

- **Topline CPI grew at a 0.4% pace in March 2024 versus the month prior in seasonally-adjusted terms. Core CPI, less Food & Energy, also posted a 0.4% monthly gain in March 2024 – it's 3rd consecutive 0.4% monthly reading. Energy CPI pushed higher in March 2024, up by 1.1% versus February.**
- **Services less Rent of Shelter continued its new year push with further acceleration to a +0.8% monthly gain in March 2024.**

Consumer Price Index (CPI) inflation came in at +0.4% in March 2024 versus February on a seasonally adjusted basis. This translates to a 3.5% gain versus one year ago, continuing the trend higher that has marked the early months of 2024. Core CPI inflation also rose by +0.4% for the month and remains stubbornly set at just under 4% on a year-ago basis (+3.8%). The Fed's targeted average of 2.0% year-over-year inflation remains well off from March's core inflation result, undermining arguments in favor of more urgent Fed easing.

Core CPI inflation's steady 0.4% monthly growth rate throughout the early months of 2024 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 falling 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. Energy prices were again up sharply in March 2024, posting a 1.1% gain for on the heels of February's 2.3% monthly jump. With oil prices now marching higher, energy costs will be taking an ever-increasing bite out of household budgets in the months to come. Gasoline prices rose by 1.7% in March. Energy prices are influential on the health of household balance sheets – especially as more workers have resumed a regular commute for in-office work.

The disconnect between the cost of groceries and dining out reinforced itself in March 2024. While Food & Beverages CPI was up only 2.2% versus one-year ago, the Food Away from Home subcategory's +0.3% jump accounted for all of the broader metric's gain and even offset a second consecutive month of flat Food at Home prices. Wage growth in Leisure & Hospitality industries, including restaurants, reaccelerated above total average wage growth for the U.S. economy in the fourth quarter of last year and has maintained that gap higher throughout 2024 thus far. Higher labor costs have pressed restaurants to raise prices for their patrons. And consumer demand for take-out that consistently matches and outpaces overall retail spending – despite far weaker price trends for groceries – will allow restaurants to continue to hike menu prices.

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:

"[G]iven a strong labor market, we have time for the clouds to clear before beginning the process of toggling rates down" – Thomas Barkin, Federal Reserve Bank of Richmond President (April 1, 2024).

"[W]ith labor markets and economic growth both being very solid, we do not need to take that risk [of lowering rates too early]" – Loretta Mester, Federal Reserve Bank of Cleveland President (April 2, 2024).

"[W]e are still not yet at the point where it is appropriate to lower the policy rate" – Michelle Bowman, Federal Reserve Board Member (April 5, 2024).

"[C]an't take off the possibility that rate cuts may even have to move further out" – Raphael Bostic, Federal Reserve Bank of Atlanta President (April 9, 2024).

"I believe it's much too soon to think about cutting interest rates" – Lorie Logan, Federal Reserve Bank of Dallas President (non-voting) (April 5, 2024).

"If we continue to see inflation move sideways, then that would make me question whether we need to do those rate cuts at all" – Neel Kashkari, Federal Reserve Bank of Minneapolis President (non-voting) (April 4, 2024).

There are fewer dovish than hawkish tones being sounded among Fed officials regarding the pace of monetary policy easing in 2024. PNC is forecasting three (3) rate cuts this year, in [June](#), [September](#) and [December](#). But the March 2024 CPI inflation reading adds to mounting data evidence pushing back against even that outlook as being too optimistic with respect to lower interest rates [this year](#).

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 5/1/24)	5.38-5.38%	5.38%	5.38%	Three straight disappointing monthly CPI reports have pushed back the start of the first funds rate cut to the third quarter (July or September) and reduced the number of 25 bps rate cuts to two by year-end.
Mar Retail Sales (4/15, Monday)	0.0-0.5%	0.4%	0.6% (Feb)	Up a solid 0.4%.
Mar Retail Sales (ex-auto) (4/15, Monday)	0.2-0.9%	0.5%	0.3% (Feb)	Up 0.6%. Control retail sales (excluding vehicle, building materials, gasoline and restaurant sales) rose a solid 0.4%.
Feb Business Inventories (4/15, Monday)	0.2-0.5%	0.4%	0.0% (Jan)	Up 0.4%. Sales up a strong 1.4%.
Mar Housing Starts (4/16, Tuesday)	1.450-1.503M	1.485M	1.521M (Feb)	Down to 1.47 million.
Mar Industrial Production (4/16, Tuesday)	0.3-0.6%	0.5%	0.1% (Feb)	Up 0.6%. Manufacturing output up 0.4%.
Mar Capacity Utilization (4/16, Tuesday)	78.4-78.8%	78.6%	78.3% (Feb)	Up to 78.8%.
Initial Claims, Wk of 4/13/24 (4/18, Thursday)	213-216K	215K	211K (4/6/24)	Up to 215K.
Mar Leading Indicators (4/18, Thursday)	-0.3 to 0.3%	-0.1%	0.1% (Feb)	Up 0.2%.
Mar Existing Home Sales (4/18, Thursday)	4.000-4.396M	4.130M	4.380M (Feb)	Down to 4.15 million.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Mar New Home Sales (4/23, Tuesday)	0.570-0.685M	0.670M	0.662M (Feb)	Up to 0.685 million.
Mar Durable Goods Orders (4/24, Wednesday)	0.3-3.8%	2.0%	1.3% (Feb)	Up 0.5%.
Q1 GDP Advance Report (4/25, Thursday)	1.9-2.6%	2.0%	3.4% (Q4)	Up 2.5%.
Q1 Chain Price Index Advance Report (4/25, Thursday)	2.8-3.3%	3.1%	1.6% (Q4)	Up 3.2%.
Mar Advanced Trade in Goods (4/25, Thursday)	-\$91.5 to - \$90.0B	-\$90.2B	-\$90.3B (Feb)	A widening to -\$91.5 billion.
Mar Personal Income (4/26, Friday)	0.3-0.6%	0.5%	0.3% (Feb)	Up 0.5%, Disposable income rose 0.7% reflecting large tax refunds.
Mar Personal Consumption Expend. (4/26, Friday)	0.3-0.6%	0.4%	0.8% (Feb)	Up 0.6%. PCED total inflation rose 0.3% raising the Y/Y rise to 2.6% from 2.5% in February. PCED core inflation rose 0.3% and the Y/Y rise held steady at 2.8%.
Apr U Mich Consumer Sentiment (final) (4/26, Friday)	77.0-81.0	77.9	77.9 (Apr prelim)	Down to 77.

Monthly Calendar of Economic Data: April 2024

Apr 15

Retail Sales		
	Total	Ex-Autos
Jan	-1.1	-0.8
Feb	0.6	0.3
Mar		

Mfg and Trade		
	Inv	Sales
Dec	0.3	0.0
Jan	0.0	-1.3
Feb		

Apr 16

Housing (000)		
	Starts	Permits
Jan	1.374	1.489
Feb	1.521	1.524
Mar		

	Industrial Prod	Cap Util
Jan	-0.5	78.3
Feb	0.1	78.3
Mar		

Apr 18

Leading Indicators	
Jan	-0.4
Feb	0.1
Mar	

Unemployment Claims (000)				
Dec	Jan	Feb	Mar	Apr
216	198	213	210	211
205	194	211	212	
207	221	200	212	
213	225	213	212	
198			222	

Existing Home Sales (000)	
Jan	4.000
Feb	4.380
Mar	

Apr 23

New Home Sales	
Jan	664
Feb	662
Mar	

Apr 24

Durable Goods		
	Total	Ex-Transp.
Jan	-6.9	-0.3
Feb	1.4	0.5
Mar		

Apr 25

Gross Domestic Product		
1st Qtr (Advance)		
	Real GDP	Price Index
Q2'23	2.1	1.7
Q3'23	4.9	3.3
Q4'23	3.4	1.7
Q1'24(1 st)		

Apr 26

Personal		
	Income	Spending
Jan	1.0	0.2
Feb	0.3	0.8
Mar		

Apr U Mich. Consumer Sentiment (final)

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