



## Higher oil price boosts US inflation

To what extent are the war in the Middle East and higher oil prices driving up U.S. consumer prices? Next week's March figures will provide an initial indication. German industry likely received more orders and increased production in February. However, this was before the war broke out.

The energy price shock has been evident at U.S. stations since early March, and next week, when consumer price statistics are released, they will reveal for the first time just how much overall price levels in the U.S. have risen. Gasoline is likely to be the biggest driver of inflation; adjusted for seasonal fluctuations, it has risen by about 20% from February.

However, the higher energy costs have probably not yet boosted prices for other goods and services, except perhaps to some extent in air travel. But this is likely only a matter of time.

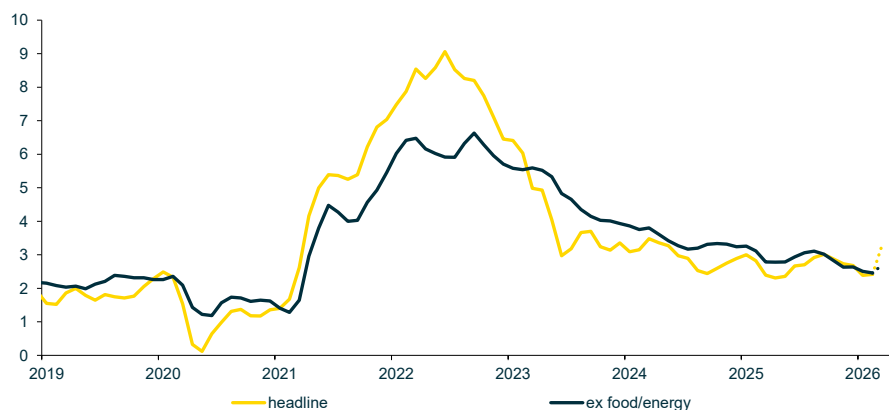
On the other hand, the significant price increases in recent months for computer chips and industrial metals are likely to be reflected in higher prices for some electronics and IT goods. This price pressure was already visible in February at the producer level and in import prices.

Overall, we expect U.S. consumer prices to have risen by 0.9% in March compared to February and by 3.3% from March 2025. In February, the year-on-year rate stood at 2.4%. Excluding energy and food ("core rate"), we expect a 0.3% increase month-on-month and a 2.7% increase year-on-year.

This would likely mark the end of the downward trend in inflation as measured by consumer prices (CPI) (Chart). In our main scenario of a war lasting until the end of May, inflation is likely to rise to nearly 4% in the coming months. In any case, we have already pointed out on several occasions that consumer prices understate inflation risks. This is because the central bank tends to focus on the personal consumption expenditure (PCE) deflator, to which the 2% inflation target refers. And the PCE inflation rate, which is typically slightly lower than the CPI inflation rate, stood at 2.8% (headline rate) and 3.1% (core rate) even before the energy price shock.

Chart 1 - Inflation downtrend has probably come to a halt

US consumer price index, year-on-year change in %. Dotted line: forecast for March 2026



Source: BLS, S&P Global, Commerzbank Research

## How was German manufacturing faring before the Iran War?

The Iran War and the resulting sharp rise in energy prices will place a significant burden on German industry. At least 90% of the industrial companies surveyed by the Ifo Institute expect this to be the case. The extent of this burden depends on many factors, such as how long the war continues - factors that are currently difficult to assess with any degree of certainty. Nor will the figures on incoming orders, production, and goods exports due out next week provide any new insight, as they describe developments in February - that is, in the period before the Israeli and U.S. attack on Iran.

However, this does not mean the figures due next week are meaningless. They will provide an impression of what the situation was like before the war began: Were there signs of somewhat stronger demand even outside the defense sector? Did the government's large-scale orders begin to boost production in the defense sector? We expect industrial order intake and industrial output to have each recorded a 1% increase compared to the previous month. In terms of production, the relatively cold weather is likely to have had a negative impact,



meaning that growth in the core manufacturing sector is likely to be greater. However, a genuine upward trend is unlikely to be evident either in industrial production or in the core measure of orders.



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