



# THE UNITED STATES ECONOMIC MONITOR

MAY 13, 2026  
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April's 0.38% rise in the core CPI was driven by one-time jumps in rents, airline fares and tax services.

Surveys point to bigger rises in core goods prices, but apparel prices will fall from weather-boosted levels.

Measures of new rents have stalled; we look for 0.20% rises in the core CPI over the next three months.

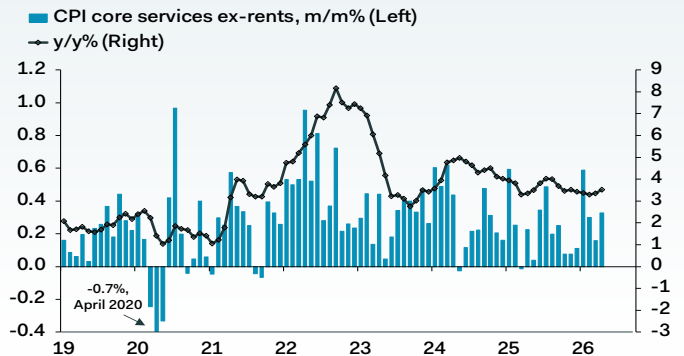
## Core CPI inflation probably has peaked; April's data are misleading

**April's CPI data were bad, but no worse than expected.**

The 0.6% rise in the headline CPI, in line with the consensus, was underpinned by a further jump in gasoline prices and emerging momentum in prices for food at home. The core CPI increased by 0.38%, exactly matching our forecast. The spike in the core CPI was largely attributable to one-time factors, and we expect better news ahead. *We look for the core CPI to rise by average of just 0.20% over the next three months, dousing fears of a major resurgence of inflation.*

Over half the rise in the core CPI was due to a 0.53% increase in weighted primary and owners' equivalent rents. The BLS calculated the *sixth* root of the 12-month change in rents reported by households, to make up for zeroing-out the indexes in October, when it couldn't undertake its survey due to the government shutdown. But rents for new tenants have stopped rising, and the long lag to the CPI measure means that the latter will slow for the foreseeable future.

### MOMENTUM IN PRICES FOR CORE SERVICES EX-RENTS WILL FADE

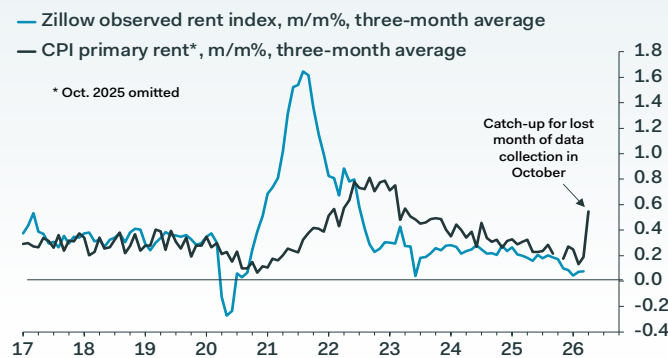


Elsewhere, the 0.47% increase in prices for core services, excluding rent of shelter, is less alarming than it first seems. Big increases in prices for three components look like one-time events. First, the 2.8% jump in airline fares looks driven mostly by people rushing to make bookings. Airlines secure most of their jet fuel several months in advance, and fuel usually accounts for only about 20% of the final selling price. Google Trends data indicate that the surge in bookings has dissipated, suggesting CPI airline fares will fall in May.

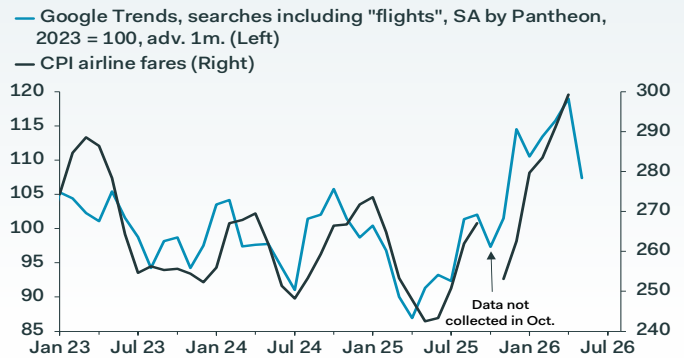
Second, the 11.9% rise in prices for tax preparation services, which boosted prices for core services ex-rents by 0.07pp, was triggered by the end of the filing season. The index was still 4% lower than a year ago, suggesting a sharp fall in May is unlikely. But demand will now plummet and the CPI measure is unadjusted, so further increases are unlikely.

Third, recent price increases by Netflix and Amazon for their streaming services drove the 1.0% rise in the CPI video

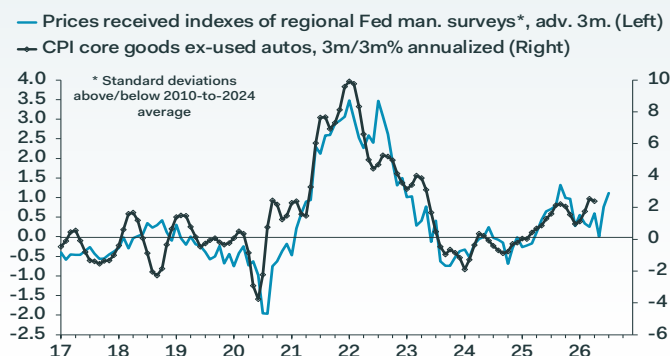
### MEASURES OF MARKET RENTS POINT TO THE CPI COOLING AHEAD



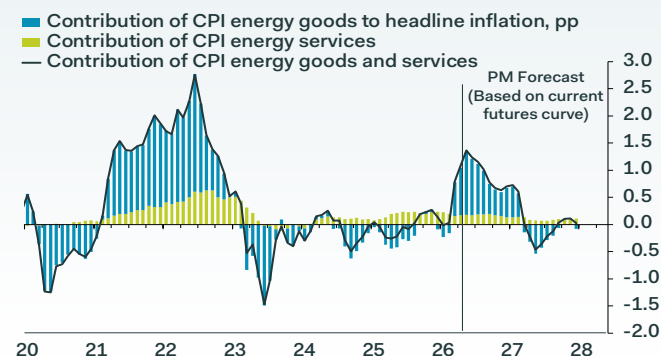
### AIRLINE FARES LOOK LIKELY TO FALL SIGNIFICANTLY IN MAY



## SURVEYS POINT TO A RENEWED RISE IN CORE GOODS PRICES



## HIGHER ENERGY PRICES TO LIFT HEADLINE CPI INFLATION IN MAY...



and audio services component. Disney+ also has increased prices in the last six months, suggesting another big jump in this component is unlikely soon. *Fundamentally, the trend in core services inflation will be influenced most of all by the pace of wage growth, which is cooling. We see no response to the pick-up in the headline inflation rate, as discussed [here](#).*

Meanwhile, the 0.03% rise in CPI core goods prices was the smallest since December, lending further support to our view that the tariff costs now have fed through fully to the CPI. Admittedly, our chart above shows the latest manufacturing surveys point to renewed momentum in core goods prices ahead, as higher energy prices are passed on. In addition, prices for used autos, which were unchanged in April, are likely to pick up soon, given the jump in prices paid by dealers at auctions since the end of last year.

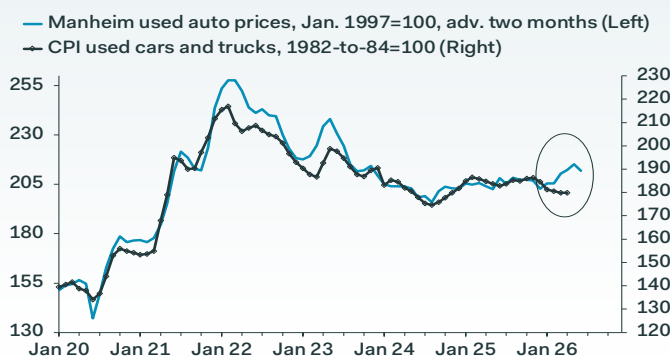
*The long run of much warmer-than-usual weather has meant that few clothing retailers have run promotions, contributing to the 3.0% rise in CPI apparel prices over the last three months. The fall in the effective tariff rate and the drop in apparel import prices suggest the trend in consumer prices is flat at most. A reversal of the recent increases in apparel prices would reduce the core CPI by a visible 0.09pp. Accordingly, we look for smaller increases in CPI core goods*

prices, averaging just 0.2% over the next three months, slightly below the pace implied by the manufacturing surveys.

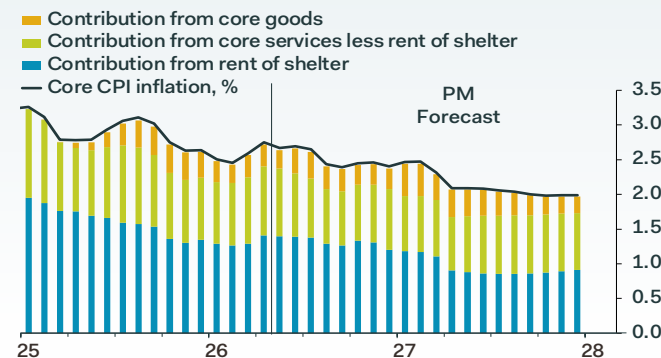
Looking ahead, then, we expect headline CPI inflation to rise to about 4.1% in May, from 3.8% in April, driven mostly by a further increase in month-average gasoline prices. **But core CPI inflation likely already has peaked, at 2.8%. The drag from slowing rent and core services inflation should offset renewed momentum in core goods.**

The FOMC cares more about core PCE inflation, which was 3.2% in March, a hefty 0.4pp above core CPI inflation. But we provisionally estimate the core PCE deflator rose by 0.26% in April, lifting the inflation rate to 3.3%. That's less than the rise in the core CPI, because rents have a smaller weight in the deflator and the airline fares component is based on less-volatile PPI data. We expect April's PPI report, due today, also to show that portfolio management charges fell, in response to the earlier drop in stock prices. **Our CPI forecasts suggest core PCE inflation will average 3.0% in Q4, on course for sub-3% rates in early 2027, which would enable the FOMC to return to easing policy at its December meeting.**

## AUCTION DATA POINT TO RISK OF A JUMP IN USED AUTO PRICES



## ...BUT THERE'S A STRONG CHANCE THE CORE RATE HAS PEAKED



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## Pantheon Macroeconomics U.S. CPI Heat Map

All seasonally adjusted m/m% rates. Index levels interpolated for October 2025 if missing. Colors refer to standard deviations of the m/m% change for each component from its 2015-to-2024 average.

Weight	Component	Apr 25	May 25	Jun 25	Jul 25	Aug 25	Sep 25	Oct 25	Nov 25	Dec 25	Jan 26	Feb 26	Mar 26	Apr 26
<b>100.0</b>	<b>Headline CPI</b>	<b>0.16</b>	<b>0.10</b>	<b>0.25</b>	<b>0.23</b>	<b>0.35</b>	<b>0.30</b>	<b>0.13</b>	<b>0.13</b>	<b>0.30</b>	<b>0.17</b>	<b>0.27</b>	<b>0.87</b>	<b>0.64</b>
8.3	Food at home	-0.2	0.3	0.2	0.0	0.5	0.3	-0.1	-0.1	0.6	0.2	0.4	-0.2	0.7
5.4	Food away from home	0.4	0.3	0.4	0.3	0.3	0.1	0.2	0.2	0.7	0.1	0.3	0.2	0.2
3.1	Energy goods	-2.4	-1.9	0.2	-1.1	1.6	3.4	0.7	0.7	-0.3	-3.3	1.1	21.3	5.6
3.3	Energy services	1.3	0.5	0.7	-0.2	-0.2	-0.4	0.7	0.7	1.0	0.2	0.2	0.4	1.6
<b>79.9</b>	<b>Core CPI</b>	<b>0.24</b>	<b>0.13</b>	<b>0.23</b>	<b>0.31</b>	<b>0.31</b>	<b>0.22</b>	<b>0.09</b>	<b>0.09</b>	<b>0.23</b>	<b>0.30</b>	<b>0.22</b>	<b>0.20</b>	<b>0.38</b>
<b>19.2</b>	<b>Core goods</b>	<b>0.09</b>	<b>-0.04</b>	<b>0.19</b>	<b>0.21</b>	<b>0.22</b>	<b>0.20</b>	<b>0.03</b>	<b>0.03</b>	<b>0.03</b>	<b>0.04</b>	<b>0.08</b>	<b>0.11</b>	<b>0.03</b>
3.4	Household furnishings and supplies	0.2	0.2	0.9	0.6	0.1	0.3	0.2	0.2	0.5	0.3	0.2	-0.2	-0.5
2.4	Apparel	-0.1	-0.3	0.3	0.1	0.3	0.5	-0.2	-0.2	0.3	0.3	1.3	1.0	0.6
7.0	Transportation commodities ex. motor fuel	-0.1	-0.3	-0.3	0.2	0.4	0.0	0.2	0.2	-0.3	-0.7	-0.1	-0.1	-0.1
3.8	New vehicles	0.1	-0.3	-0.3	0.0	0.2	0.2	0.1	0.1	0.0	0.1	0.0	0.1	-0.2
2.8	Used cars and trucks	-0.5	-0.6	-0.5	0.5	0.8	-0.2	0.6	0.2	-0.9	-1.8	-0.4	-0.4	0.0
1.5	Medical care commodities	0.4	0.6	0.1	0.1	-0.3	-0.1	0.1	0.1	0.3	-0.1	0.0	-1.0	-0.4
1.9	Recreation commodities	0.4	0.4	0.6	0.4	0.0	0.4	-0.3	-0.3	0.1	0.6	0.4	0.5	0.1
0.8	Education and Communications Commodities	0.2	0.0	-0.1	-1.1	-0.4	-0.6	-0.2	-0.2	-1.7	0.3	-3.0	0.3	0.5
0.8	Alcoholic beverages	0.0	-0.1	0.1	0.1	0.6	0.2	0.1	0.1	-0.1	0.2	0.1	0.3	0.3
1.3	Other goods	0.3	0.3	0.3	0.1	0.4	0.5	0.1	0.1	0.4	1.1	0.1	0.5	0.5
0.4	Tobacco and smoking products	0.3	0.8	0.5	0.3	1.0	0.6	0.8	0.8	-0.2	2.1	0.1	0.1	0.5
<b>60.7</b>	<b>Core services</b>	<b>0.30</b>	<b>0.17</b>	<b>0.28</b>	<b>0.35</b>	<b>0.32</b>	<b>0.23</b>	<b>0.10</b>	<b>0.10</b>	<b>0.27</b>	<b>0.39</b>	<b>0.27</b>	<b>0.23</b>	<b>0.50</b>
35.6	Shelter	0.34	0.26	0.21	0.23	0.39	0.21	0.12	0.12	0.38	0.22	0.23	0.27	0.61
7.8	Primary rent	0.32	0.23	0.23	0.23	0.29	0.22	0.00	0.17	0.27	0.25	0.13	0.19	0.55
1.3	Lodging away from home	0.6	-0.1	-2.0	-1.0	2.0	0.9	-0.5	-0.5	2.2	-0.1	1.0	0.2	2.4
26.2	OER	0.33	0.28	0.31	0.28	0.34	0.15	0.00	0.32	0.31	0.22	0.22	0.28	0.53
1.1	Water and waste collection services	0.3	0.2	0.4	0.4	0.4	0.1	0.2	0.2	0.4	0.7	0.7	0.5	0.3
6.9	Medical care services	0.4	0.2	0.5	0.8	-0.1	0.2	0.1	0.1	0.4	0.3	0.6	0.0	0.0
3.4	Professional services	0.3	0.0	0.6	0.7	0.1	-0.1	0.1	0.1	0.3	0.8	0.6	0.5	0.2
2.6	Hospital and related services	0.5	0.4	0.4	0.4	0.0	0.8	0.3	0.3	0.9	1.0	0.9	0.2	-0.3
0.9	Health insurance	0.4	0.2	0.6	0.4	0.1	0.3	-1.4	-1.4	-1.1	-1.0	-1.1	-1.4	-0.4
6.3	Transportation services	0.2	-0.2	0.3	0.6	0.9	0.3	-0.3	-0.3	0.4	1.4	0.2	0.6	0.3
0.9	Airline fares	-2.1	-2.2	0.3	3.0	4.5	2.0	-2.7	-2.7	3.8	6.5	1.4	2.7	2.8
1.0	Motor vehicle maintenance and repair	0.7	-0.1	0.2	1.0	2.4	0.2	0.3	0.3	-1.3	0.1	0.9	1.3	-0.2
2.8	Motor vehicle insurance	0.7	0.5	0.1	0.1	-0.1	-0.1	0.0	0.0	0.3	-0.4	-0.3	0.0	0.1
3.2	Recreational services	-0.2	-0.2	0.2	0.5	-0.2	0.4	-0.2	-0.2	1.5	0.4	-0.2	-0.4	0.1
5.0	Education and Communication services	-0.3	0.0	0.1	0.2	0.4	0.4	0.3	0.3	-1.0	0.3	0.2	0.1	-0.2
1.6	Other personal services	0.2	0.4	0.6	0.5	0.1	0.2	0.4	0.4	-0.2	1.6	-0.2	-0.8	1.2

## THIS WEEK IN BRIEF

Note: "D" prefix denotes Datanotes for these releases.

### Monday, May 11

#### • D: Existing Home Sales (4)/10:00 EDT

Existing home sales edged up to **4.02M** in April, from 4.01M in March, remaining about 25% below their pre-Covid level. High mortgage rates and low consumer confidence are continuing to undermine demand.

### Tuesday, May 12

#### • D: NFIB Small Business Optimism Survey (4)/06:00 EDT

The headline index dipped trivially to **95.8** in April, from 95.9. That left the three-month average at its lowest level since November 2024. The survey suggests little prospects of a sharp turnaround in the labor market in the near term, while capex plans remain very depressed.

#### • D: Consumer Prices (4)/08:30 EDT

The headline CPI jumped by **0.6%**, driven by a further run-up in gas prices, an upturn in food inflation, and a bigger-than-expected **0.4%** increase in core prices. That said, stronger core inflation was mostly due to a double increase in shelter prices, to make up for the zero-change imputed in October, due to the government shutdown. CPI core services ex-housing also rose strongly, but mostly due to a few idiosyncratic components.

#### • Monthly Treasury Statement (4)/14:00 EDT

Treasury ran a federal budget *surplus* of **\$215B** in April, smaller than the \$258B surplus in April 2025.

### Wednesday, May 13

#### • Mortgage Applications (5/8)/07:00 EDT

Purchase applications fell by **3.7%** in the week ending May 1. In April overall our version of the purchase applications index—readjusted for residual seasonality—was about 10% below its recent peak last November.

#### • D: Producer Prices (4)/08:30 EDT

The rise in energy prices likely drove a **0.7%** increase in the headline PPI in April. We look for a **0.4%** increase in the core PPI, supported by another big increase in airline fares and momentum in core goods prices. **Consensus: Headline 0.5%, core 0.3%.**

### Thursday, May 14

#### • D: Initial Jobless Claims (5/9)/08:30 EDT

We see no obvious reason to expect a big shift in initial claims from their **200K** reading in the week ending May 2. Most leading indicators of layoffs remain very subdued. **Consensus: 205K.**

#### • D: Retail Sales (4)/08:30 EDT

We think the recent strong gains in sales were sustained in April. A further 4% or so rise in gas station sales likely lifted headline sales by about 0.3pp, but bumper tax refunds also probably provided another boost to underlying sales, helping to offset weakness in a few weather-sensitive components. April was warm for the time of year, but some spending likely was already pull forward, given that temperatures in March broke records. We look for a **0.4%** increase in headline sales, a **0.5%** gain in sales ex-autos, and a **0.2%** rise in control sales. **Consensus: Total 0.5%, ex-autos 0.7%, control 0.4%.**

#### • Import Prices (4)/08:30 EDT

Import prices for petroleum rose by 9.4% in March, far less than the 43.6% increase in the WTI oil price. This implies scope for a catch-up increase in import prices in April. As a result, we look for a **1.3%** rise in total import prices and a **0.5%** increase in prices excluding petroleum. **Consensus: Overall 1.1%, ex-petroleum N/A.**

#### • Business Inventories (3)/10:00 EDT

Preliminary data signal a **0.9%** rise in March inventories. **Consensus: 0.9%.**

### Friday, May 15

#### • D: Empire State Manufacturing Survey (5)/08:30 EDT

We think the headline general business conditions index of the Empire State manufacturing survey picked up a bit further in May, lifted by a rush of activity as companies attempted to get ahead of any supply chain disruptions resulting from the war in the Middle East. We look for an increase to around **+15**, from +11 in April. **Consensus: +7.8.**

#### • D: Industrial Production (4)/09:15 EDT

Our model based on hours worked and railcar shipments for the manufacturing sector points to a gain of around **0.4%** in manufacturing output in April. We expect a smaller **0.2%** increase in overall industrial production, held back by a weather-related drop in utilities output. **Consensus: Total production 0.2%, manufacturing 0.2%.**

## EXPECTATIONS FOR THE FEDERAL FUNDS RATE

	Pantheon forecast (revised May 6)	Mid-point of target range, %		
		Market (FFFs) Latest*	Bloomberg 1w. Δ^	Fed SEP Consensus Median
Latest	3.625	-	-	-
Jun. 17 2026	3.625	3.63	-0.8	3.625
Jul. 29 2026	3.625	3.61	+0.9	-
Sep. 16 2026	3.625	3.64	+2.1	3.625
Oct. 28 2026	3.625	3.68	+1.9	-
Dec. 9 2026	3.375	3.74	+2.6	3.375
Jan. 27 2027	3.125	3.77	+2.9	-
Mar. 17 2027	2.875	3.82	+4.2	3.125

\* May 12 13:10 EDT. ^Change from seven days previously shown in bp

## PANTHEON'S FINANCIAL FORECASTS

	End-month:				
	1pm Tue.	Jun	Sep	Dec	Mar
Fed funds mid-point	3.625	3.625	3.375	2.875	2.875
2-year note	3.99	3.60	3.20	3.00	3.00
10-year note	4.46	4.00	3.70	3.40	3.40
30-year bond	5.02	4.90	4.50	4.20	4.00
Curve 10-2	47	40	50	40	40
Curve 30-2	103	130	130	120	100
S&P 500	7,354	6,700	6,800	7,000	7,200
Euro/Dollar	1.17	1.17	1.17	1.17	1.17
Sterling/Dollar	1.35	1.36	1.36	1.36	1.36
Yen/Dollar	158	155	153	150	150

## PANTHEON'S ECONOMIC FORECASTS

	Period average:						
	Q1 26	Q2 26	Q3 26	Q4 26	2025	2026	2027
GDP, q/q% ann.	2.0	1.0	1.5	1.8	-	-	-
GDP, y/y%	2.7	1.9	1.2	1.6	2.1	1.8	1.8
Change in NFP*, K	76	50	75	75	101	60	150
Unemp. rate, %	4.3	4.3	4.5	4.7	4.3	4.5	4.3
ECI Priv. wages, y/y%	3.4	3.0	2.9	2.8	3.5	3.0	2.8
CPI, y/y%	2.7	3.5	3.1	3.0	2.7	3.1	2.0
Core CPI, y/y%	2.5	2.7	2.6	2.5	2.9	2.6	2.0
Core PCE Def., y/y%	3.1	3.2	3.2	3.1	2.8	3.1	2.0
Bud. Bal., % GDP, FY	-	-	-	-	-5.8	-6.0	-6.0

\*Based on the initial published estimates for each month