SUMMARY & OVERVIEW

This note takes a look at March's CPI data released yesterday morning. After several months that were complicated by the government shutdown and resulting data collection issues, we seem to be getting back to a "normal" level of data quality and timely releases.

As a reminder, because we track price measures and metrics from publicly traded companies, we need to know the government data as intimately as we can to be able to compare the two. This is why we also write about the [Consumer Price Index] from the Bureau of Labor Statistics (BLS) each month in addition to our other writing on inflation.

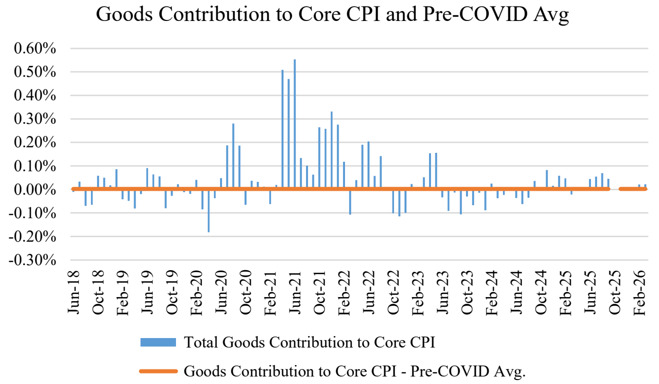
Bottom line takeaways from March's CPI data:

1) CPI rose 0.9% month-over-month including food and energy and 0.2% without it.
2) Unrounded, we estimate core CPI increased 0.191% M/M. Annualized, this produces inflation of just over 2.3%.
3) On a year-over-year basis, CPI was up 3.3% including food and energy, and 2.6% without it.
4) **Even using the government's own data (with no adjustments), we are now within a stone's throw of the Fed's 2% inflation target.**
5) **Adjusting CPI shelter for private market data produces aggregate core inflation of ~1.1%, well below the 2.6% CPI reported and well below the Fed's 2% target as well.**
6) Yes, CPI and PCE have diverged of late (historically PCE is ~40 bps below PCE but PCE is currently above CPI for several reasons), **but adjusting that for "on the ground" shelter costs puts inflation significantly lower than reported figures as well**

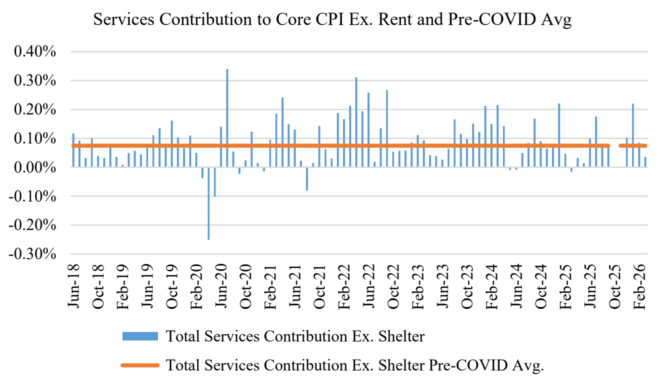
KEY CHARTS

Let's start by showing the components of core CPI's monthly increase by looking at our three "buckets": core goods, core services ex. shelter, and shelter. The key takeaways here are:

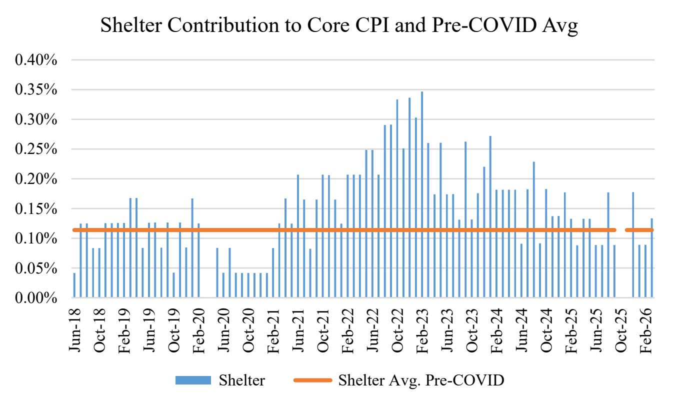
- Core goods inflation remains above historical levels (of about 0), but generally remains muted, despite the tariffs. Said differently, core goods inflation is higher than it used to be, but not so high that it's an issue.
- Core services inflation has largely normalized
- Shelter inflation is (finally) coming in, but it did tick higher this month back above its historical average.



Source: *The Curb Economist*, BLS

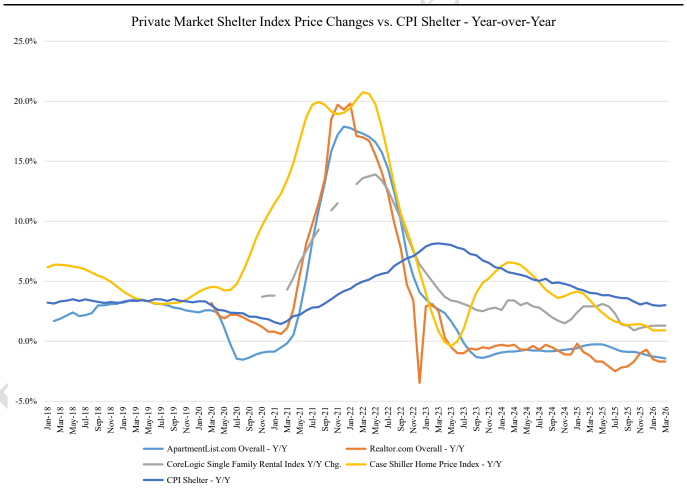


Source: *The Curb Economist*, BLS



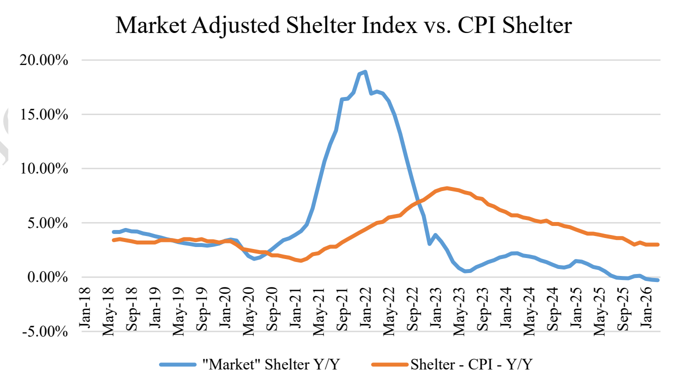
Source: *The Curb Economist*, BLS

As we usually do, let's now look at a chart showing CPI Shelter versus other private market shelter trackers. **While CPI shelter seems to be finally reflecting the dynamics on the ground, it's still indicating inflation well above what other sources are indicating.** The below chart shows CPI shelter compared to various private market shelter trackers like ApartmentList.com, Realtor.com, Cotality, Case-Shiller, etc. As you can see, those lines are all considerably below where CPI shelter is year-over-year, and they have been for a while. Note that most of these metrics are reported on a lag, so we take the most recent datapoint for each dataset and straight line it for the time being.



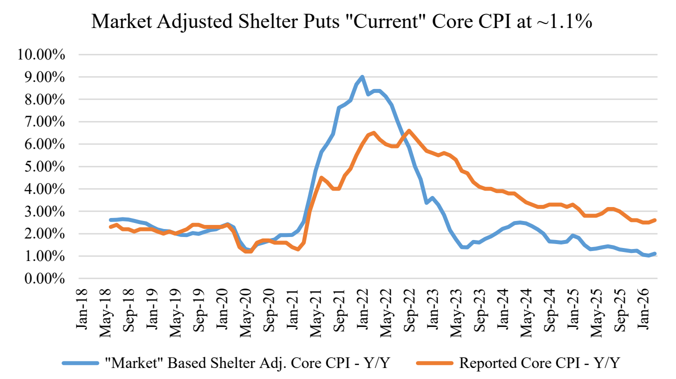
Source: *The Curb Economist*, BLS, ApartmentList, Realtor.com, Cotality

The next chart averages our private market shelter data sources to produce a private market shelter index. We do this by taking a simple average of each data source. For the third straight month, in March, our shelter index showed slight *deflation* year-on-year (-0.29%), which was well below the CPI's 3% shelter *in*-flation reading. CPI Shelter continues to move in the right direction, but CPI shelter remains well above what private market data providers are saying about shelter costs on the ground. For example, Realtor.com's February 2026 rental market report stated that February marks "the 30th consecutive month of year-over-year decline for 0-2 bedroom properties across the 50 largest metros." This is what produces the significant gap between the two lines in the chart below.



Source: *The Curb Economist*, BLS, ApartmentList, Realtor.com, Cotality

Our last chart then takes *The Curb Economist's* Private Market Shelter Index and substitutes it into Core CPI to produce a market shelter adjusted core CPI. **This month that exercise produced core inflation of 1.11%,** slightly higher than February's 1.03% (revised lower from just under 1.1%**)**, and January's 1.06% (also slightly lower than our initial 1.1% estimate). **Using our methodology of marking-to-market shelter, inflation has been no higher than 1.4% since March of 2025.**



Source: *The Curb Economist*, BLS, ApartmentList, Realtor.com, Cotality

CONCLUSION

In summary, the main takeaways from March's CPI inflation data are twofold:

- First, inflationary pressures in the economy remain meaningfully subdued. Simply put, as we said last month, we no longer have an inflation problem in this country.
    - Yes, the war with Iran could change this in coming months, but current oil futures prices suggest that's unlikely to materially alter the inflation picture (as of this writing December oil futures are below $75 a barrel). Even the 5 year inflation breakeven prices (which are a market-based estimate for the expected average CPI *headline* inflation over the next five years), which include energy costs, only have average inflation at 2.58%. That's towards the upper end of the three year range, but hardly anything that spooky.
- Second, properly adjusting CPI for shelter prices on the ground, price inflation is likely already at, and potentially even well *below,* the Fed's inflation target. Our latest estimate for actual core inflation in the economy today stands at 1.1% year-over-year, which is quite a bit below the Fed's 2% inflation target.