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Economic Briefing

# US inflation pressure falls

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**US consumer prices fell by 0.1% month-on-month in March. Even excluding the decline in gasoline prices, the core rate of 0.1% was also surprisingly low. However, tariffs should soon push up inflation.**

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## The data

US consumer prices fell by 0.1% in March from the previous month. The year-on-year rate fell from 2.8% to 2.4%. The more important core rate, which excludes the volatile prices for energy and food, was 0.1% from the previous month. The year-on-year rate here fell from 3.1% to 2.8%. The data were consistently about two tenths below expectations.

## The details

Inflation in the US had apparently slowed down before Mr. Trump's massive tariff hikes. After the surprisingly low figures in February, they again remained below expectations in March.

This is not only due to the significant decline in gasoline prices in March, but also to the weakening of the core rate excluding energy and food (chart 1). What is important here is that the stabilization of the core rate in March was fairly broad-based. Prices for core goods fell for the first time in a while, and the traditionally stronger inflation for core services slowed to just 0.1%.

The data was not yet significantly affected by the recent tariff increases. We continue to expect inflation to rise noticeably in the coming months.

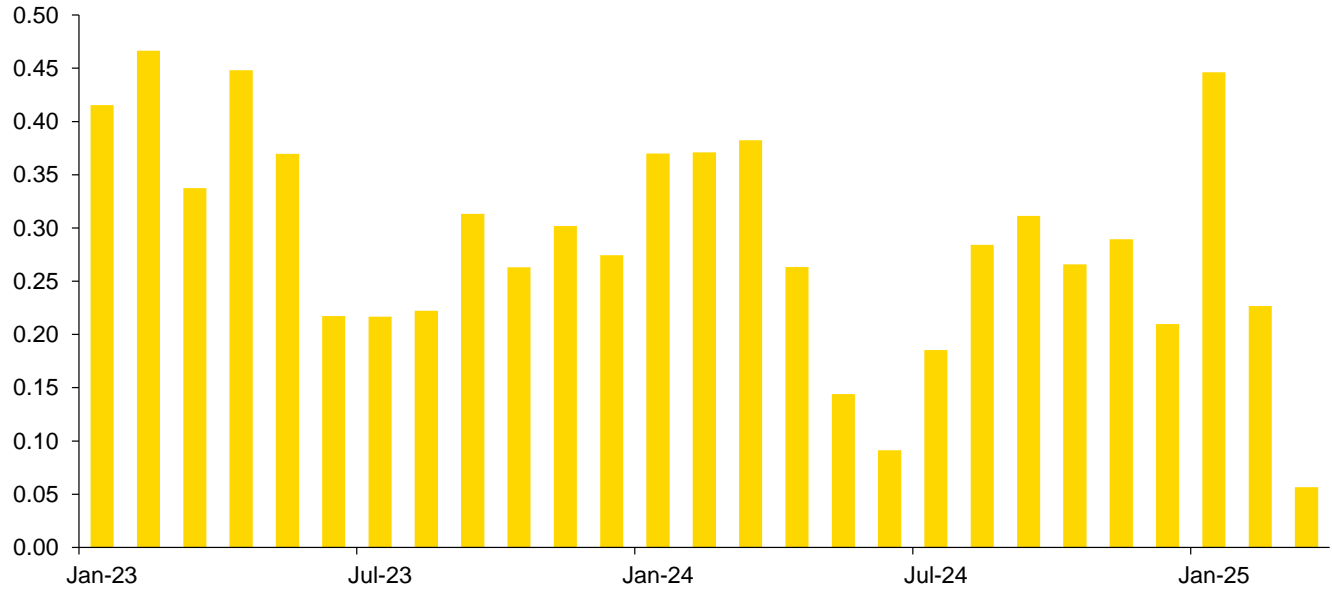


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**Chart 1 - Core rate slowed further in March**

Consumer prices excluding energy and food, month-on-month change in %



Source: BLS, S&P Global, Commerzbank Research

**Positive data for the Fed**

Consumer prices – albeit not to the same extent for the Fed’s preferred measure of inflation, the deflator of personal consumption expenditures – had already shown some easing in February. The March figures are even more positive from the Fed’s perspective, with the core rate falling to its lowest level since March 2021. Underlying inflationary pressure appears to be continuing to ease. Although higher tariffs will exert price pressure in the coming months, the fact that inflation was cooling prior to the tariffs supports those in the Fed who view higher tariffs as having only a temporary (‘transitory’) impact. This gives the Fed some leeway to respond to rising economic risks if necessary.



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