



CPI Inflation Spiked in March 2026 on Oil Price Shock, Up 0.9%; Core CPI Gained 0.2%

Headlines

- **Topline CPI inflation leapt to 3.3% in March 2026** versus one year ago.
- **Core CPI inflation decreased to 2.4% annualized pace** ahead of pass-through of energy prices.
- **Energy CPI spiked to its highest index level since July 2022**, up 10.9% for the month.
- **Services Less Shelter inflation moved higher to a 4.1% annualized pace** in March 2026.

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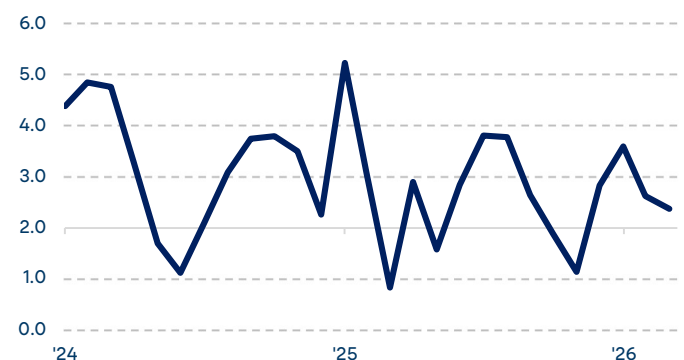
Details

The Consumer Price Index (CPI) came in only slightly below expectations with a 0.9% jump in March 2026. Core CPI, excluding volatile food and energy price influences, decelerated for a second consecutive month to a 2.4% annualized pace. The impact of Energy inflation across the U.S. economy will dominate inflation discussion through the foreseeable future. Other economic indicators—for example, the ISM survey of both services providers and manufacturers—already indicate that heightened energy cost pressures have arrived. So while March’s Core CPI does not reveal an impact on consumer shelves as yet, that outcome is on deck for the months ahead.

Core CPI, which excludes volatile Food and Energy prices, gained 2.4% on an annualized basis for March 2026 (see Figure 1). This key metric—which is correlated with the Federal Reserve’s preferred policy-targeting metric, the Core Personal Consumption Expenditures Deflator—has trended downward since mid-2025 after having re-accelerated throughout the first half of that year.

The spike in fuel prices resulting from the U.S. & Israel’s conflict with Iran promises to short-circuit this trend as higher transportation and other operational costs revolving around energy are passed through to consumers. Unlike the notion of “transitory” tariff-induced inflation that might jump once but allow price growth to stabilize thereafter, energy price shocks compound as each stop along the supply chain adds its own energy costs to the prices that consumers pay.

Figure 1: Core CPI (annualized % change)



Source: Bureau of Labor Statistics



Energy CPI showed the expected spike in March 2026, rising by 10.9% versus February. Although oil prices have fallen in the past week as the U.S. & Israel’s military conflict with Iran has de-escalated, damage to infrastructure and apparent continuation of the Strait of Hormuz’s closure will keep any meaningful energy price pressure subsidence at bay for now. Although the U.S. is now a net exporter of oil, the global nature of oil and refined oil products pricing will prevent U.S. supply potential alone from offsetting the war premium that will apply to energy prices paid by consumers in the months to come.

Inflation in the CPI report’s Transportation category bounced by 4.3% in March 2026. This translates to a 5.0% year-over-year gain and is the strongest result in this category since November 2022 (7.8%; see Figure 2). The impact was purely fuel-related, as Used Vehicles CPI fell for the month (-0.4%) and New Vehicle saw inflation of only 0.1% in March 2026 versus the month prior. These results equal -3.2% and +0.5% year-over-year gains, respectively. As travel season arrives upon the U.S. economy, higher fuel prices will likely dampen consumer spending on that front. Unfortunately, consumer spending volumes will not be able to take advantage of goods and services at home because of the eventual passthrough of producers and service providers’ energy costs, which are already evident in the CPI report’s Transportation category.

Figure 2: CPI – Transportation (% change year ago)



The Services Less Shelter CPI continued its recent volatility with an acceleration to 0.3% in March 2026. This measure, which strips out both housing and

goods components to reveal cost pressures prevailing in labor-intensive services industries, has been one of the stickiest areas of inflation throughout the post-pandemic economic cycle. The year-over-year trend for this category has decelerated through the second half of 2025 and into the start of this year (see Figure 3), but that trend was broken with the March CPI release and will face the same pass-through pressure from direct-to-household energy as well as consumer goods purchases as this year progresses.

Figure 3: CPI – Services Less Shelter (% change year ago)





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