

## CPI Inflation Accelerated Further in February 2024, Up 0.4% for the Month

- **Topline CPI grew at a 0.4% pace in February 2024 versus the month prior in seasonally-adjusted terms**
- **Core CPI, less Food & Energy, also posted a 0.4% monthly gain in February 2024**
- **Energy prices spiked in February 2024, posting their first monthly gain since September 2023**
- **Services less Rent of Shelter continued its new year push with a second consecutive +0.6% monthly gain in February 2024**

Consumer Price Index (CPI) inflation came in at +0.4% in February 2024 versus January on a seasonally adjusted basis. This translates to a 3.2% gain versus one year ago. Core CPI inflation also rose by +0.4% for the month, decelerating minimally from January's 0.4% monthly gain (+0.36% vs. +0.39%, respectively). The Fed's targeted average of 2.0% year-over-year inflation remains well off from February's core inflation result of +3.8% year-over-year, supporting PNC's expectation of only three (3) 25 basis point rate cuts this year leaving monetary policy firmly in restrictive territory.

Core CPI inflation's steady 0.4% monthly growth rate equates to an annualized pace of inflation at 4.4%. Tracking the extrapolated monthly pace as opposed to year-over-year results provides a more focused view of current conditions, rather than wading through the potential volatility of inflationary influences that are now baked into baseline economic performance assumptions. After trending to an annualized pace of 2.4% in June of last year, core inflation has seen a steady rise, peaking thus far at a 4.8% annualize pace to open this year in January. The usual suspects of Housing and Services less Rent of Shelter have underpinned inflation's renewed assault on household budgets.

Rejoining the inflation headlines in February 2024 was a spike in Energy prices. The Energy component index of the CPI report jumped by 2.5% for the month, its first gain since September 2023. Gasoline prices rose by 3.8% in February. Though not part of the Core CPI metric that aligns with the Federal Reserve's inflation targeting mandate, energy prices are nonetheless influential on the health of household balance sheets – especially as more workers have resumed a regular commute for in-office work. Higher energy prices remain inescapable both at home and on the road, and with oil prices continuing to percolate above \$80 per barrel (Brent), concerns about Energy inflation working against the Fed reaching their 2% inflation goal are warranted.

Inflation in Food & Beverages was virtually flat in February 2024, gaining a scant 0.02% for the month. This is the second time the Food & Beverages component index has broken below the Fed's 2% target in the past four (4) months, providing a welcome respite in this critical household necessities spending category.

Fed officials have continued to stress the need for further progress toward their goal of an average 2% pace of inflation before interest rate cuts will be appropriate. So far, 2024 has brought disappointing evidence to those looking for hope that the Fed is ready to cut rates. Wage growth is still strong, which itself provides a roadblock en route to the 2% inflation target as consumers have more spending power and more confidence in response to healthy raises. Although the overall economy looks to have dodged the potential for recession in 2024 on the back of continued hiring and consumer spending, a higher cost of doing business thanks to “higher for longer” interest rates will remain a damper on economic growth potential as this year wears on.

**PNC Economics**

[economics@pnc.com](mailto:economics@pnc.com)

Visit [pnc.com/economicreports](https://pnc.com/economicreports) for more information from PNC Economics.