



UBS Chief Investment Office believes inflation peaked in March. (UBS)

Inflation at its peak

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CPI rose 8.5% year-on-year in March, which is the largest increase since 1982.

Tuesday, the Consumer Price Index (CPI) for March rose 1.2% (all figures are month-over-month changes unless otherwise noted), in line with consensus forecasts. An 18% jump in gasoline prices accounted for about 60% of the monthly rise in CPI. In year-over-year terms, the 8.5% inflation rate was the highest since 1981.

Core CPI, which excludes food and energy prices, increased 0.3%, which was less than expected. Core goods prices declined by 0.6%, the first decrease since February 2021. Used car prices, which have soared since the start of the pandemic, fell by 3.8%, and there were also declines in some electronic goods including televisions and smartphones. In recent months, consumer spending has been shifting away from durable goods, and some supply-side bottlenecks are easing. As a result, there is less upward pressure on core goods prices. At the same time, upward pressure on service prices remains strong. Shelter, which accounts for more than 40% of core CPI, was up 0.5% for the second month in a row.

In our view, March should mark the peak in the headline inflation rate unless there is a further increase in energy prices. However, rapid wage growth and strong demand could result in sustained price increases for services, forcing the Federal Reserve to continue raising rates even if goods prices stabilize. In addition to slowing inflation, the Fed will want to see the labor market cooling off before it considers pausing the rate hiking cycle.

For more, please see the full blog post, [Inflation at its peak](#), published on 12 April 2022.

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