



CPI Inflation Opened 2026 at 2.4%; Core Inflation Down to 2.5%

Headlines

- **Topline CPI gained 2.4% in January 2026** versus one year ago.
- **Core CPI inflation** fell 2.5%, continuing its slow progress toward the Fed's 2% objective.
- **Housing CPI inflation avoided a repeat of 2025's year-end jump**, rising at a 2.3% monthly annualized pace to open the new year.
- **Energy CPI inflation fell by 1.5%** in January 2026 versus the month prior.
- **"Supercore" inflation—that is, Core Inflation less Housing influences—accelerated on the month with a 0.6% gain**, resulting in a 2.6% gain versus one year ago.

Kurt Rankin
kurt.rankin@pnc.com

PNC Economics
economics@pnc.com

Details

The Consumer Price Index (CPI) came in below PNC's and broader market expectations with a 0.2% monthly gain in January 2026. CPI opened the new year up 2.4% on a year-over-year basis, now having decelerated from the 3% mark that had been breached in September 2025. Core CPI gained 2.5% on the year with its January 2026 +0.3% result, which was also below expectations. Housing, Transportation, Energy and Food categories all saw price growth decelerate in January 2026, with the aggregate Services less Shelter category accelerating and thereby offsetting those improvements in consumer necessities inflation.

Core CPI, which excludes volatile Food and Energy prices, gained 2.5% versus one year ago in January 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 been

trending downward at an agonizingly slow pace since mid-2025 after having re-accelerated throughout the first half of the year. Consumer demand had been resilient despite consumer confidence suggesting otherwise and with rhetoric and the imposition tariffs influencing producer costs. This has kept up pressure from the demand side of the inflation equation. But weaker Retail Sales (Bureau of Census) and existing home sales numbers (National Association of Realtors) in their most recent releases (December 2025 and January 2026, respectively) couple with ongoing job market concerns to hint at weaker demand pressures ahead for consumer prices.

Housing CPI avoided adding to December's gains by decelerating to a 0.2% monthly pace, falling back to the pace seen before the U.S. Federal government's shutdown and the data irregularities that accompanied it. Housing CPI comprises the largest



share of the CPI index, implying that resumption of a downward trend in consumers' Housing-related inflation pressures is necessary if Core CPI has any real chance of falling to the Fed's 2% average target. With a 3.4% year over year gain in January 2026, Housing CPI is now rising at its slowest pace since August 2021 (3.8%), which was in the early stages of an uptrend as post-pandemic housing demand went into overdrive (see Figure 2).

At +0.6% in January 2026, the "Supercore" inflation metric, which subtracts Housing's influence from the Core CPI, accelerated to its fastest monthly pace since January 2024 (+0.8%), demonstrating Housing's significant impact on consumers' budgets. Supercore inflation, though, decelerated to a 2.6% year-over-year gain, down from 4.1% in January 2025, despite the jump observed in the January 2026 monthly CPI results.

Food CPI cooled significantly to open 2026. Total Food & Beverages CPI gained 0.2% for the month, putting its year-over-year result at 2.9%. Both the Food at Home and Food Away from Home sub-categories slowed sharply in January 2026, posting 0.2% and 0.1% gains versus their 0.6% and 0.7% 2025 year-end results, respectively.

Energy CPI inflation re-established a measure of relief for consumers in January 2026 with the topline Energy index showing a 1.5% decline for the month. Overall, Energy prices are down by 0.3% versus one year ago, the first time since July 2025 (-1.2%) that the year-ago measure has been negative. Gasoline prices were a significant driver of this result, falling by 3.2% for the month and sitting 7.5% below year-ago levels. Concern as to the sustainability of these declines is warranted, however, as oil prices jumped back above \$60 per barrel (West Texas Intermediate) in February. The flow-through to gasoline prices in the coming months may well short-circuit this oasis of consumer price pressure relief heading into mid-year.

The argument made by some Federal Reserve officials against additional monetary policy easing has hinged upon concerns that U.S. inflation could re-ignite as a result of the U.S. government's more

aggressive tariff policy. The January 2026 CPI's deceleration from December and its downward trend in general since August will continue to invite debate regarding such arguments. But the reality that inflation remains above the Fed's goal of an average of 2% remains indisputable. PNC expects the Fed to hold the fed funds rate at its current 3.50% to 3.75% range through the first half of 2026, with two cuts then on tap for the second half of the year.

Figure 1: Core CPI (y/y, % chg)

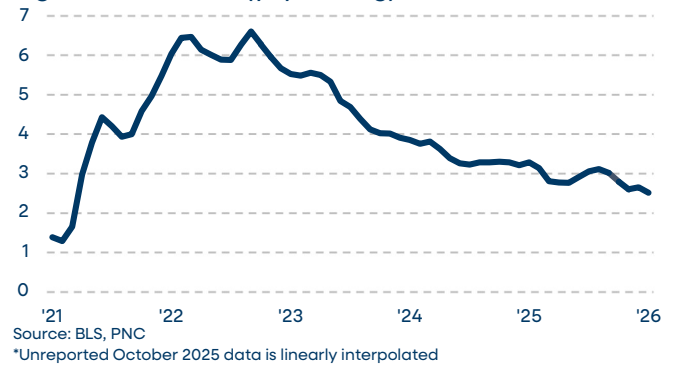
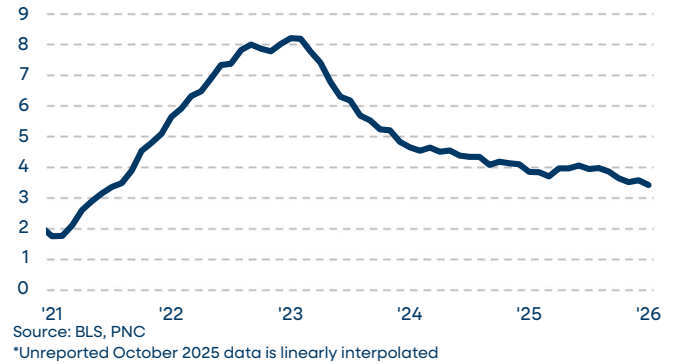


Figure 2: Housing CPI (y/y, % chg)





Disclosures

The material presented and the views expressed herein are of a general nature and does not constitute the provision of investment or economic advice to any person, or a recommendation of any particular securities, financial instruments, strategies or banking services. Opinions and forecasts expressed herein are subject to change without notice. Relevant information was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy. You should seek the advice of an investment professional to tailor a financial plan to your needs.

Forward-looking statements are necessarily subject to numerous assumptions, risks and uncertainties, which change over time. Future events or circumstances may change our outlook and may also affect the nature of the assumptions, risks and uncertainties to which our forward-looking statements are subject. Forward-looking statements speak only as of the date made. We do not assume any duty and do not undertake any obligation to update forward-looking statements. Actual results or future events could differ, possibly materially, from those anticipated in forward-looking statements, as well as from historical performance. As a result, we caution against placing undue reliance on any forward-looking statements.

“PNC” is a registered mark of The PNC Financial Services Group, Inc.

© 2026 The PNC Financial Services Group, Inc. All rights reserved.