



# March Inflation Review

Are tariffs tipping the economy?

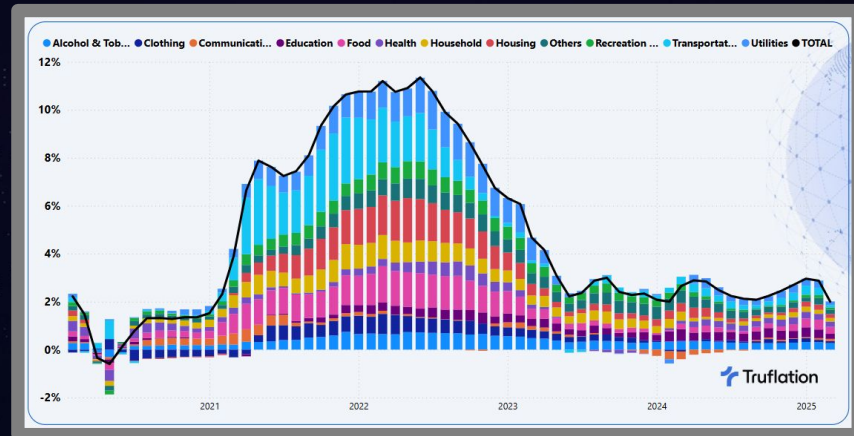
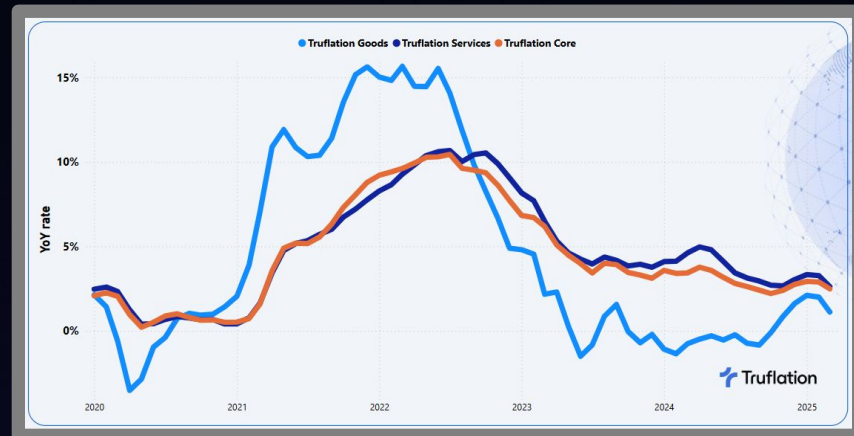
April 9<sup>th</sup>, 2025



# Downward march continued in March

## Truflation March BLS CPI forecast: 2.5%

- Market forecasts between 2.4% and 2.8%
- Tariffs are already starting to hit in certain categories
- Companies sending warning signals of higher prices and lower demand
- Food & energy are experiencing significant declines.
  1. Services – more resilient given the tight labour market
  2. Goods – greater declines down
- Unlikely that the Fed moves away from its inflation mandate
- Long term view remains clear – risk to the upside; tariffs, immigration, federal spending cuts,



# Sector-specific Inflation Analysis

## Food

-0.3% MoM and +3.7% YoY

- Driven by both Food at home & away from home. Driven by wages & raw materials. Concern is food PPI has been on the rise since Aug24

## Transportation

-0.0% MoM and +1.2% YoY

- Gas prices is the biggest driver but car sales up for the 2<sup>nd</sup> month

## Education

-0.4% MoM and +2.7% YoY

- Fees rate of increase is slowing due to cost mgmt. & competition

## Housing

+0.4% MoM and +2.0% YoY

- Rental the big driver due to low inventory, barriers to ownership & shift in tenant demand. Owned seen a moderate growth

## Utilities

+0.8% MoM and +2.1% YoY

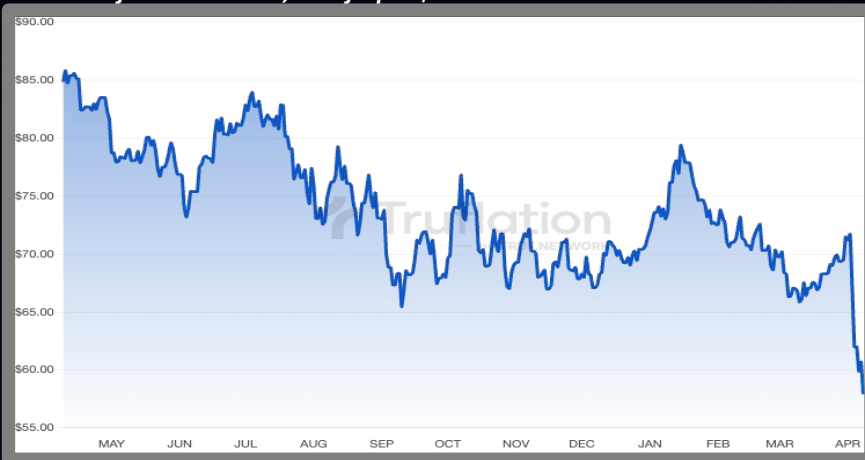
- Adverse weather conditions, environmental policies & infrastructure

## Apparel

+2.6% MoM and +1.2% YoY

- Tariffs already starting to be baked into the products sold

Prices of WTI Crude Oil; 9<sup>th</sup> of April \$57.9



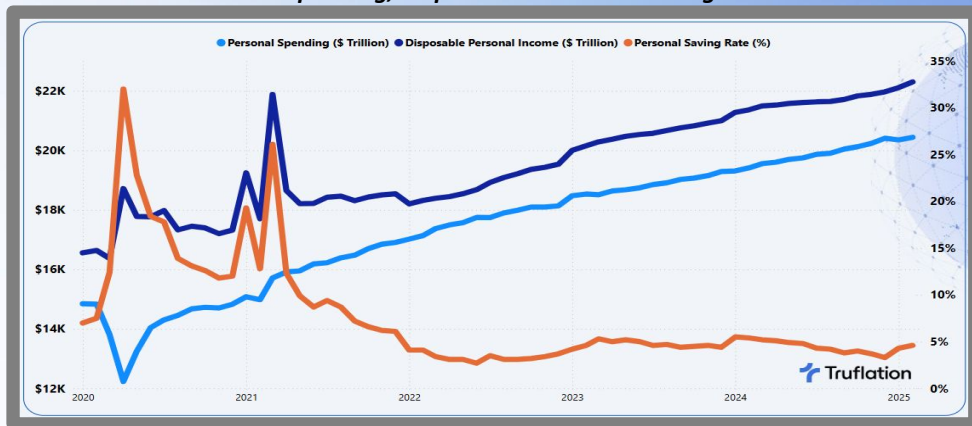
NRA & US Census Bureau Housing Sales and Median Prices



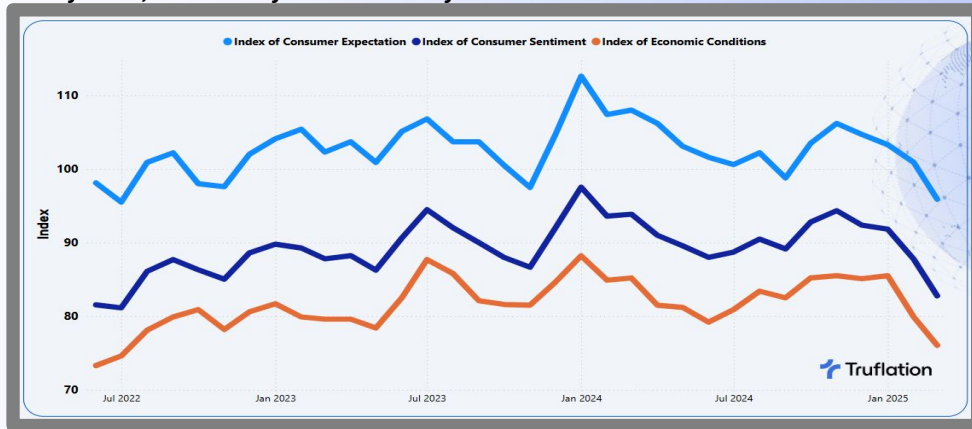
# Volatility continues

- **More tariffs**; 10% Universal & reciprocal tariffs
- Business warning on **price hikes** & **weaken demand**
- JPM rose their expectation of recession **to 60%**
- Consumer spending up **0.2% MoM**
- Unemployment rate @ **4.2%**; earning up **3.8% YoY**
- Savings rate **increased @ 4.6%**
- **Steep decline** in Consumer Confidence

US BEA – US Consumer Spending, Disposable Income vs Savings



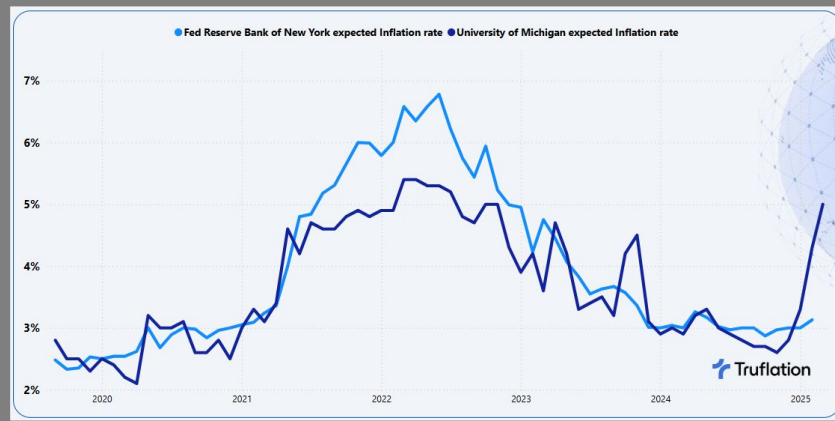
Truflation; Measure of Consumer Confidence



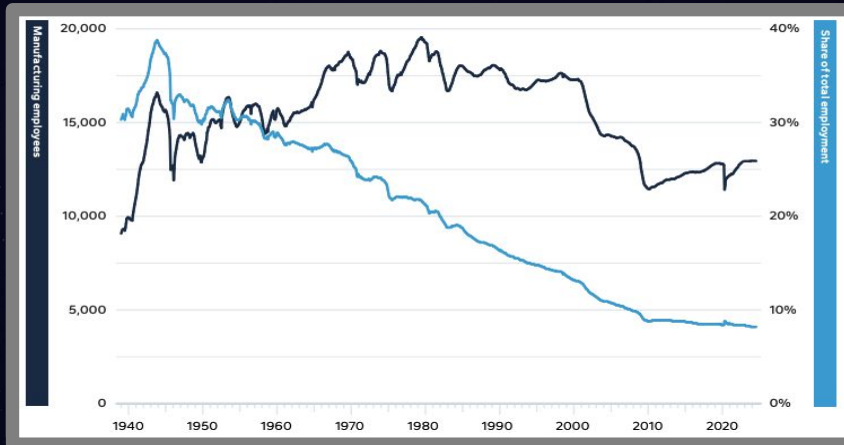
# A 1.5% increase in inflation as a result of tariffs. Key categories impacted

- **Food:** Various food and household items from fruits to stable products simply cos the component products are not available in the US.
- **Electronics:** China Taiwan & South Korea are the top importers to US.
- **Automotive:** On top of the previous 25% tariffs, the industry will now be impacted with a further 10% universal tariffs.
- **Clothing & shoes:** Apparel sold through eg Walmart, Target etc. are mostly manufactured in China, Vietnam & Bangladesh
- **Toys:** Roughly 80% of the toys sold in the US come from China
- **Wine & Spirits:** Italian & French wines & Scottish Whiskey are likely to rise with EU imports facing 20% and UK 10% tariff.
- **Furniture:** 30-40% of furniture sold in the US is made in China & Vietnam
- **Coffee & Chocolate:** 80% is coffee beans imported from South America & cocoa beans from Cote d'Ivoire and Ecuador
- **Crude Oil:** Mexico & Canada are America's largest importer of crude oil
- **Housing:** US imports 1/3 of softwood lumber from Canada

Consumer Inflation Expectation in the N12M (2% is the Fed Target)



Manufacturing Employment: US Census Bureau



## Beyond tariffs there are other risks towards upward inflation in 2025

- **Immigration policies** and the unemployment which is at 4.2%; still low. Hourly earnings & wages that are holding steady around 3.8% YoY.
- President Trump campaign messaging to remove **tax on tips** combined with state tax reductions will likely fuel an increase in consumer demand.
- **Supply chain** disruptions especially for Oil and Food combined with severe weather conditions.
- **Business investment climate** given on-shoring reviews while at the same time Federal cuts could impact support for certain categories.

Q2  
2.8% - 3.5%





Unbelievable times  
require believable data.

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## Truflation forecasts of the BLS are within 0.10% on average

	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Feb 25
Low Estimate	5.9%	4.9%	4.1%	3.9%	2.9%	2.7%	3.3%	3.5%	3.2%	3.0%	3.1%	2.6%	2.8%	3.2%	3.2%	3.0%	2.8%	2.5%	2.2%	2.4%	2.6%	2.7%	2.8%
High Estimate	6.2%	5.3%	5.0%	4.8%	3.4%	3.4%	3.8%	3.7%	3.4%	3.3%	3.4%	3.2%	3.5%	3.5%	3.5%	3.5%	3.1%	2.7%	2.4%	2.6%	2.9%	3.1%	3.0%
Average Estimate	6.0%	5.2%	4.4%	4.1%	3.1%	3.2%	3.6%	3.6%	3.3%	3.1%	3.2%	3.1%	3.4%	3.4%	3.4%	3.1%	3.0%	2.6%	2.3%	2.5%	2.7%	3.0%	2.9%
BLS Actual	6.0%	5.0%	4.9%	4.0%	3.0%	3.2%	3.7%	3.7%	3.2%	3.1%	3.4%	3.2%	3.5%	3.4%	3.3%	3.0%	2.9%	2.5%	2.4%	2.6%	2.7%	2.9%	2.8%
Truflation	6.1%	5.2%	5.0%	4.2%	3.1%	3.3%	3.5%	3.6%	3.3%	3.0%	3.2%	2.9%	3.4%	3.5%	3.3%	3.0%	2.8%	2.5%	2.4%	2.5%	2.7%	2.9%	2.8%