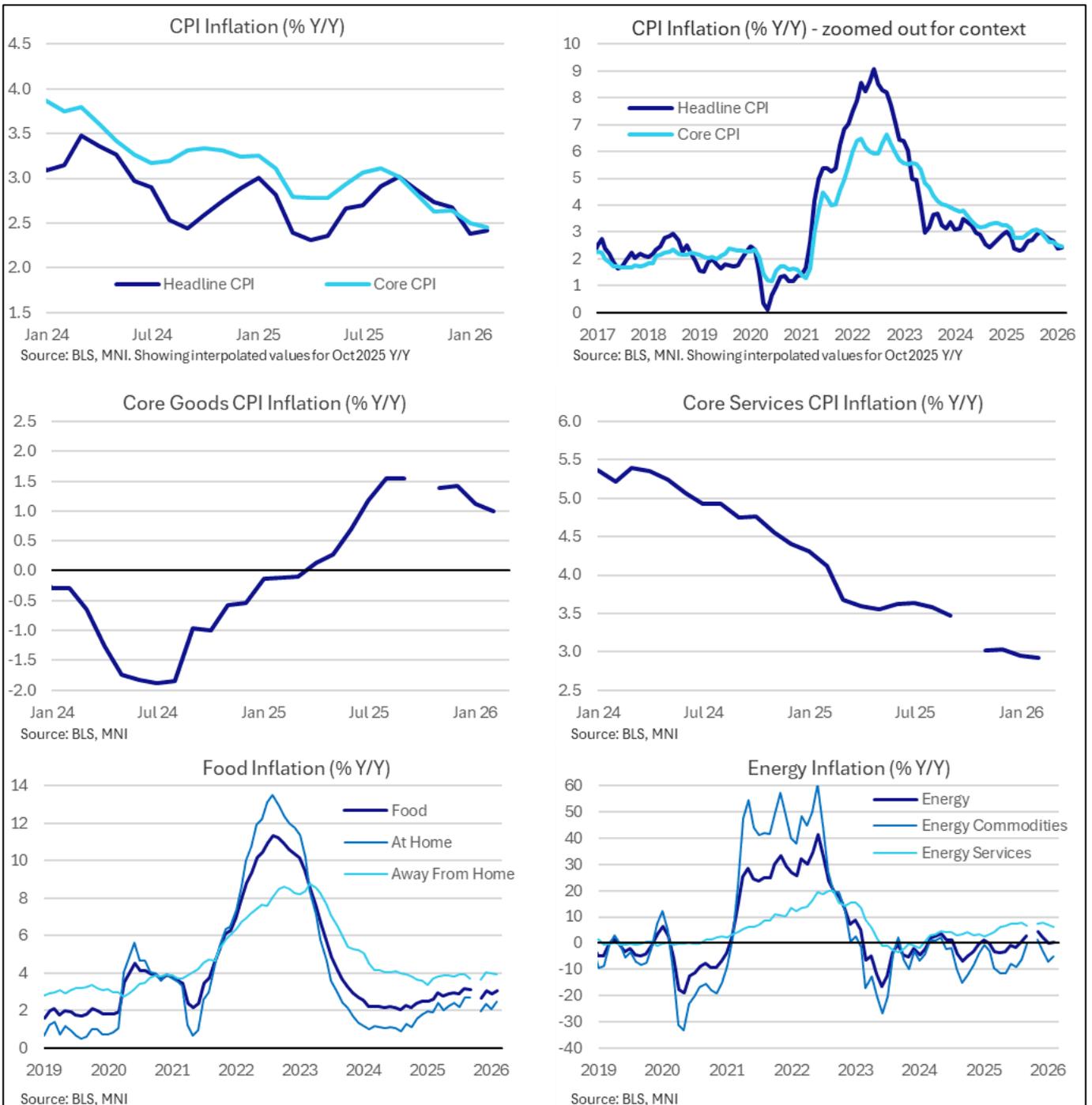
Summary of Key Core Categories Vs Analyst Consensus (Red=Higher Than Avg Expectation, Green = Lower)

| mni           | Core SA M/M | Supercore |      |       |      | Core goods |         |      |       |         |          |
|---------------|-------------|-----------|------|-------|------|------------|---------|------|-------|---------|----------|
|               |             | M/M       | M/M  | M/M   | M/M  | used cars  | apparel | OER  | rents | lodging | airfares |
| Feb           | 0.216       | 0.35      | 0.08 | -0.38 | 1.28 | 0.27       | 0.22    | 0.13 | 0.96  | 1.36    | -0.33    |
| Feb (median)  | 0.24        | 0.27      | 0.14 | -0.53 | 0.30 | 0.27       | 0.25    | 0.24 | 0.41  | 1.68    | -0.10    |
| Feb (mean)    | 0.25        | 0.27      | 0.17 | -0.13 | 0.42 | 0.28       | 0.24    | 0.24 | 0.34  | 1.46    | -0.06    |
| Bbg consensus | 0.2         |           |      |       |      |            |         |      |       |         |          |
| Jan (actual)  | 0.295       | 0.59      | 0.04 | -1.84 | 0.31 | 0.39       | 0.22    | 0.25 | -0.10 | 6.52    | -0.44    |

- Core CPI only just rounded to 2.5% Y/Y in February although it was only slightly softer than expected at 2.46% Y/Y (MNI median 2.5%, av 2.49%) after 2.50% in Jan.
- That's technically a fresh low since Mar 2021 although is likely still biased downwards by ~0.1pp after government shutdown distortions that will only drop out in April.
  - Core goods led the latest moderation, to 0.99% Y/Y in Feb from 1.12% Y/Y in Jan having recently peaked at 1.54% Y/Y in Aug-Sep.
  - Core services meanwhile saw marginal moderation from 2.95% in Jan to 2.92% Y/Y in Feb for a fresh low since Sep 2021.
- Headline CPI inflation was also marginally below average expectations although more firmly centered around the rounded 2.4% with 2.41% Y/Y (MNI median 2.4, av 2.43) after 2.39% in Jan.
- This is a second month at 2.4% Y/Y for its lowest since May.
  - Food inflation bounced back to 3.06% Y/Y in Feb after 2.88% in Jan and 3.07% in Dec.
  - Energy inflation saw a modest bounce to 0.5% Y/Y after -0.1% in Jan and 2.3% in Dec, with of course this report coming too early to have captured the energy price shock on the Middle East conflict.

Summary of Key Categories Vs Analyst Consensus (Red=Higher Than Avg Expectation, Green = Lower)

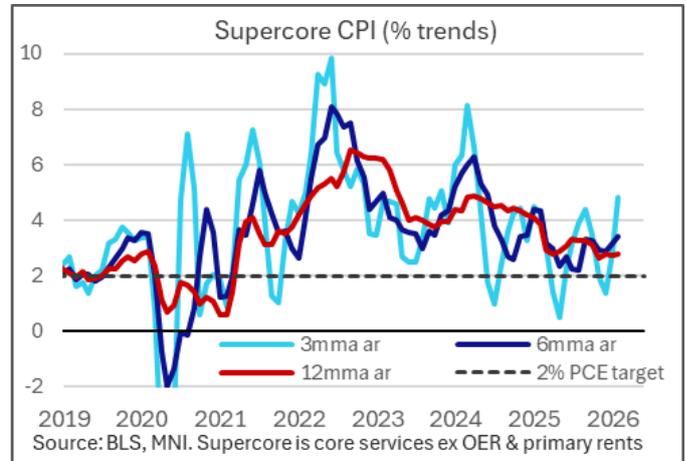
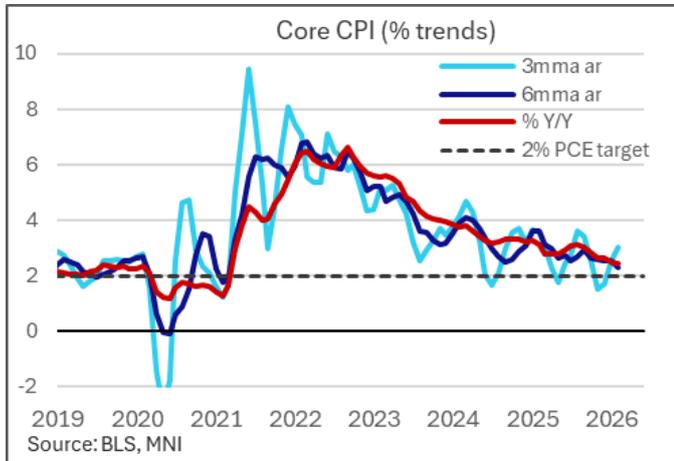
| mni           | Headline  |         | Core    | Headline |        | Core   | Supercore | Food  | Energy | gasoline |
|---------------|-----------|---------|---------|----------|--------|--------|-----------|-------|--------|----------|
|               | NSA Index | NSA Y/Y | NSA Y/Y | SA M/M   | SA M/M | SA M/M |           |       |        |          |
| Feb           | 326.785   | 2.41    | 2.46    | 0.267    | 0.216  | 0.35   | 0.39      | 0.63  | 0.8    |          |
| Feb (median)  | 326.778   | 2.40    | 2.50    | 0.27     | 0.24   | 0.27   | 0.11      | 0.88  | 0.8    |          |
| Feb (mean)    | 326.814   | 2.43    | 2.49    | 0.26     | 0.25   | 0.27   | 0.14      | 0.85  | 0.8    |          |
| Bbg consensus | 326.696   | 2.4     | 2.5     | 0.3      | 0.2    |        |           |       |        |          |
| Jan (actual)  | 325.252   | 2.39    | 2.50    | 0.17     | 0.30   | 0.59   | 0.19      | -1.47 | -3.19  |          |



**Core CPI 3mth Trend Back Above Y/Y After Biased Lower On Shutdown**

- Whilst the core Y/Y eased slightly to 2.46%, the three-month run rate firmed to 3.0% annualized for its strongest since 3.4% in Sep prior to the government shutdown.
- This is the first month that it doesn't directly overlap that Oct-Nov report window that was biased lower by government distortions, pointing to some potential upside momentum for the Y/Y ahead.
- The six-month average meanwhile eased from 2.5% to 2.3% annualized for its softest since early 2021 but this fully captures the Oct-Nov period.
- Near-term strength is led non-housing core services, with "supercore" rising 4.8% annualized in the latest three months, although that has come on surging airfares (which doesn't feed into core PCE).

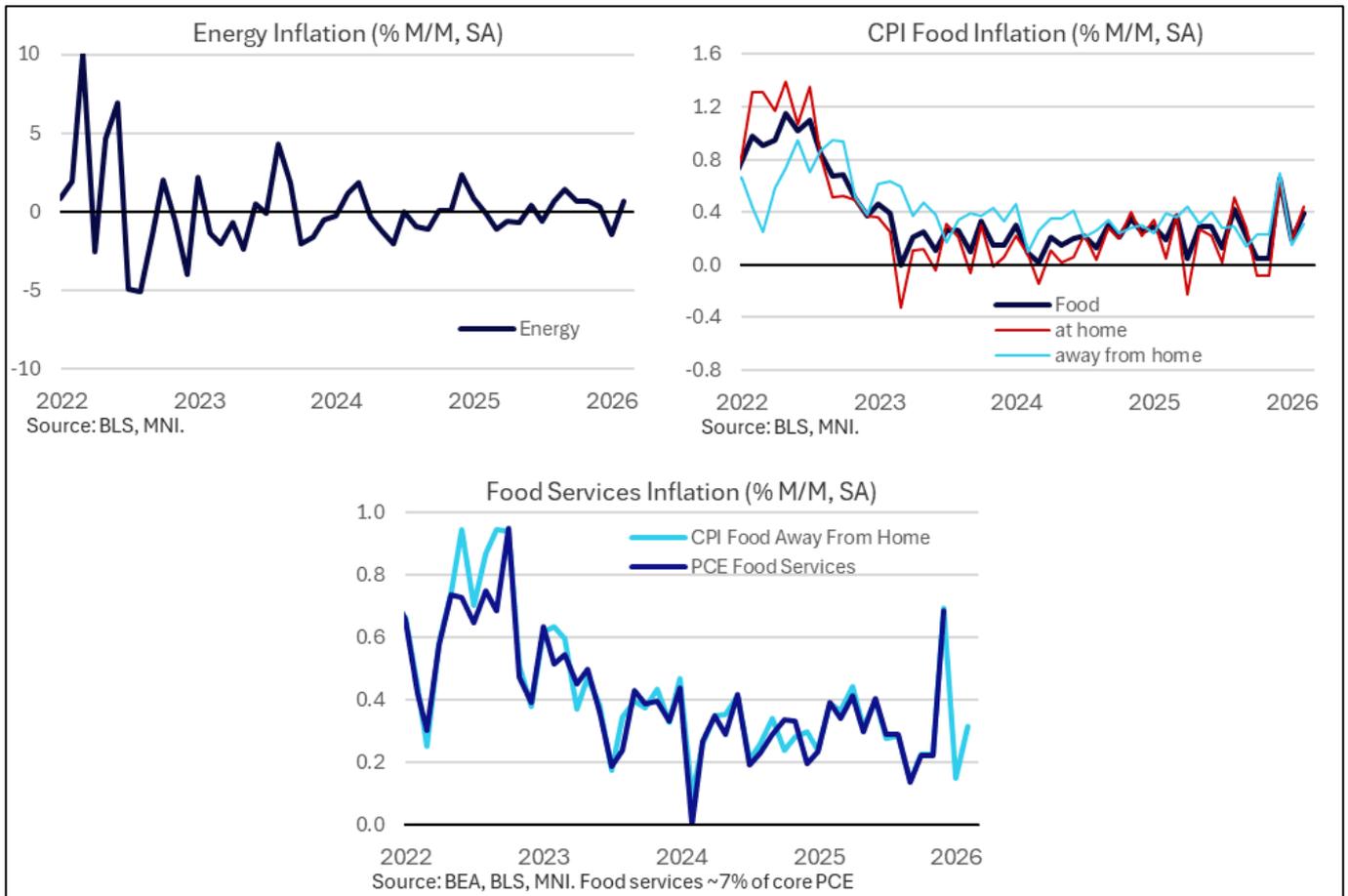
- Looking over a longer period, supercore CPI ticked a tenth back up to 2.8% annualized over the past twelve months having recently bottomed at 2.6% in Nov.



### Rise In Food Underpins Headline CPI, With Firmer Core PCE Readthrough

Headline CPI inflation was exactly in line with expectations in February, at 0.27% M/M (0.17% prior). With core coming in slightly softer than anticipated, this of course implied a stronger contribution from food and energy.

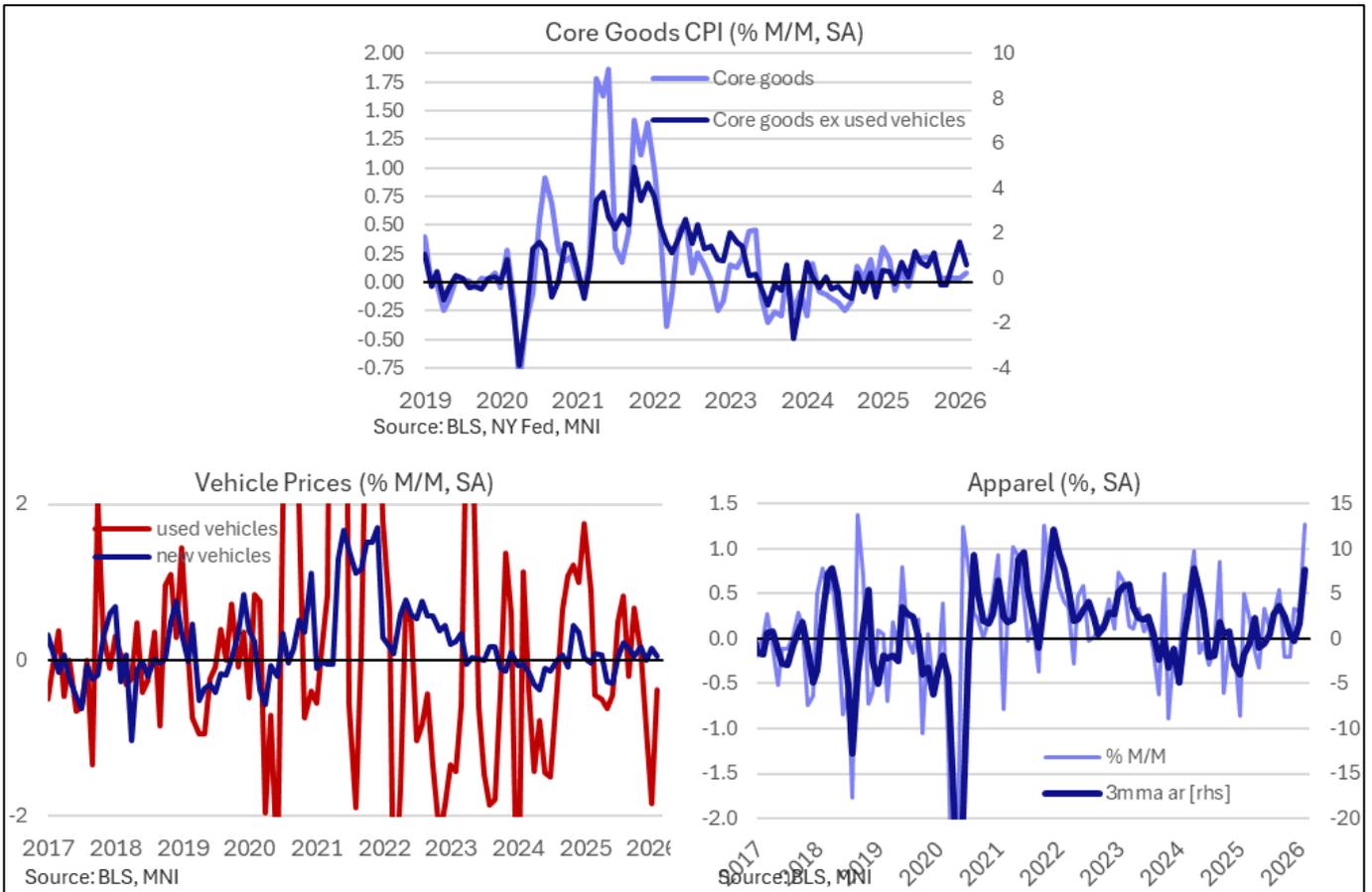
- In turn, this was mostly a food story, with prices in this category accelerating to 0.39% (0.1% expected, 0.19% January).
- Food at home prices jumped to 0.44% from 0.19% prior, driving the overall gain, with grocery prices appearing to show a significant re-acceleration after some softness between September and November last year (albeit heavily distorted by government shutdown-related methodology issues). There was some pretty wide dispersion in grocery prices with some categories seeing the lowest ever rates of inflation (lunch meats), and others the highest (sugar and sweets).
- Problematically for core PCE, for which it is a contributor, CPI food away from home picked up to 0.32% M/M from 0.15% prior for its 2nd highest reading since last June.
- Energy developments were largely as expected: motor fuel prices rose 0.8% after -3.2%, though overall energy bounced a little less than anticipated to 0.6% (0.9% median, -1.5% prior).
- On the services side, electricity prices (2.5% of the CPI basket) saw the lowest reading since May 2023 at -0.7% M/M (-0.1% prior), helping offset a sharp rise in the relatively smaller utility gas services (3.1% after 1.0%) which is around 0.8% of the CPI basket.
- Of course those readings are looking quite stale given the expected jump in energy goods price inflation in March on the back of the conflict in the Middle East.



**Core Goods CPI Stays Moderate In February, But Many Outlying Categories**

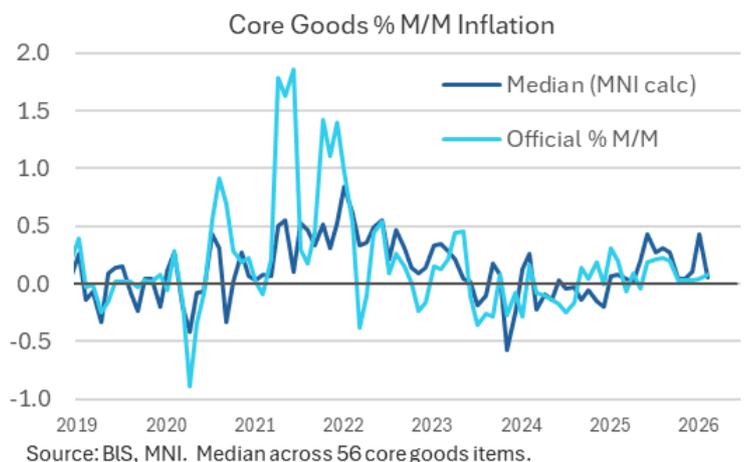
The overall breakdown of core goods CPI in February suggests shows somewhat softer ex-vehicle price momentum than feared, but also large outliers at both ends in individual categories that don't translate easily to narratives about start-of-year price changes or tariff passthrough.

- Overall core goods inflation came in at 0.08% M/M, vs MNI median 0.14% and just 0.04% in January.
- Within major core goods categories, used cars and apparel were actually a little stronger than anticipated, at -0.4% M/M (-0.5% exp, -1.8% prior) and 1.3% (0.3% expected), with new vehicles perhaps slightly on the softer side of expectations (0.0% after 0.1%).
- Apparel in particular is showing some strong upside momentum, a classic tariff passthrough category.
- But overall ex-used vehicles inflation - considered a key metric of broader core goods inflation - fell back to 0.16% M/M after January's jump to 0.36%.
- There were many outliers here. Household furnishings/supplies rose 0.2%, smallest since August 2025 for this major category (3.4% of CPI), even though appliances saw their largest ever rise (3.1% M/M) suggesting some upside tariffs pressures and start-of-year repricing but also pullbacks in multiple smaller subcategories.
- Jewelry (perhaps unsurprising given both tariffs and higher precious metals prices), "other video equipment", and vehicle accessories other than tires, all saw their biggest ever rises.
- Offsetting though was the lowest-ever reading for education/communication commodities (-3.0% M/M), with smartphone and telephone hardware/calculators/other info system prices collapsing over 5% each.
- And medical care commodities at 0.0% remained subdued (-0.1% prior for this NSA index), and recreation commodities came in at 0.4%, a slight fade from January's 0.6% jump.



Median Core Goods CPI Inflation Moderates Notably In February

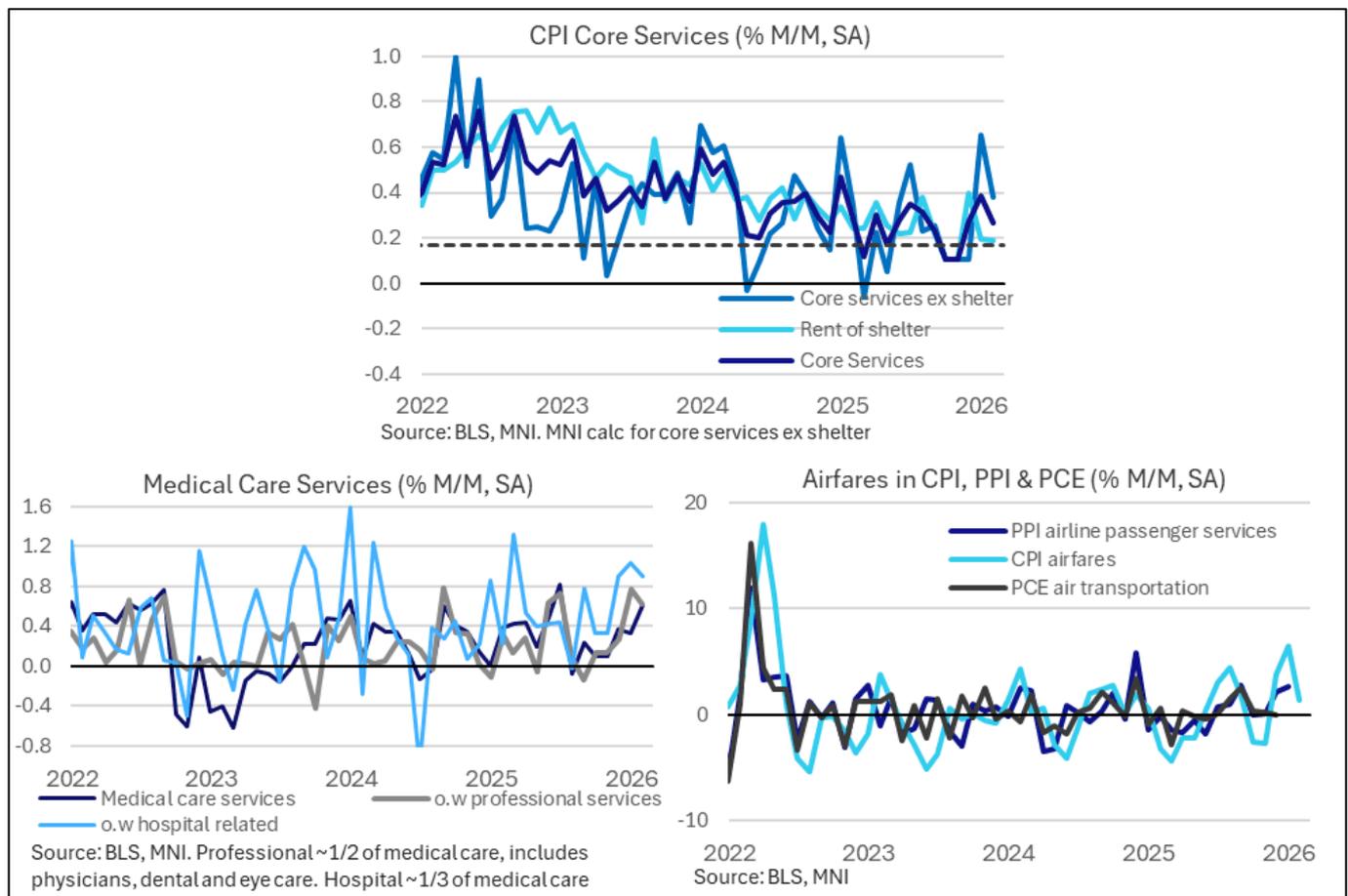
- Adding to the above on the many outlying categories within core goods CPI this month, our calculation of median core goods CPI inflation slowed notably to 0.06% M/M.
- It follows a particularly strong 0.44% M/M for the median in January, in a move that had matched the previous post-tariff peak of 0.43% M/M back in June.
- It suggests that January strength was more a function of prior weakness rather than a new stronger trend, having followed the 0.06% M/M averaged through Q4. Specifically, the median averaged 0.04% M/M across Oct-Nov with a likely bias lower from the government shutdown (Nov collection later in the month, hitting holiday discounts) before a surprising lack of recovery with 0.10% M/M in December.
- As such, whilst January's core goods CPI of 0.04% M/M had been biased lower by used cars in particular (-1.8%) with greater underlying strength elsewhere, this month the 0.08% M/M increase for core goods CPI appears to have been more representative of underlying moves despite used cars falling another -0.4% M/M.



Core Services Inflation Remains Elevated, Mixed PCE Implications

Supercore CPI (core services ex-housing) registered a rise of 0.35% in February, well down from 0.59% prior but a little on the hotter side of expectations (0.27%). Overall core services were down to 0.27% (exactly as expected) after 0.39% prior, returning to December's still-elevated level. When we look at the details, there are mixed risks to the core PCE readthrough versus its CPI counterpart.

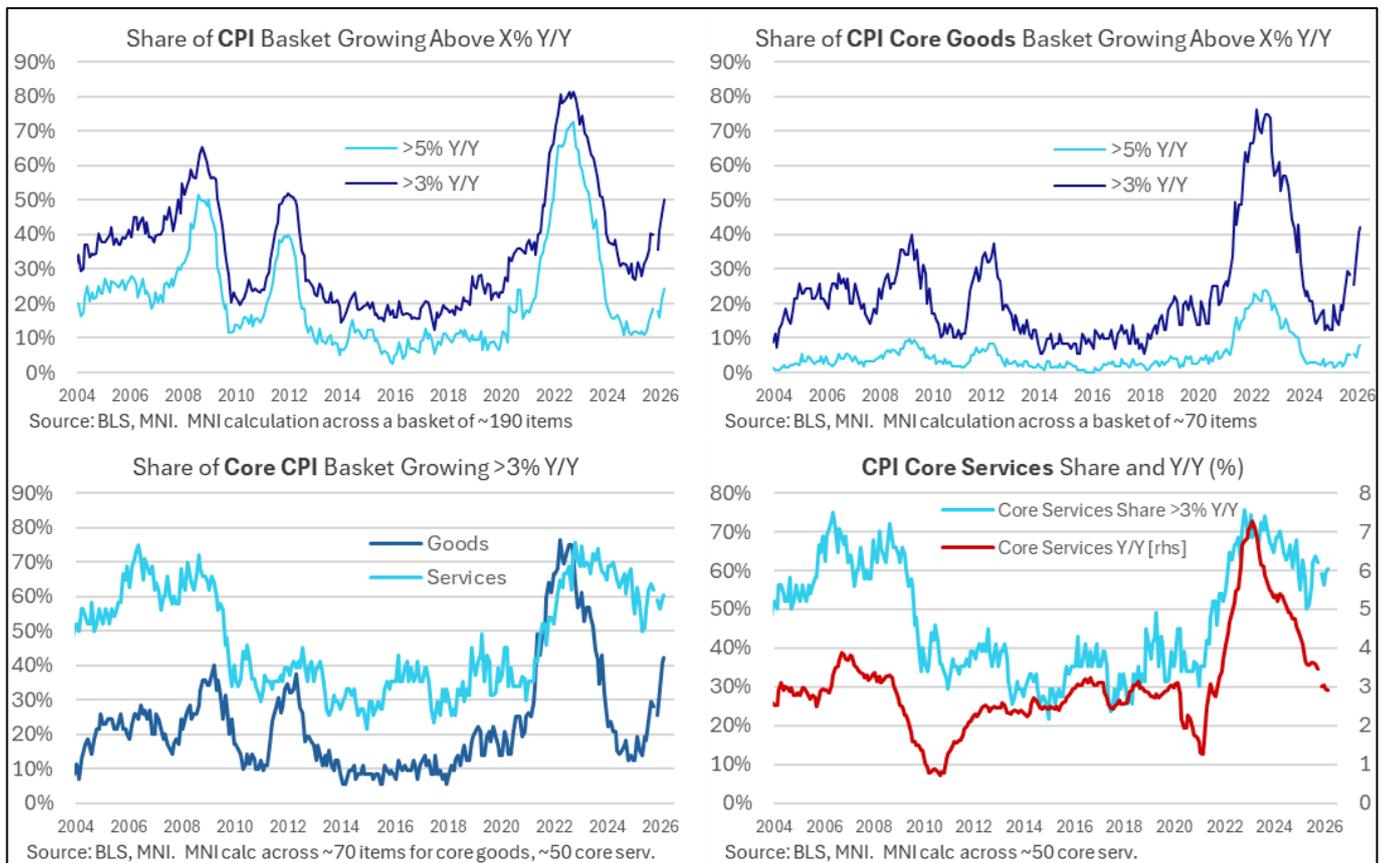
- Airfares (0.9% of CPI basket) came back to earth as expected at 1.4% after January's 6.5%, though lodging (1.3% of CPI basket) posted a slightly bigger upside reversal than anticipated at 1.0% (-0.1% prior), though both of these categories are notoriously volatile. We also note auto insurance (2.7% of CPI) on the soft side of expectations at -0.3% after -0.4% in January.
- Note though, airfares and auto insurance coming in on the weaker side won't help bias core PCE estimates lower, since these categories are taken from the PPI report, not CPI.
- Medical care services - 7% of the CPI basket - posted a jump to 0.6% after 0.3%, highest since July, led by professional services (0.6% after 0.8%) and hospital/related services (0.9% after 1.0%). This appeared to be a surprise with analysts suggesting that January's burst would be reversed. Dental prices - a core PCE contributor from the CPI report - jumped 1.3% M/M after 0.9% for the biggest rise since July 2025. Note that PCE takes physician services prices and hospital service inflation from the PPI report.
- Elsewhere we saw a large drop in recreation services (-0.2% after +0.4%) for the lowest since August 2025 in this category worth 3.2% of the overall CPI basket. Education and communication services (5% of CPI) were relatively steady at 0.3% after 0.4%, but other personal services prices fell 0.2% after +1.6%.



*A Further Broadening In Y/Y Inflation Pressures In February*

We estimate price pressures increased further in February with 50% of the CPI basket rising at 3% Y/Y or faster but with this latest increase led by volatile items.

- Share of **CPI** basket rising at least 3% Y/Y: 50% in Feb after 46% in Jan, 40% in Sept pre-shutdown and 27% in Jan 2025. It's the highest share since Oct 2023.
- Share of **core goods** CPI basket rising at least 3% Y/Y: 42% in Feb after 41% in Jan, 28% in Sept and 13% in Jan 2025. It's the highest since Oct 2023.
- Share of **core services** CPI basket rising at least 3% Y/Y: 60% in Feb after 59% in Jan, 62% in Sept and 55% since Jan 2025.
- Looking at the breadth of faster inflation rates, 24% of the CPI basket increased at least 5% Y/Y in Feb (vs 21% in Jan, 18.5% in Sept and 12% in Jan 2025) whilst 8% of core goods increase at least 5% Y/Y (unchanged from 8% in Jan but up from 5% in Sept and 3% in Jan 2025).



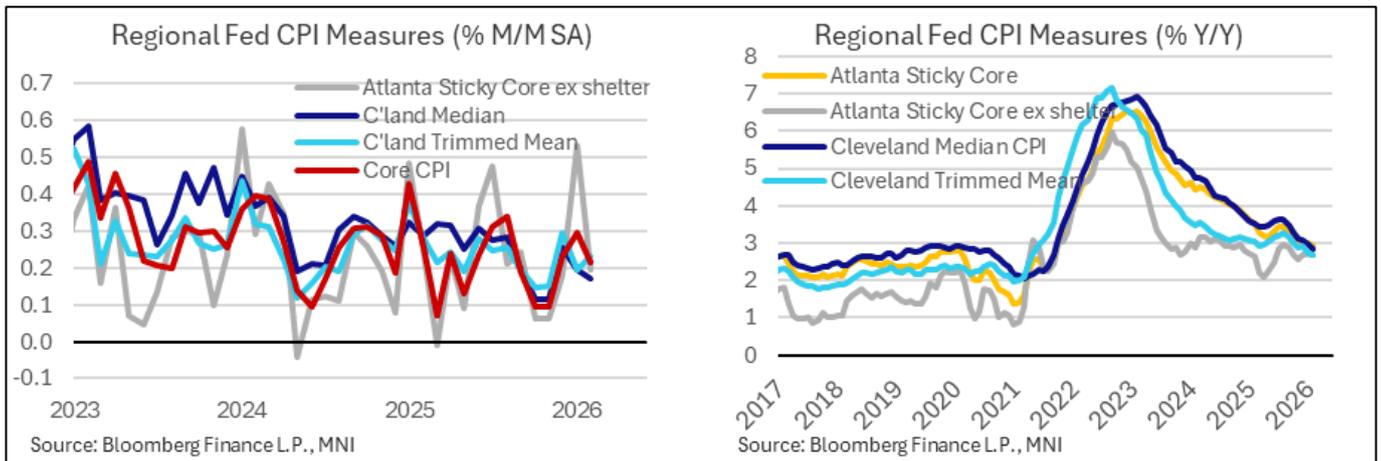
*Regional Feds Eye Further Disinflation Progress In Breadth, Stickiness*

Regional Feds' estimates of CPI inflation dispersion and stickiness in February largely pointed to a softening of pressures versus January, and continued disinflationary progress overall on a longer-term perspective.

- The Atlanta Fed's sticky core CPI ex-shelter metric saw a pullback to 0.19% M/M from 0.53% in January, with the Y/Y down to 2.90% from 2.98% prior to mark the lowest since September 2021. The volatile six-month annualized rate however picked up to 3.69% from 3.1%, however, largely reflecting the large jump in

January (this reading had been as low as 1.22% as recently as December though along with the overall CPI survey this will have been distorted by government shutdown-related data issues in Oct and Nov).

- Meanwhile the Cleveland Fed's median CPI metric fell to a 3-month low 0.17% M/M after 0.19%, with the Y/Y rate down to 2.85% from 2.97%. Like the Atlanta Fed's sticky metric, this was the lowest since September 2021.
- The 16% trimmed mean metric was less disinflationary, with the 0.23% M/M reading up from 0.19% prior but this still brought the Y/Y down to 2.67% after 2.72%, now the lowest since May 2021.
- This was reflective of MNI's estimates of median core goods CPI inflation – see above.



*Non-Housing Services Categories, Ex-Auto Goods Drive Core CPI Dip*

As noted, the pullback in sequential core CPI in February was due almost entirely to softer core services pressures: they contributed 0.20pp to the overall 0.22% core CPI figure, vs 0.29pp in January (when core CPI printed 0.30%). See table in image for more detail.

- In turn as implied by the fading of supercore it was primarily non-housing categories that retreated in February, with airfares showing the biggest sequential pullback (contributing 0.06pp less to total core CPI than it did in January).
- And as implied by MNI's median core goods CPI metric pulling back in February, it was a broader mix of non-vehicle goods that offset a sequential pickup in vehicles' contributions.
- "Other goods" saw a 0.04pp pullback in core CPI contribution in February, with vehicles dragging a little less than they did in January.

US: Contributions to % M/M Core CPI

|                      | Jan         | Feb         | chg          |
|----------------------|-------------|-------------|--------------|
| <b>Core CPI</b>      | <b>0.30</b> | <b>0.22</b> | <b>-0.08</b> |
| <b>core goods</b>    | <b>0.01</b> | <b>0.02</b> | <b>0.01</b>  |
| used cars            | -0.06       | -0.01       | 0.05         |
| new cars             | 0.01        | 0.00        | 0.00         |
| other goods          | 0.07        | 0.03        | -0.04        |
| <b>core services</b> | <b>0.29</b> | <b>0.20</b> | <b>-0.09</b> |
| housing              | 0.10        | 0.09        | -0.01        |
| OER                  | 0.07        | 0.07        | 0.00         |
| primary rents        | 0.02        | 0.01        | -0.01        |
| lodging              | 0.00        | 0.02        | 0.02         |
| medical serv         | 0.03        | 0.05        | 0.03         |
| car insurance        | 0.00        | 0.00        | 0.00         |
| airfares             | 0.07        | 0.02        | -0.06        |
| other services       | 0.11        | 0.04        | -0.07        |

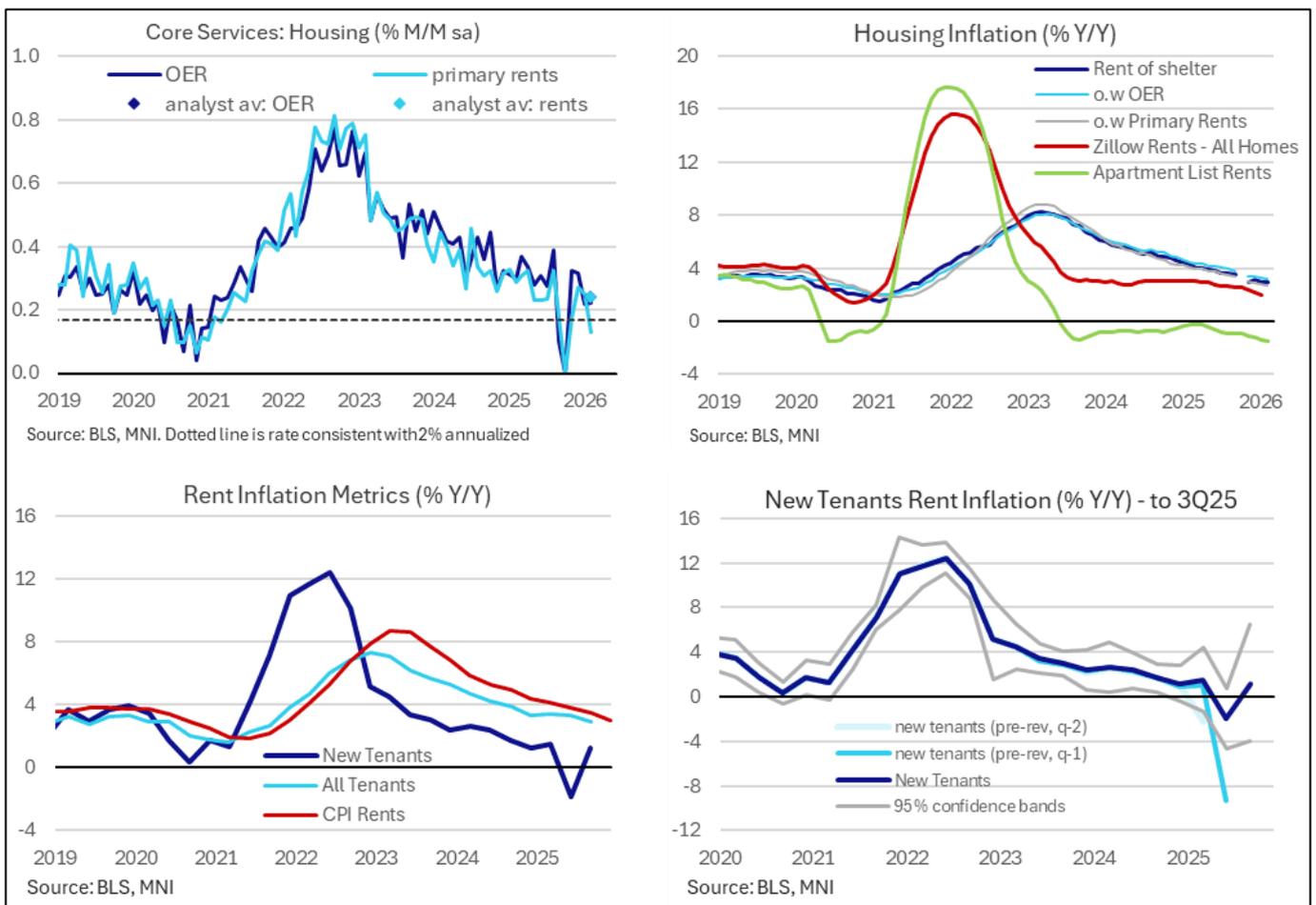
Source: Bloomberg Finance L.P., BLS, MNI.  
Figures don't always add exactly due to rounding

*Housing Inflation Continues Steady Moderation With Further To Go*

Housing CPI inflation was on balance softer than expected in February, with the heavily weighted OER within range but at the lower end of expectations along with a more notable miss for tenants' rents. It continues a recent run of at or below pre-pandemic run rates with private indicators pointing to further moderation in the pipeline.

- OER: 0.22% M/M (analyst av 0.24, range 0.18-0.27) after 0.22% - this is 26% of the CPI basket

- Tenants' rents: 0.13% MM (analyst av 0.24, range 0.22-0.26) after 0.25% - this is 8% of the CPI basket
- The weighted average of 0.20% M/M follows 0.23% in Jan, 0.30% in Dec, the usual Oct-Nov period where it was broadly assumed to have been 0.00 in Oct before 0.29% in Nov (carry forward when missing data) and a surprisingly weak 0.12% M/M in September.
- In other words, it's seeing an increasing number of months recently at a pace below that seen pre-pandemic such as the 0.28% M/M averaged through 2019.
- BLS housing inflation has clearly been moderating then, with OER at 3.2% Y/Y and primary rents at 2.7% Y/Y, but private indicators point to further moderation ahead with Zillow at 1.9% Y/Y as of Jan and Apartment List at -1.5% Y/Y as of Feb.
- The BLS's new tenants rent index continues to better reflect these new lease metrics, at 1.2% Y/Y in Q3 after -1.9% in Q2 and 1.5% in Q1 although is prone to large revisions (something that should be reduced somewhat going ahead with the introduction of a longer period from the end of the quarter to publication).

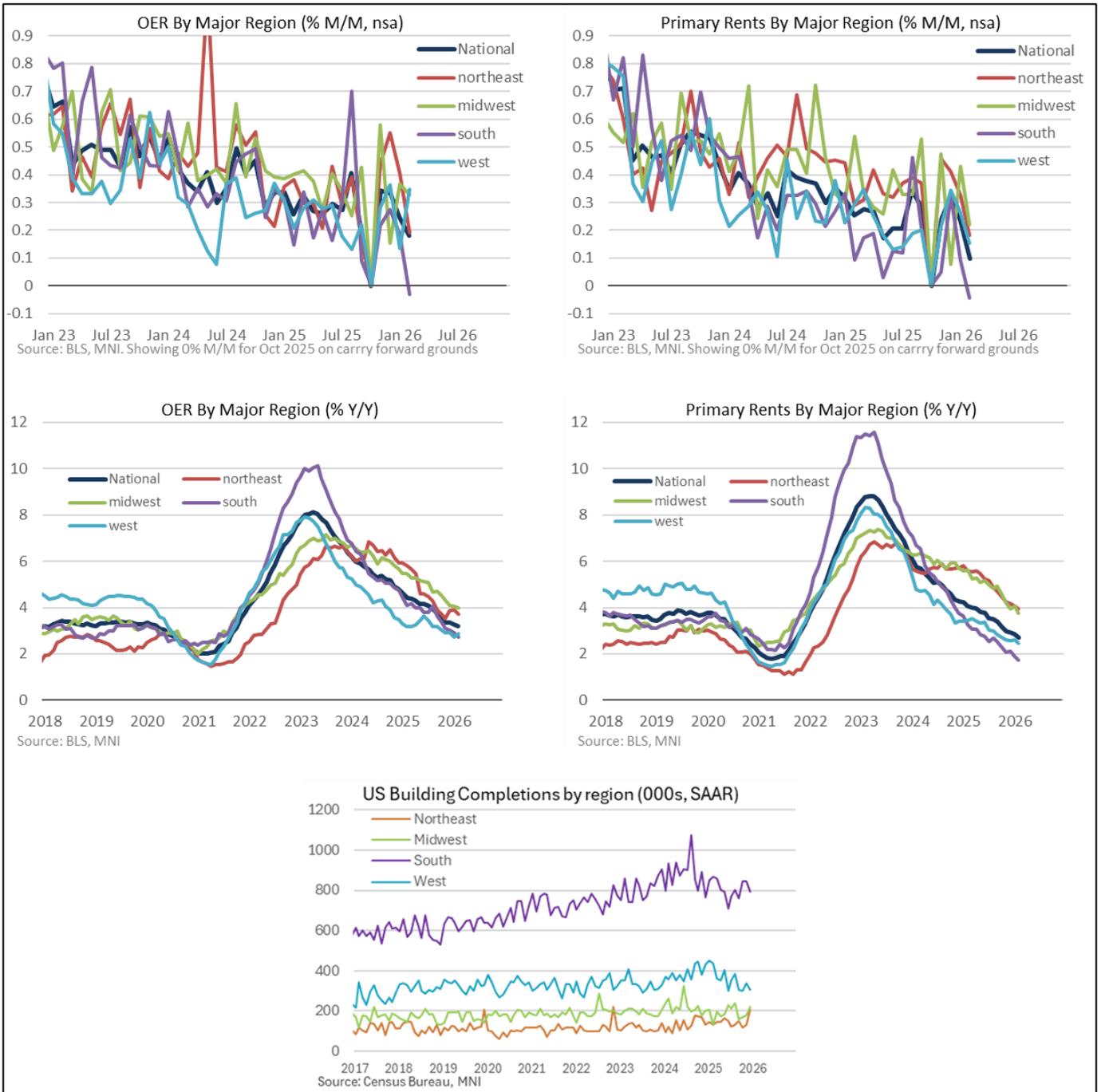


**South Region Behind Latest Moderation In Rent Inflation**

Surprisingly soft CPI housing inflation in February appears to have been driven by the South, the US region that has generally weighed on rental inflation over the past year relative to other regions following much stronger rental inflation over the past year. This is an area that saw particularly strong rental inflation after the pandemic amid sizeable inward migration before housing supply increased to meet this demand and resident inflows slowed.

- Within the NSA details, southern OER slipped -0.03% M/M in February, which whilst only just negative was still technically its first decline since 2010), after 0.19% M/M in Jan, or for a better NSA comparison 0.15% in Feb 2025 and 0.47% in Feb 2024.
- Similarly, southern primary rents edged -0.04% M/M lower after 0.09% in Jan, 0.09% in Feb 2025 and 0.46% in Feb 2024.

- Governor Miran (voter, dove) when a Board nominee back in Aug 2025: "Our calculations are that the massive in surge of renters into an only sluggishly adjusting housing supply probably boosted rents by about 4-5%. And that's a significant contribution to overall inflation at a time when the housing stock adjusts only slowly... we think that there's a very strong reason for thinking of very profound service disinflation coming up in the near future, as net migration has come to zero because the President's strong border policies."



*Sizeable Upward Revisions To Still Early Days For Core PCE Estimates*

- Analysts see stronger core PCE inflation estimates for February after today's CPI print, with an average unrounded estimate of 0.39% M/M (range 0.31-0.45) vs closer to a tentative 0.25% pre-CPI.

- There is regular mention of upward revisions being down to small core goods components with larger weights in core PCE than core CPI.
- One particular example here is computer software & accessories increasing a non-seasonally adjusted 6.5% M/M vs 3.3% in Feb 2025, 3.6% in Feb 2024 and 0.9% in Feb 2023 (1.2% weight in core PCE vs 0.03% in core CPI)
- This is of course ahead of Friday's January core PCE release which could see some revisions to this February tracking (we have seen unrounded estimated average 0.42% for Jan) plus of course the Feb PPI report on Mar 18.
- **TD Securities:** 0.31% M/M
- **GS:** 0.34% M/M (vs 0.24 pre-CPI) for 2.97% Y/Y
- **Nomura:** 0.38% M/M (vs 0.25 pre-CPI)
- **Wells Fargo:** A "low" 0.4% M/M
- **Citi:** 0.42% M/M (vs 0.26 pre-CPI)
- **Morgan Stanley:** 0.42% M/M (vs 0.27 pre-CPI)
- **Barclays:** 0.45% M/M (vs 0.24 pre-CPI)

*In Line CPI Figures Bring Limited Fed Rate Pricing Impact, With Hawkish PCE Twist*

With the main aggregate inflation readings coming in close to expectations, there was only a limited reaction in market-implied Fed rate pricing in the immediate aftermath of the February CPI release.

Pricing in the hours following the release were in a hawkish direction, which no doubt was primarily due to repricing amid Iran war volatility, but in part reflective of the details of the CPI categories that translated into a positive core PCE vs CPI "wedge" in the month and thus a relatively hawkish Fed interpretation of inflation dynamics. Cumulative 2026 cut pricing dipped to 32bp from 36bp pre-CPI release, with the next 25bp cut fully priced only for October's FOMC vs September pre-release.

**FOMC-dated Fed Funds futures implied rates**

| Meeting   | Latest |           |           | pre CPI (Mar 11) |           |           | chg in rate | pre NFP (Mar 6) |           |           | chg in rate |
|-----------|--------|-----------|-----------|------------------|-----------|-----------|-------------|-----------------|-----------|-----------|-------------|
|           | %      | step (bp) | cum. (bp) | %                | step (bp) | cum. (bp) | bp          | %               | step (bp) | cum. (bp) | bp          |
| Effective | 3.64   |           |           | 3.64             |           |           |             | 3.64            |           |           |             |
| Mar'26    | 3.64   | -0.1      | -0.1      | 3.64             | 0         | -0.2      | 0.1         | 3.63            | -1        | -1        | 1.1         |
| Apr'26    | 3.61   | -3.1      | -3.2      | 3.61             | -3        | -2.8      | -0.4        | 3.60            | -3        | -4        | 0.6         |
| Jun'26    | 3.55   | -6.3      | -9.5      | 3.53             | -8        | -10.6     | 1.1         | 3.54            | -7        | -11       | 1.0         |
| Jul'26    | 3.49   | -5.2      | -14.7     | 3.47             | -6        | -16.7     | 2.0         | 3.48            | -6        | -16       | 1.6         |
| Sep'26    | 3.43   | -6.7      | -21.4     | 3.39             | -8        | -25.1     | 3.7         | 3.39            | -9        | -25       | 3.4         |
| Oct'26    | 3.38   | -4.4      | -25.8     | 3.35             | -4        | -29.5     | 3.7         | 3.34            | -5        | -30       | 4.0         |
| Dec'26    | 3.32   | -6.3      | -32.1     | 3.27             | -7        | -36.6     | 4.5         | 3.27            | -8        | -37       | 5.2         |

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

Other Recent Inflation Releases

*Beige Book: Inflation Still Seen As Moderate/Robust*

Inflation dynamics remained largely unchanged (with prices up to varying degrees) in February's Beige Book vs January's, with 4 continuing to characterize price pressures as modest/slight for the 3rd consecutive edition. Once again, 8 regional Feds characterized price increases as moderate or stronger, with two of those indicating "robust" inflation (Dallas describing wages and prices as increasing "modestly to robustly", Cleveland describing nonlabor input costs as "robust", with "moderate" selling price pressure). Four (Boston, Atlanta, Minneapolis, Kansas City) saw relatively softer price pressures than their counterparts, same as the prior report. Arguably tariff pressures on input prices were less broad this time, with 9 Feds reporting tariffs contributing to increased costs, vs the prior report which noted tariffs "were a consistent theme across all districts".

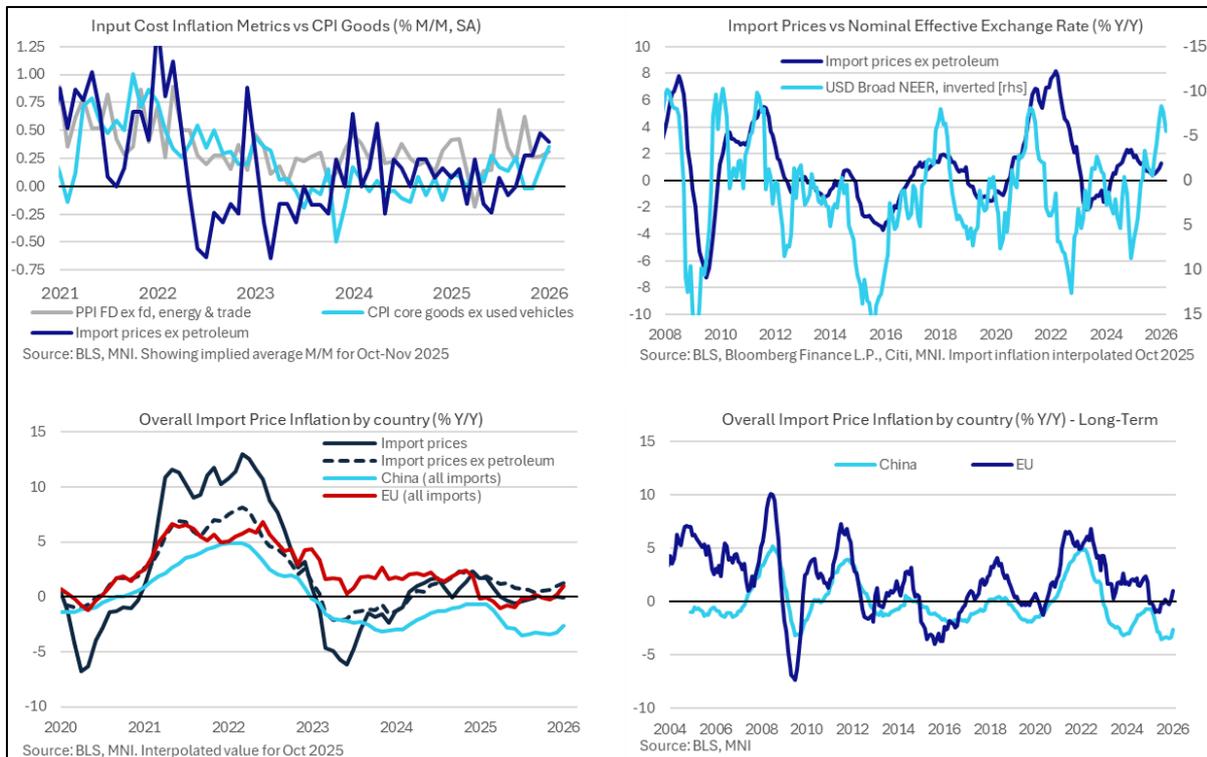
| Inflation - Nature of reported price increases plus passthrough & tariff considerations: |                                                                   |                                                                     |                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                          | Distribution of price increases                                   |                                                                     | Passthrough                                                                                                                                                                                                                                                                                                                               | Tariffs                                                                                                                                                                                                                                                |
|                                                                                          | Moderate                                                          | Modest                                                              |                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                        |
| Jun 4, 2025                                                                              | Eight characterized as moderate                                   | Two characterized as modest, one steady, one slightly               | Contacts that plan to pass along tariff related costs expect to do so within three months                                                                                                                                                                                                                                                 | All District reports indicated that higher tariff rates were putting upward pressure on costs and prices                                                                                                                                               |
| Jul 16, 2025                                                                             | Seven characterized as moderate                                   | Four characterized as modest, one eased, one steady                 | "Many firms" passed on at least a portion of cost increase though some held off due to customer price sensitivity                                                                                                                                                                                                                         | All Districts report businesses experiencing modest-to-pronounced input cost pressures related to tariffs, especially for raw materials in manufacturing and construction                                                                              |
| Sep 3, 2025                                                                              | Six characterized as moderate                                     | Six characterized as modest                                         | "Some firms" reported passing through entire price increases to customers, others described at least some hesitancy to pass through                                                                                                                                                                                                       | "Nearly all districts" reported tariff-related price increases, many contacts seeing as "especially impactful on the prices of inputs"                                                                                                                 |
| Oct 15, 2025                                                                             | Seven characterized as moderate (and one "robust")                | Two characterized as modest, one "slightly", one "mostly unchanged" | Passthrough " to final prices varied." "Some firms" kept prices unchanged to maintain market share/ price-sensitive clients; some manufacturing and retail firms "fully passing higher import costs along"                                                                                                                                | "Tariff-induced input cost increases were reported across many Districts"                                                                                                                                                                              |
| Nov 26, 2025                                                                             | Seven characterized as moderate, none as robust                   | Four characterized as modest                                        | "The extent of passthrough of higher input costs to customers varied, and depended upon demand, competitive pressures, price sensitivity of consumers, and pushback from clients.                                                                                                                                                         | "There were multiple reports of margin compression or firms facing financial strain stemming from tariffs. Prices declined for certain materials, which firms attributed to sluggish demand, deferred tariff implementation, or reduced tariff rates." |
| Jan 14, 2026                                                                             | Eight characterized as moderate, none as robust                   | Four characterized as modest/slight                                 | " Several contacts that initially absorbed tariff-related costs were beginning to pass them on to customers as pre-tariff inventories became depleted or as pressures to preserve margins grew more acute. But contacts in a few industries—like retail and restaurants—were reluctant to pass costs along to price-sensitive customers." | "Cost pressures due to tariffs were a consistent theme across all Districts."                                                                                                                                                                          |
| Mar 4 2026                                                                               | Six characterized as moderate, one robust, one "modest-to-robust" | Four characterized as modest/slight                                 | "Some firms continued to pass tariff-related cost increases through to their customers, and others began to do so after having absorbed previous increases. Still, most Districts received reports of some firms holding selling prices stable despite higher costs because their customers were increasingly price sensitive. "          | "Nine Districts mentioned that tariffs contributed to increased costs."                                                                                                                                                                                |

Source: Federal Reserve, MNI. MNI's characterization is derived from the individual Fed reports, not the overall summary

*Solid Import Prices With Tariff Concessions In Rear View Mirror*

Import price inflation was broadly as expected in the January report, a little softer than consensus in January itself but offset by an upward revision to December, with still solid monthly rates. It continues a trend of more recent import inflation after China-led tariff concessions last year.

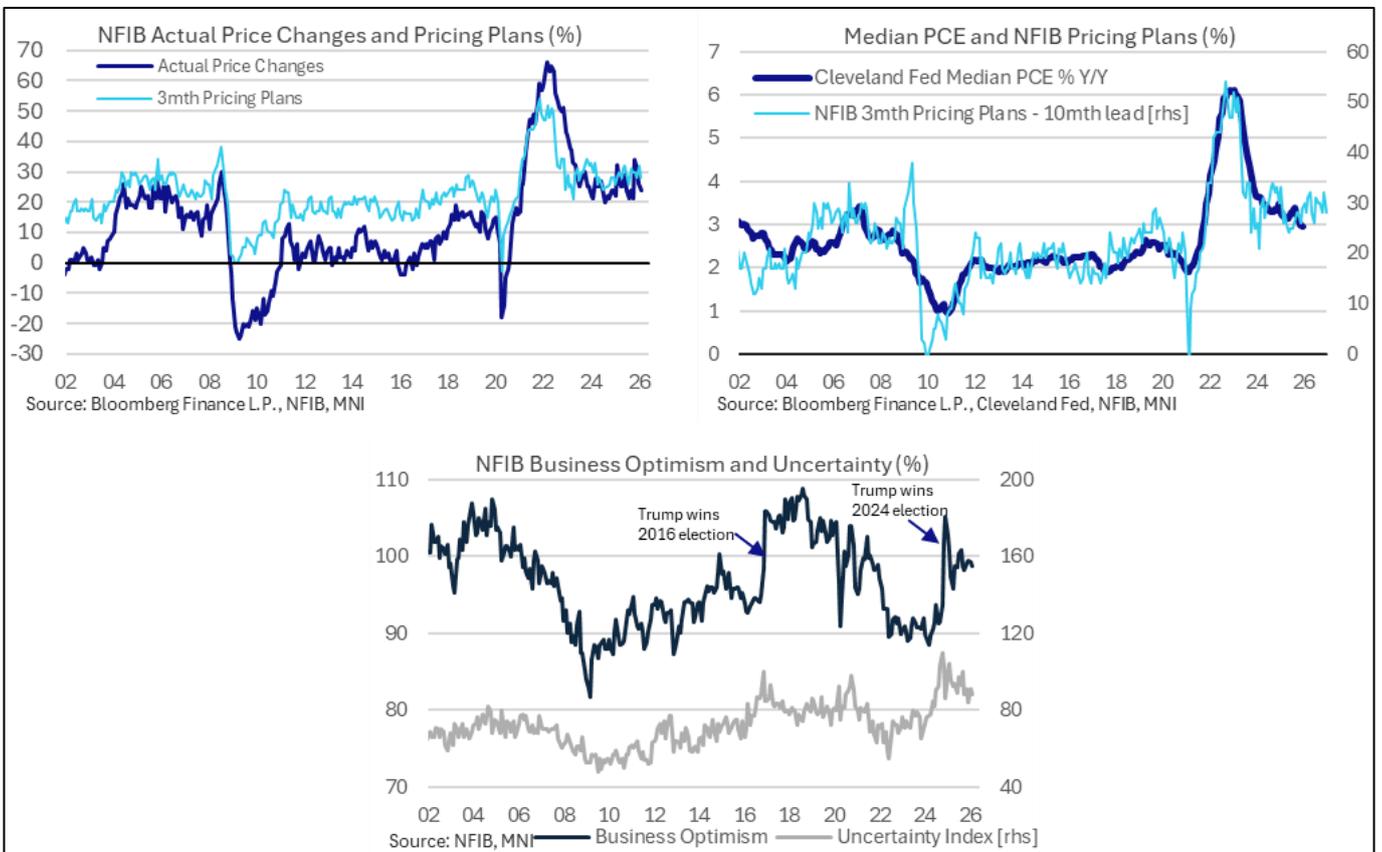
- Overall import prices increased 0.2% M/M (NSA, cons 0.3) in Jan after an upward revised 0.2% (initial 0.1) in Dec.
- Import prices ex petroleum, our preferred metric, increased 0.4% M/M (cons 0.5) in Jan after an upward revised 0.5% M/M in Dec (initial 0.4) following an average 0.3% M/M through Oct-Nov.
- Whilst a tenuous comparison being a NSA series, these past four months have all seen the strongest monthly increases since Apr 2024. Indeed, the 0.36% averaged over Oct-Jan compares with an average 0.14% from a year ago.
- It left ex-oil import prices up 1.3% Y/Y for the fastest pace since May having bottomed at 0.4% in Sept.
- Country-level revisions were on the small side for this release this month, continuing to suggest that China stood out with concessions made in the face of US tariffs last year but with this broadly stopping in recent months.
- Specifically, overall import prices from China increased 0.3% M/M vs -0.4% in Jan 2025, -0.4% in Jan 2024 and -0.5% in Jan 2023. It followed a more typical 0.0% M/M in Dec considering the -0.1% in Dec 2024, -0.1% in Dec 2023 and -0.2% in Dec 2022.
- This is a big change from the heavy declines of -0.8% M/M in both April and May in the face of US trade policy escalation. It's starting to be reflected by the Y/Y rates although they remain firmly negative at -2.6% Y/Y in Jan after -3.3% in Dec, -3.4% in Nov and a record low of -3.5% in July for a series going back to 2004.
- Elsewhere, prices of imports from the EU climbed 1.0% Y/Y in January for a fresh high since Dec 2024 having bottomed at -1.0% Y/Y in April. Attempting to strip out oil price effects from major oil producers, prices of manufactured imports from Canada increased 2.4% Y/Y (highest since Dec 2022) and from Mexico increased 1.4% Y/Y (eased from 2.0% in Dec). These USMCA countries have seen the smallest adjustments in trade balances with the US since the start of the second Trump administration, although pressures of course remain on the trade body.



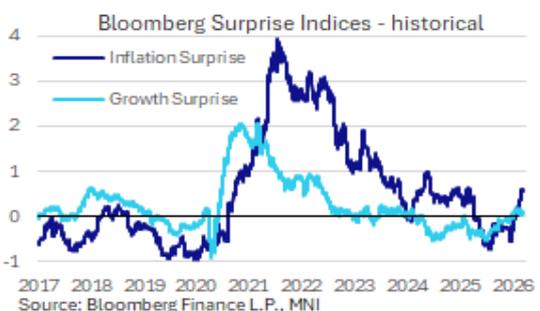
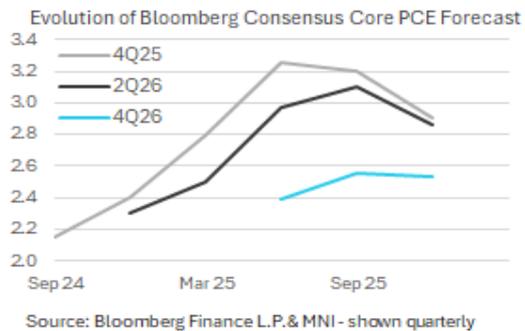
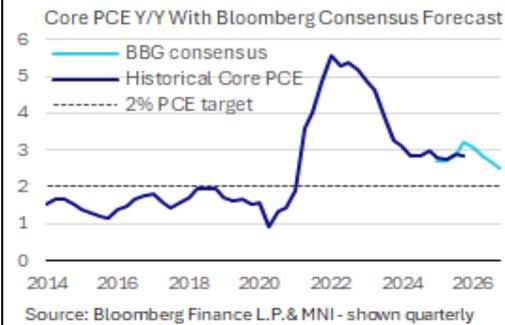
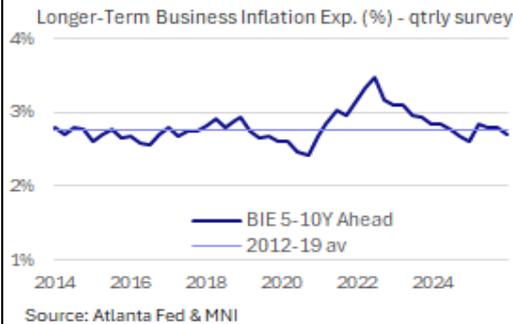
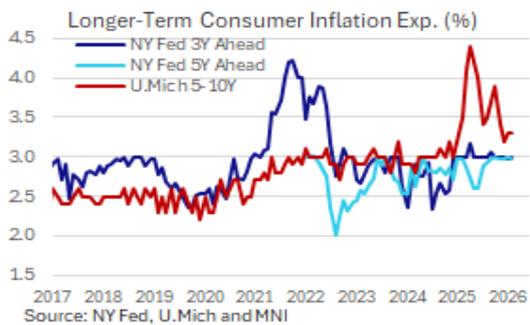
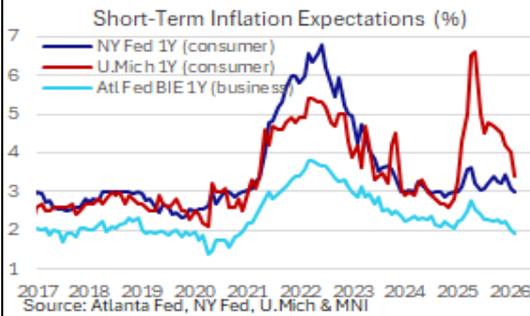
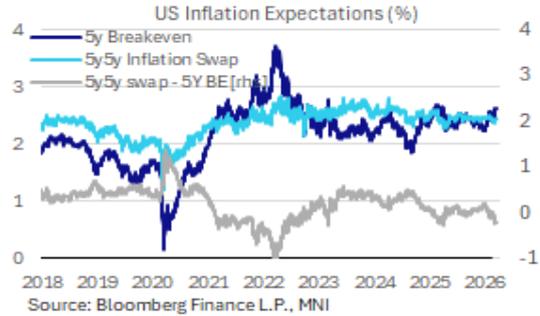
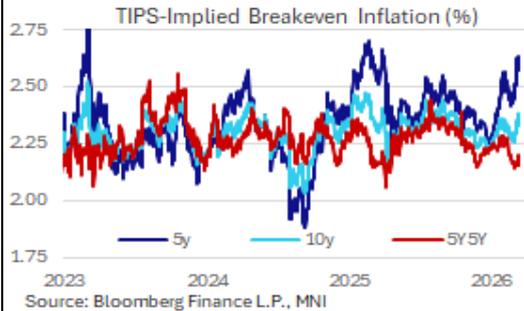
NFIB Inflation Components Ease But Still Stubbornly High

The NFIB small business survey for February saw differing degrees of moderation in pricing components although it doesn't wildly change the takeaway, implying inflation stuck above the 2% target.

- The net share reporting price increases over the past three months saw a further moderation with 24% vs 26% in Jan, 30% in Dec and 34% in Nov at what was its highest since Mar 2023.
- The net share expecting price increases over the next three months meanwhile unwound a sizeable push higher in January, dropping back 4pts to 28% for a joint low since Aug 2025.
- Context remains important though, with both metrics above historical "normal" readings, at least comparing with the pre-pandemic period. The planned 3mth is at 28% vs ~22% averaged pre-pandemic and the actual 3mth is at 24% vs ~12%.
- From the press release ([link](#)): "Twelve percent of owners reported that inflation was their single most important problem in operating their business, unchanged from January and ranking as the third top issue."
- It's against a backdrop of small business optimism disappointing in February as it eased to 98.8 (cons 99.6) after 99.3 in January, although it broadly keeps to recent monthly ranges that sit between levels seen both before and after the Nov 2024 US presidential election (lows and highs).



Inflation Expectations



## MNI Policy Team Insights

### MNI INTERVIEW: Fed Pause Reinforced By Iran Shock - Fuhrer

By Pedro Nicolaci da Costa (Mar 10, 2026)

WASHINGTON – Federal Reserve officials are likely to hunker down further in a wait-and-see mode for the next few months as they attempt to gauge the effects of a U.S. war with Iran that poses both the risk of an inflation resurgence and a threat to growth, former Boston Fed research director Jeffrey Fuhrer told MNI.

He said the war raises inflation risk because of the shock to energy prices but at the same time it increases uncertainty at a time when businesses were already struggling to adapt to a new tariff regime, and could thus dampen investment.

“I can't imagine that anybody on the committee has a firm view on how this is going to proceed. It's just too uncertain. But I think maybe with one or two exceptions, folks on the committee are going to be looking at this as a two-sided shock,” said Fuhrer in an interview.

“I don't see that just yet, but we could see a serious downturn, and we could also see, because of the timing of these things, some surge in inflation, not super dramatic but uncomfortable from the Fed's perspective.”

The former Fed staffer is worried about the narrow composition of U.S. economic growth, which he said leaves the expansion vulnerable.

“We were fortunate last year to strike a balance with some employment and healthcare and with some investments in not just AI, but a couple of modest-sized sectors that kept the economy from tipping down. The question for this year is can we maintain that precarious balance?” he said.

On the inflation front, the biggest risk is that prices pressures have already exceeded the Fed's 2% target for several years, which has weakened the anchor of price expectations and raised doubts about the central bank's commitment to its target.

“If you can't convincingly and persistently get inflation down to 2% and it's been years now with a few ups and downs, more up recently than down, then I think you could be changing the norm that people think about for inflation,” he said. (See [MNI POLICY: Fed Embraces Pause As Downside Job Risks Abate](#))

#### WARSH TRANSITION

As the Fed approaches a leadership transition with the nomination of Kevin Warsh to replace Chair Jerome Powell, Fuhrer said the best way for the new appointee to establish his credibility with the rest of the FOMC is to not push any ideas that are too out of consensus.

Warsh argued in advance of his nomination that the Fed was holding back growth by not easing quickly enough, mistaking expansionary momentum for inflationary pressures. That has suggested to investors that he is inclined to cut rates when he takes the helm, though Fuhrer said it's not that simple.

“If that doesn't seem like the right move for at least two thirds of the committee, he doesn't have the clout to pull the rest of the committee with him,” he said. The best way for him to earn that credibility is “if he does what appears to be the right move for most folks on the committee. He'll earn trust if he can show himself to be a real chairperson whose job is to do what's right for the economy.”

#### BALANCE SHEET

Fuhrer also believes it will be difficult for Warsh to orchestrate a major reduction of the Fed's balance sheet in short order, despite the nominee's historical critiques of the central bank's expanded market footprint. (See [MNI: Warsh Wants Fed Out Of Treasury's Business](#))

"If he wants to push a gradual reduction in the balance sheet while they are roughly in neutral, he can get that through. But if he wants to move at all rapidly in a way that's really going to change long term rates, it's going to be a tough sell," he said.

Fuhrer also said the idea of Fed-Treasury Accord like the one Warsh has proposed "does not play well inside the Federal Reserve System, and for good reason."

## 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."

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