

## CPI Inflation Eased in February 2025, Topline Returned to Below 3.0% Year-over-Year

- **Topline CPI rose by 0.2% in February 2025 in seasonally-adjusted terms (+2.8% year-over-year), breaking a four-month uptrend**
- **Core CPI inflation, less Food & Energy, also eased in February 2025, posting a 0.2% gain for the month**
- **Transportation-related consumer prices fell by 0.4% in February 2025 as Gasoline and New Vehicle prices declined**
- **Housing inflation remained stubbornly high at a 0.4% monthly gain in February 2025 (3.8% year-over-year)**

The topline Consumer Price Index (CPI) inflation came at +0.2% for February 2025, in line with PNC's expectations. Core CPI inflation, which mirrors the metric that the Federal Reserve targets in its monetary policy impact goals (the Core Personal Consumption Expenditures Deflator), also gained 0.2% for the month, which was slightly below PNC's forecast for February 2025. These outcomes should help to relieve some of the worry that had amassed by breaking the inflationary uptrend that had been in place through January, but uncertainty regarding consumer prices remains intact for the months to come.

The +0.2% Core CPI gain in February 2025, which excludes volatile food and energy inputs, was built upon an easing in price growth for consumer staples including Transportation and Food & Beverages. Core CPI inflation is now at 3.1% on a year-ago basis, which is the lowest reading for this metric since the U.S. economy's post-pandemic battle against inflation began.

The Transportation category of the CPI release posted a 0.4% decline for the month – the index' first move downward since July 2024. Although gains through the fourth quarter of last year and in January 2025 were substantial, the year-over-year gain in overall Transportation prices for consumers remains at only 1.6%. The decline in New Vehicles prices for the month leaves that category at 0.3% below February 2024 levels, and even prices for Used Cars & Trucks contributed to softer inflationary pressure with a 0.9% gain, which backed-off of January's 2.2% monthly gain and leaves used vehicle prices at 0.8% above year-ago levels. Vehicle prices – both New and Used – should offer a sneak peek at any tariff-induced pricing pressures as the market is quick to respond both on the supply and demand side of the pricing environment. Used vehicles should be included in that calculus as shoppers decide whether any tariff-related price hikes on New Vehicles require them to shift their sights to the used car market, and creating demand-side price pressure as a result.

The Housing CPI sub-index gained 0.4% for the month in February 2025, refusing to break from its longstanding trend of outpacing overall inflation. Accounting for more than 40% of the total CPI index, the U.S. housing market's inability to calm upward consumer price pressure makes the 2.0% average overall (Core) inflation pace a difficult goal to reach. A lack of housing supply across the U.S. from every conceivable perspective makes any resolution to the rough-terrain homebuying experience only a long-term hope, and the pressure on topline inflation measures in the U.S. economy will linger as a result.

Energy inflation was up by 0.2% in February 2025, including a 1.0% decline in Gasoline prices for the month. This result pushed year-over-year Energy inflation back into negative territory, down 0.3% versus February 2024. Oil prices have been sustained at below \$70 per barrel (West Texas Intermediate) for the past month, suggesting little in the way of upstream Energy price pressure for the U.S. economy in the months to come.

PNC is calling for two (2) 25 basis point rate cuts from the Fed in 2025 – a scaled back pace of easing that has considered the accelerated pace of inflation that had reasserted itself through January. Few economic numbers themselves indicate fundamental weaknesses in the U.S. economy or even growing imbalances, but a lack of progress toward policy goals will keep interest rates from normalizing as quickly as had been hoped for through much of 2024. Tariff rhetoric and actions continue to threaten consumer price increases in the months to come, but February 2025's CPI inflation results showed no sign of such impacts thus far, leaving PNC's revised monetary policy expectations in place for now.

## **PNC Economics**

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