

Contributors

Derek Holt

VP & Head of Capital Markets Economics
 Scotiabank Economics
 416.863.7707
derek.holt@scotiabank.com

Chart 1

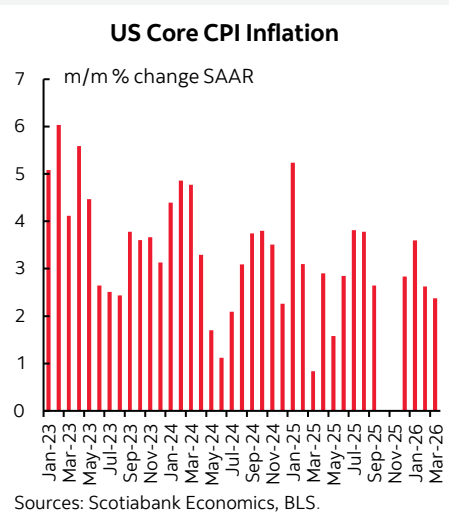
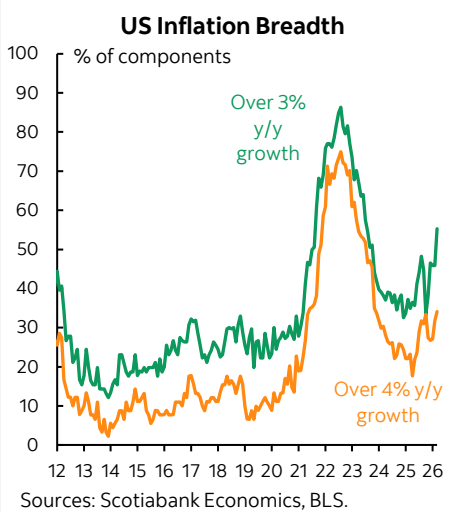


Chart 2



US Core CPI Was Soft Again; UofM Still Signalling High Risk to Job Market

- Core CPI landed at 0.2 again with mixed details
- Breadth of price pressures is nevertheless still rising
- UofM sentiment plunged, inflation expectations moved up...
- ...but unemployment expectations soared...
- ...and they have an uncanny knack at forecasting this

US CPI / core CPI, m/m %, SA, March:

Actual: 0.9 / 0.2
 Scotia: 1.0 / 0.3
 Consensus: 0.9 / 0.3
 Prior: 0.3 / 0.2

US core cpi was up by 0.2% m/m SA without rounding and hence a tick beneath most expectations while matching the prior month's reading. US headline CPI was up by 0.9% and on the screws. It's too early to get any transmission into core so personally I would fade that reading from a policy standpoint.

Annualized m/m core CPI inflation is tracking close to 2% (chart 1).

Rising breadth will concern the hawks on the FOMC (chart 2).

Core goods inflation picked up a bit over the past two months while core services inflation has been ebbing (charts 3, 4).

The SA factor for core CPI was unusually high—in fact, a historic high comparing like months of March over time (chart 5). Because it's driven by a recency bias skewed to the pandemic-onward period, this means it probably overstated core inflation.

All that said, the BLS is continuing to use a very high proportion of proxy methods for gathering prices by drawing upon substitute products and substitute markets where their resources and sampling methodologies are unable to get data (chart 6). At 39%, a large portion of the CPI basket is suffering from low data quality.

The next few pages offer plenty of charts to consider but we'll keep this one brief. March CPI won't influence a thing at the Fed and barely drew any market reaction. It's a first stab

Chart 3

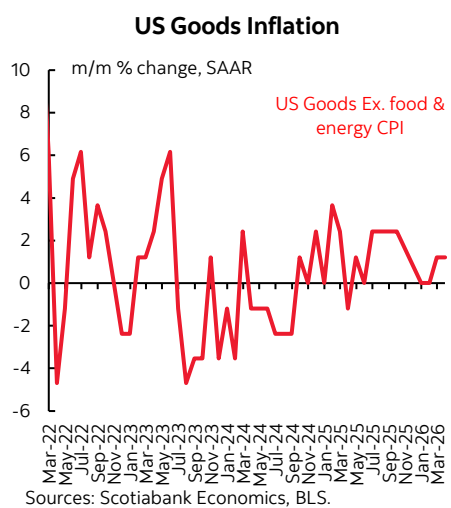
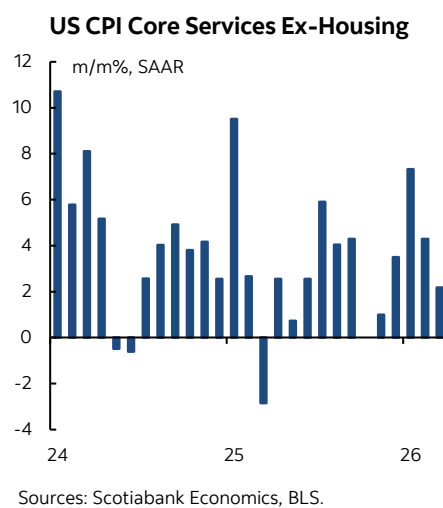


Chart 4



at the war's effects, it's too early for core transmission to occur, and there remains uncertainty around duration and magnitudes of the shock and how it impacts inflation and jobs.

Consumer Sentiment Plunges

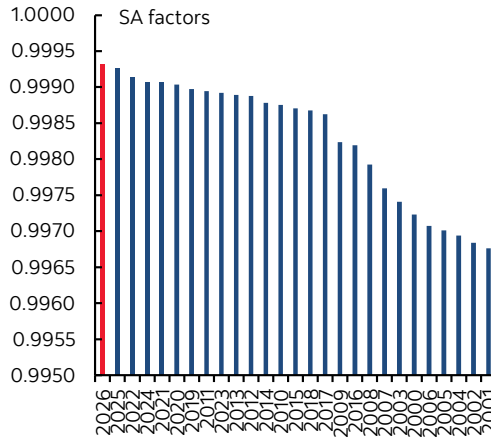
University of Michigan consumer sentiment fell sharply to 47.6 in March from 53.5 on a combination of current and expected conditions. That's worse than expected by consensus.

Consumers' inflation expectations moved higher (chart 7).

What consumers expect to happen to unemployment in future remains concerning (chart 8). It's soft data, but has never sent a false signal. Consumers are closer to their employers' plans, the water cooler and Teams talk etc relative to markets and forecasters. I hope they're wrong this time. Otherwise, what they are signalling is one of the few recession signals that points to massive job losses in which case nuts to inflation, the Fed may pivot more aggressively than our -50bps forecast spread over Q4/Q1. Consumers may be one part antsy about the cycle, the composition of policy and market risks, and AI's coming effects.

Chart 5

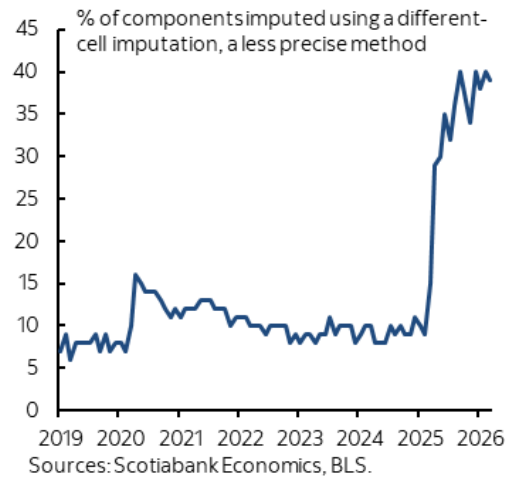
Comparing US Core CPI SA Factors for All Months of March



Sources: Scotiabank Economics, BLS

Chart 6

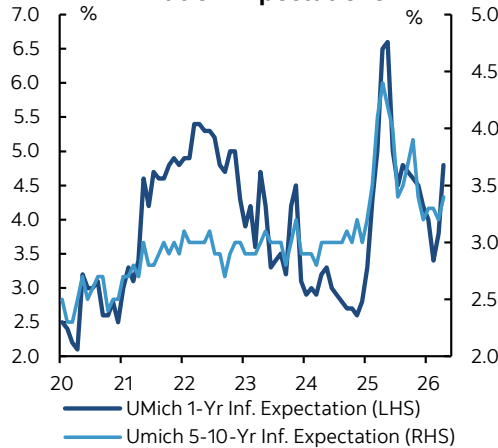
BLS Use of Alternate Estimation Methodology in US CPI



Sources: Scotiabank Economics, BLS.

Chart 7

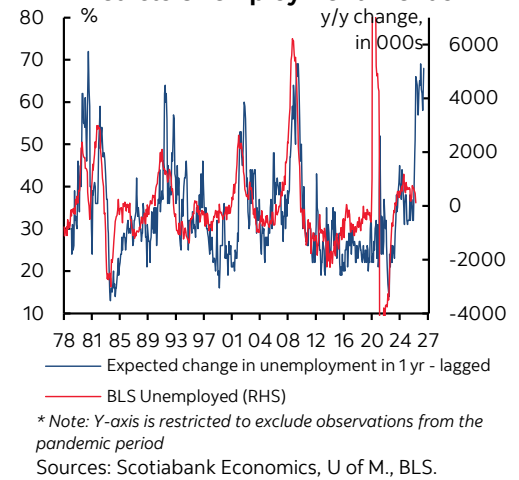
U. Mich. Measures of Inflation Expectations



Sources: Scotiabank Economics, U of Mich.

Chart 8

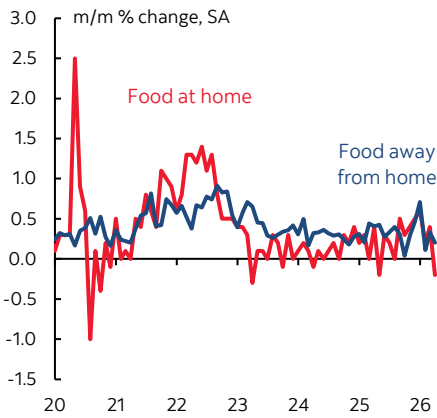
U.S. Consumer Anxiety Consistently Predicts Unemployment Trends



* Note: Y-axis is restricted to exclude observations from the pandemic period
Sources: Scotiabank Economics, U of M., BLS.

Chart 9

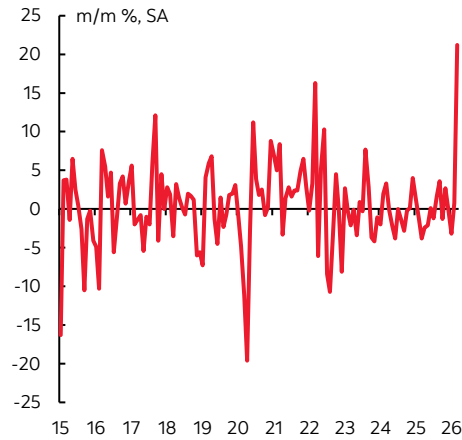
US Food Prices



Sources: Scotiabank Economics, BLS, Haver.

Chart 10

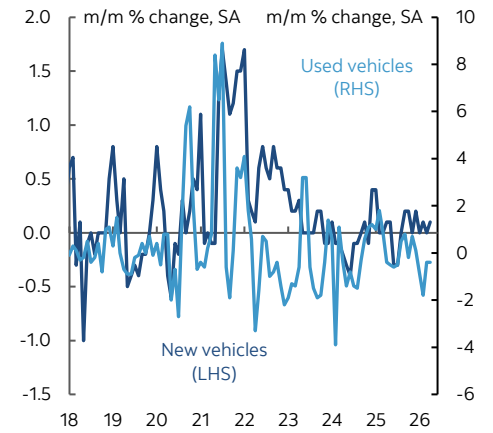
US CPI: Gasoline



Sources: Scotiabank Economics, BLS

Chart 11

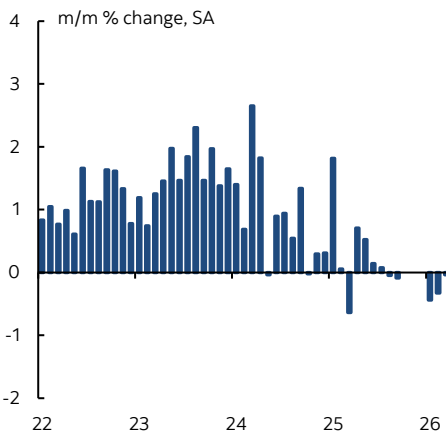
New vs Used Vehicle Inflation



Sources: Scotiabank Economics, BLS.

Chart 12

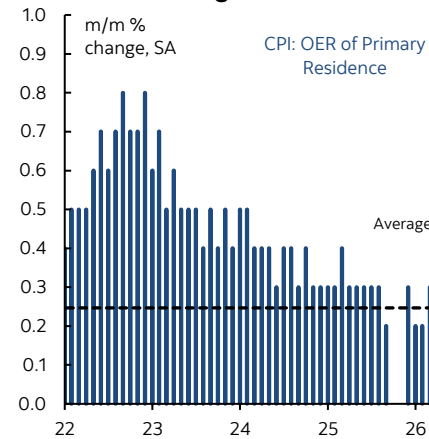
US Motor Vehicle Insurance



Sources: Scotiabank Economics, BLS.

Chart 13

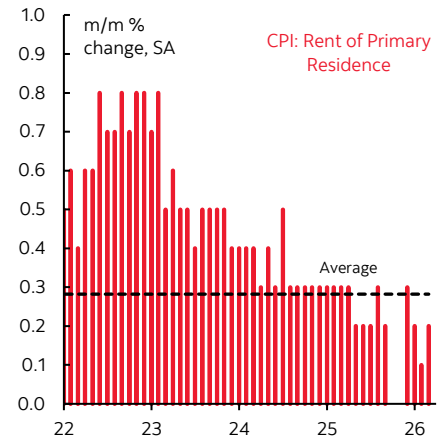
Housing Inflation



Sources: Scotiabank Economics, BLS.

Chart 14

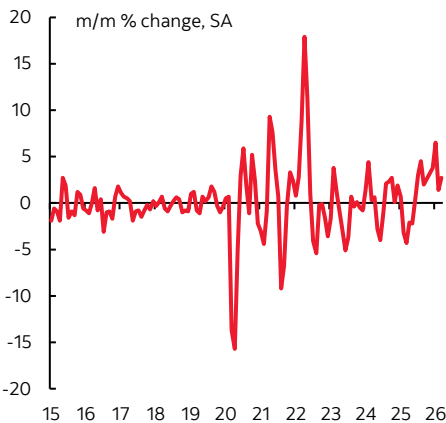
US Rent Inflation



Sources: Scotiabank Economics, BLS.

Chart 15

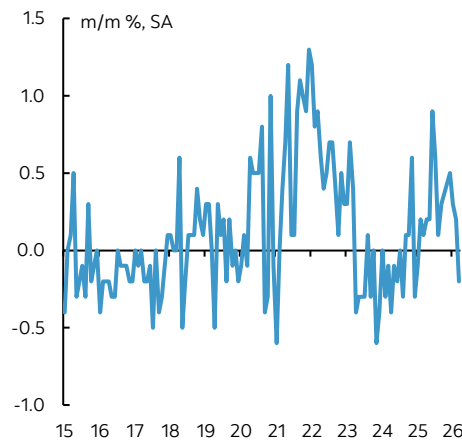
US Airfare



Sources: Scotiabank Economics, BLS.

Chart 16

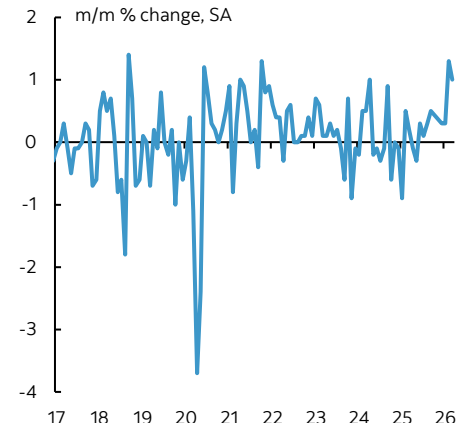
US CPI: Household Furnishings



Sources: Scotiabank Economics, BLS.

Chart 17

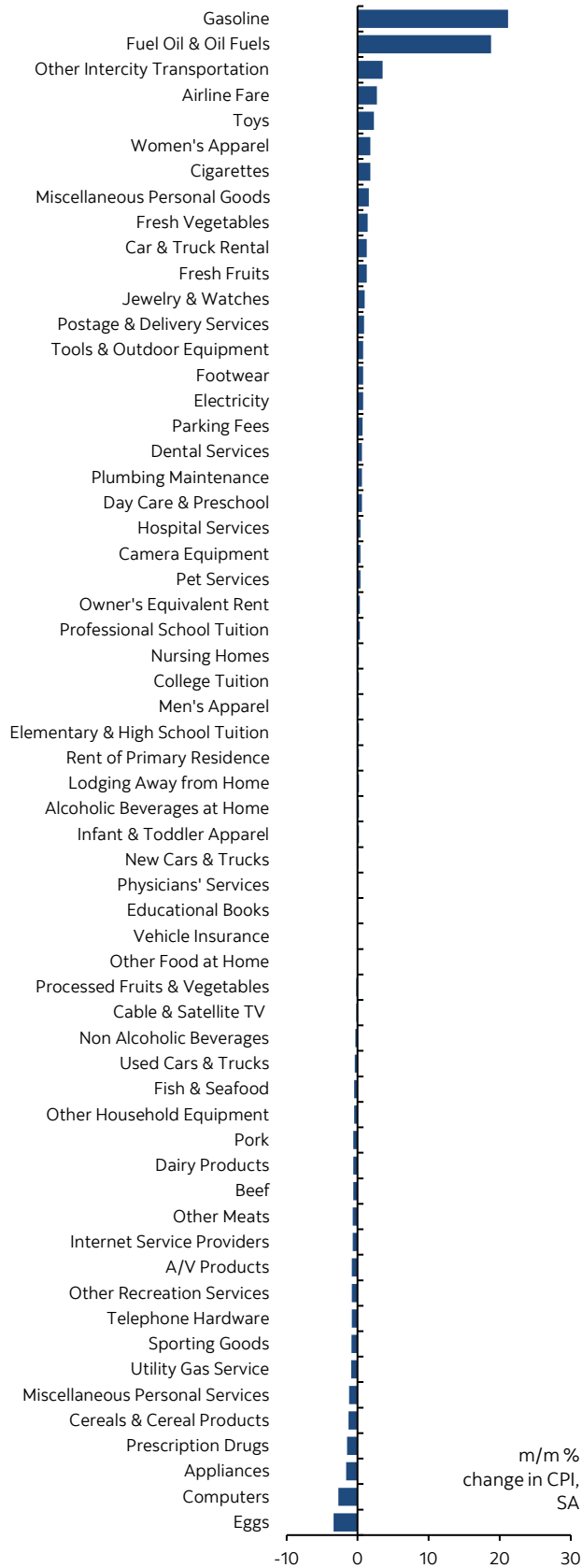
US Apparel



Sources: Scotiabank Economics, BLS.

Chart 18

March Changes in US Headline CPI Categories



Sources: Scotiabank Economics, US BLS.

Chart 19

March Weighted Contributions to Monthly Change in US Headline CPI ex Gasoline



Sources: Scotiabank Economics, US BLS.

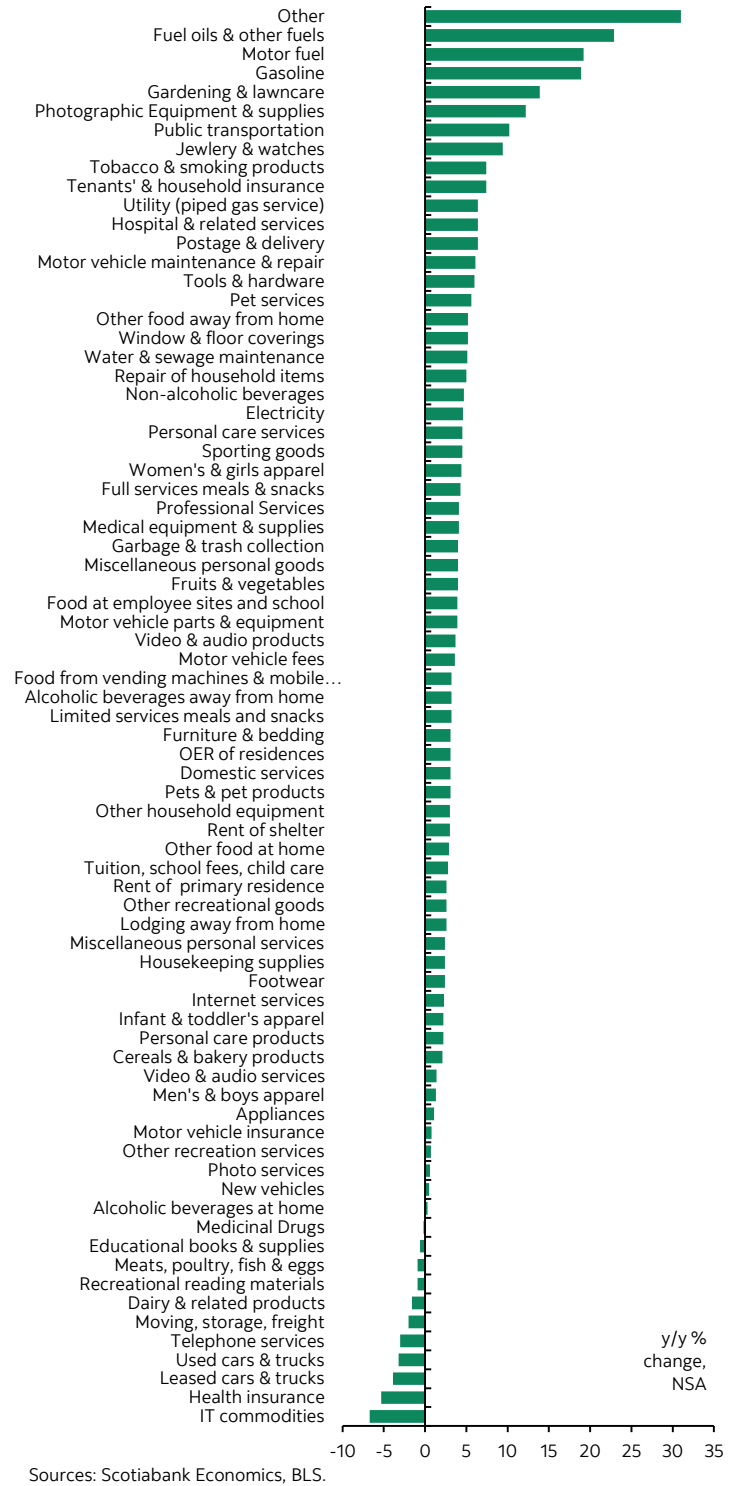
Chart 20

March Weighted Contributions to the 12-Month Change in US Headline CPI



Chart 21

March 12-Month Changes in US Headline CPI Categories



April 10, 2026

Mar 2026					Weighted Contributions (ppts)*			5-Year Pre-Pandemic			10-Year Pre-Pandemic		
US INFLATION COMPONENT BREAKDOWN	y/y % change	10-year trend	Pandemic trend (Jan 2019–Present)	m/m % change	Weights (%)	y/y	m/m	2015–2019 avg. y/y	Std. Dev.	Z-Score	2011–2019 avg. y/y	Std. Dev.	Z-Score
Food	2.7			0.0	13.693	0.37	0.00	1.3	0.8	1.9	1.7	1.1	0.9
Food, home	1.9			-0.2	8.340	0.15	-0.02	0.2	1.1	1.5	1.2	1.9	0.4
Cereals & bakery products	2.1			-0.6	1.041	0.02	-0.01	0.4	0.9	1.9	0.9	1.7	0.7
Meats, poultry, fish & eggs	-0.9			-0.6	1.976	-0.02	-0.01	-0.2	3.2	-0.2	2.1	3.9	-0.8
Dairy & related products	-1.6			-0.6	0.753	-0.01	0.00	-0.6	1.6	-0.6	1.1	3.1	-0.9
Fruits & vegetables	4.0			1.0	1.285	0.05	0.01	0.4	1.7	2.1	1.0	2.0	1.5
Non-alcoholic beverages	4.7			-0.3	1.012	0.04	0.00	0.6	1.0	3.9	0.5	1.6	2.7
Other food at home	2.9			0.0	2.273	0.07	0.00	0.5	0.6	3.8	1.0	1.6	1.2
Food, away	3.8			0.2	5.353	0.21	0.01	2.7	0.3	3.7	2.5	0.5	2.6
Full services meals & snacks	4.3			0.3	2.371	0.10	0.01	2.6	0.4	4.7	2.4	0.5	3.8
Limited services meals and snacks	3.2			0.2	2.678	0.09	0.01	2.8	0.3	1.2	2.5	0.7	1.0
Food at employee sites and school	3.9			0.0	0.064	0.00	0.00	2.8	2.4	0.5	2.8	1.9	0.6
Food from vending machines & mobile vendors	3.2			0.5	0.053	0.00	0.00	3.1	1.0	0.1	2.5	1.3	0.5
Other food away from home	5.2			0.3	0.186	0.01	0.00	2.5	1.3	2.0	2.3	1.0	2.9
Energy	12.5			10.9	6.400	0.79	0.70	-1.9	10.0	1.4	1.6	9.6	1.1
Energy comm.	19.4			21.3	3.124	0.61	0.67	-2.8	17.0	1.3	3.0	17.1	1.0
Fuel oils & other fuels	22.9			18.8	0.148	0.03	0.03	-2.3	15.8	1.6	2.7	14.4	1.4
Motor fuel	19.2			21.5	2.976	0.58	0.64	-2.8	17.1	1.3	3.0	17.3	0.9
<u>Gasoline</u>	<u>18.9</u>			<u>21.2</u>	<u>2.892</u>	<u>0.55</u>	<u>0.61</u>	<u>-2.8</u>	<u>17.1</u>	<u>1.3</u>	<u>3.0</u>	<u>17.4</u>	<u>0.9</u>
<u>Other</u>	<u>31.0</u>			<u>30.8</u>	<u>0.085</u>	<u>0.03</u>	<u>0.03</u>	<u>-2.3</u>	<u>19.5</u>	<u>1.7</u>	<u>3.6</u>	<u>17.9</u>	<u>1.5</u>
Energy serv.	5.0			0.4	3.275	0.16	0.01	0.0	2.4	2.0	0.5	2.7	1.7
Electricity	4.6			0.8	2.482	0.11	0.02	0.5	1.5	2.8	1.0	1.7	2.1
Utility (piped gas service)	6.4			-0.9	0.793	0.05	-0.01	-1.4	7.5	1.0	-0.9	7.3	1.0
All items less food and energy	2.6			0.2	79.907	2.08	0.16	2.0	0.2	2.5	1.8	0.4	1.9
Commodities less food and energy	1.2			0.1	19.149	0.23	0.02	-0.3	0.4	3.9	0.2	0.9	1.2
Household furnishings	3.6			-0.2	3.509	0.12	-0.01	-0.8	1.2	3.7	-0.9	1.2	3.8
Window & floor coverings	5.2			-0.4	0.248	0.01	0.00	-2.3	1.7	4.4	-2.8	1.8	4.5
Furniture & bedding	3.1			-0.4	0.883	0.02	0.00	-0.3	1.7	2.0	-0.9	2.1	1.9
Appliances	1.1			-1.6	0.204	0.00	0.00	-1.2	3.1	0.7	-1.6	3.0	0.9
Other household equipment	3.0			-0.6	0.572	0.02	0.00	-3.5	1.8	3.5	-3.7	1.5	4.5
Tools & hardware	6.0			0.8	0.692	0.05	0.01	-0.1	1.0	5.9	-0.3	1.2	5.2
Housekeeping supplies	2.4			-0.1	0.844	0.02	0.00	0.3	1.2	1.8	0.4	1.3	1.5

April 10, 2026

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Apparel	3.4			1.0	2.495	0.09	0.02	-0.5	1.0	4.0	0.3	1.7	1.8
Men's & boys apparel	1.3			0.2	0.629	0.01	0.00	-0.3	1.5	1.1	0.5	2.3	0.4
Women's & girls apparel	4.4			1.8	0.994	0.04	0.02	-1.3	1.9	3.1	-0.1	2.5	1.8
Footwear	2.4			0.8	0.596	0.01	0.00	0.2	1.3	1.6	0.8	1.7	1.0
Infant & toddler's apparel	2.2			0.2	0.103	0.00	0.00	0.4	3.8	0.5	0.5	3.6	0.5
Jewelry & watches	9.4			1.0	0.174	0.02	0.00	1.0	3.4	2.5	1.5	3.8	2.1
Trans. less fuel	-0.9			-0.1	6.863	-0.07	-0.01	-0.3	0.9	-0.7	0.4	1.5	-0.9
New vehicles	0.5			0.1	3.823	0.02	0.00	0.1	0.7	0.6	0.8	1.2	-0.2
Used cars & trucks	-3.2			-0.4	2.621	-0.08	-0.01	-1.3	2.1	-0.9	1.1	4.8	-0.9
Motor vehicle parts & equipment	3.9			0.7	0.346	0.01	0.00	0.2	1.1	3.5	0.9	2.2	1.4
Medical comm.	0.3			-1.0	1.475	0.00	-0.01	2.1	1.7	-1.1	2.3	1.5	-1.4
Medicinal Drugs	-0.2			-1.0	1.338	0.00	-0.01	2.2	1.8	-1.4	2.3	1.6	-1.6
Medical equipment & supplies	4.1			-0.3	0.137	0.01	0.00	0.4	1.2	3.0	0.3	1.2	3.2
Recreation comm.	3.3			0.5	1.930	0.06	0.01	-2.6	1.1	5.6	-2.3	0.9	6.2
Video & audio products	3.7			-0.8	0.266	0.01	0.00	-10.1	2.4	5.7	-9.2	2.2	5.8
Pets & pet products	3.1			0.9	0.612	0.02	0.01	0.4	1.5	1.8	0.5	1.5	1.8
Sporting goods	4.5			0.1	0.529	0.02	0.00	-0.7	1.5	3.4	-0.6	1.2	4.2
Photographic Equipment & supplies	12.2			0.4	0.027	0.00	0.00	-1.7	4.6	3.0	-3.0	4.0	3.8
Recreational reading materials	-0.9			-0.7	0.114	0.00	0.00	1.6	1.9	-1.3	1.5	1.8	-1.4
Other recreational goods	2.6			1.8	0.383	0.01	0.01	-6.5	1.3	6.8	-5.2	1.7	4.5
Educ. & communication comm.	-6.4			0.3	0.790	-0.05	0.00	-3.7	1.0	-2.6	-3.5	0.9	-3.2
Educational books & supplies	-0.6			-0.2	0.042	0.00	0.00	2.2	3.0	-0.9	3.6	2.7	-1.5
IT commodities	-6.7			0.3	0.752	-0.05	0.00	-6.1	1.9	-0.3	-6.8	1.8	0.0
Alcohol	1.7			0.3	0.836	0.01	0.00	1.3	0.3	1.3	1.4	0.4	0.9
Alcoholic beverages at home	0.3			0.2	0.395	0.00	0.00	0.8	0.6	-0.9	0.8	0.5	-0.9
Alcoholic beverages away from home	3.2			0.3	0.441	0.01	0.00	1.9	0.5	2.9	2.2	0.7	1.5
Other goods	4.4			0.5	1.318	0.06	0.01	1.4	0.9	3.5	1.4	0.7	4.2
Tobacco & smoking products	7.4			0.1	0.451	0.04	0.00	4.3	1.5	2.0	4.4	3.8	0.8
Personal care products	2.2			0.4	0.678	0.01	0.00	-0.3	0.6	4.3	-0.1	0.8	2.8
Miscellaneous personal goods	4.0			0.8	0.188	0.01	0.00	-2.4	3.1	2.1	-1.7	2.4	2.4

April 10, 2026

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Services less energy services	3.0			0.2	60.758	1.82	0.12	2.8	0.2	0.7	2.4	0.6	0.9
Shelter	3.0			0.3	35.550	1.06	0.11	3.3	0.2	-1.7	2.5	1.2	0.5
Rent of shelter	3.0			0.3	35.260	1.05	0.11	3.3	0.2	-1.7	2.5	1.2	0.4
<i>Rent of primary residence</i>	<u>2.6</u>			<u>0.2</u>	<u>7.801</u>	<u>0.19</u>	<u>0.02</u>	<u>3.7</u>	<u>0.1</u>	-8.2	<u>2.9</u>	<u>1.1</u>	-0.3
<i>Lodging away from home</i>	<u>2.6</u>			<u>0.2</u>	<u>1.363</u>	<u>0.04</u>	<u>0.00</u>	<u>2.3</u>	<u>2.0</u>	<u>0.2</u>	<u>2.2</u>	<u>2.2</u>	<u>0.2</u>
<i>OER of residences</i>	<u>3.1</u>			<u>0.3</u>	<u>26.096</u>	<u>0.81</u>	<u>0.08</u>	<u>3.2</u>	<u>0.2</u>	-0.6	<u>2.4</u>	<u>1.1</u>	<u>0.6</u>
Tenants' & household insurance	7.4			0.9	0.290	0.03	0.00	1.4	1.2	5.0	2.3	1.5	3.3
Water, sewer, trash collection	4.7			0.5	1.150	0.05	0.01	3.6	0.6	1.9	4.3	1.0	0.4
Water & sewage maintenance	5.1			0.6	0.788	0.04	0.00	4.0	0.8	1.4	4.8	1.4	0.2
Garbage & trash collection	4.0			0.3	0.362	0.01	0.00	2.5	1.5	1.0	2.5	1.1	1.4
Household ops.	5.7			-0.3	1.030	0.00	0.00	3.8	1.3	1.5	2.6	1.6	1.9
Domestic services	3.1			0.7	0.312	0.00	0.00	2.0	1.1	1.1	1.6	1.0	1.4
Gardening & lawncare	13.9			-0.8	0.360	0.00	0.00	4.3	2.7	3.6	2.8	2.6	4.2
Moving, storage, freight	-2.0			2.3	0.076	0.00	0.00	5.6	3.9	-1.9	3.3	3.9	-1.4
Repair of household items	5.0			1.7	0.172	0.00	0.00	4.8	2.1	0.1	4.2	2.0	0.4
Medical serv.	3.7			0.0	6.956	0.25	0.00	2.9	1.0	0.8	3.0	0.8	0.8
Professional Services	4.1			0.5	3.445	0.15	0.02	1.5	0.9	2.8	1.8	0.8	2.8
Hospital & related services	6.4			0.2	2.646	0.15	0.01	3.8	1.1	2.3	4.5	1.3	1.4
Health insurance	-5.3			-1.4	0.864	-0.04	-0.01	5.0	5.8	-1.8	3.6	6.0	-1.5
Transportation serv.	4.1			0.6	6.399	0.26	0.04	2.6	1.1	1.3	2.6	1.0	1.5
Leased cars & trucks	-3.9			-0.2	0.384	0.00	0.00	0.5	3.0	-1.5	-1.6	3.2	-0.7
Motor vehicle maintenance & repair	6.1			1.3	1.041	0.06	0.01	2.2	0.7	5.6	2.0	0.6	7.1
Motor vehicle insurance	0.8			0.0	2.745	0.02	0.00	5.5	2.6	-1.8	4.8	2.0	-2.0
Motor vehicle fees	3.6			0.4	0.521	0.02	0.00	1.8	0.7	2.6	2.2	1.9	0.7
Public transportation	10.2			1.5	1.559	0.14	0.02	-1.2	1.5	7.6	1.0	3.6	2.6
Recreation serv.	1.6			-0.4	3.217	0.06	-0.01	2.6	0.7	-1.5	2.3	0.7	-1.0
Video & audio services	1.4			0.1	0.784	0.01	0.00	2.7	1.4	-0.9	2.6	1.3	-0.9
Pet services	5.6			0.4	0.548	0.03	0.00	3.1	0.8	3.3	3.3	0.9	2.5
Photo services	0.6			-0.1	0.037	0.00	0.00	-0.2	2.0	0.4	0.8	1.8	-0.1
Other recreation services	0.7			-0.8	1.847	0.01	-0.01	2.4	0.6	-2.8	1.7	1.1	-1.0
Educ. & communication serv.	1.0			0.2	5.013	0.05	0.01	0.4	1.3	0.4	1.1	1.3	-0.1
Tuition, school fees, child care	2.8			0.3	2.547	0.07	0.01	2.8	0.6	0.0	3.3	0.8	-0.7
Postage & delivery	6.4			0.9	0.063	0.00	0.00	2.3	2.0	2.1	3.3	2.0	1.6
Telephone services	-3.0			0.5	1.452	-0.04	0.01	-2.4	3.0	-0.2	-1.3	2.4	-0.7
Internet services	2.3			-0.7	0.942	0.02	-0.01	-0.2	1.5	1.7	0.1	1.3	1.7
Other personal serv.	3.2			-0.8	1.607	0.05	-0.01	2.7	0.7	0.8	2.4	0.6	1.3
Personal care services	4.5			-0.3	0.677	0.03	0.00	2.3	0.7	3.1	1.8	0.8	3.3
Miscellaneous personal services	2.4			-1.2	0.931	0.02	-0.01	2.9	0.9	-0.5	2.7	0.7	-0.4

*Number may not add due to rounding

Sources: Scotiabank Economics, BLS.

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