US Inflation Monitor: April 2026: Commodity Prices and AI-Related Effects Continue to Boost Inflation

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- **Recent inflation trends:**
  - Core PCE prices increased by 0.24% month over month and 3.29% year over year rate in April. Core CPI increased by 0.38% month over month and 2.74% year over year in April. April inflation was boosted by two months' worth of rent and owners' equivalent rent inflation, which went unmeasured 6 months ago because of the federal government shutdown.
  - Headline PCE prices increased by 0.40% month over month and 3.77% year over year in April, boosted by another strong increase in energy prices (+3.9% month-over-month). Headline CPI increased 0.64% month over month and 3.78% year-over-year in April.
  - Core goods prices increased by 0.30% in April (vs. +0.21% in March) and 2.8% over the prior year—the fastest year-over-year pace since December 2022—in the PCE price index. This compares to an average year-over-year pace of -0.5% in 2018, when year-on-year core PCE inflation ran at a roughly 2% pace.
  - Core services prices increased by 0.22% in April (vs. +0.32% in March) and 3.4% over the prior year in the PCE price index. This compares to an average year-over-year pace of 2.5% in 2018, when overall core PCE inflation was roughly 2%.
- **Iran war effects:**
  - Oil prices have increased sharply since the start of the Iran war, with spot prices rising from $71/barrel on average in February to $117/barrel on average in April, $108/barrel on average in May, and $92/barrel today. Our oil strategists expect Brent crude oil prices to decline to $90/barrel by 2026Q4, but they see risks as two-sided with significant upside risks from potentially more persistent supply losses but meaningful downside risk from weaker demand. We expect higher energy prices to boost core PCE inflation by roughly 0.35pp this year.
  - The war has also raised prices of other Gulf exports including chemical and metal products such as nitrogen fertilizer and aluminum. We expect higher fertilizer costs to boost food prices by roughly 1.0% this year, worth about 0.07pp on headline inflation. We expect higher food prices to raise restaurant prices in core PCE, boosting core inflation by 0.05-0.10pp.
  - Higher energy and other commodity prices will directly boost headline

inflation through higher household energy and food prices. We have raised our December 2026 year-over-year headline PCE inflation forecast by 1.4pp since the start of the war, with most of the boost coming from higher energy prices.

- **AI-Related effects:**
    - AI is boosting inflation through three main channels.
        - Strong demand for AI infrastructure has raised the prices of some key electronics inputs, including digital memory and batteries. For example, the producer price index for electronic components and accessories increased by 20% on a year-over-year basis in April.
        - AI-related spending has likely put some upward pressure on software prices in recent years, as several companies have recently raised software prices. We see this as a channel for potential mismeasurement because software and accessories are not quality-adjusted in either PCE or CPI, meaning new AI features have likely been captured as pure price (rather than quantity) increases.
        - Strong demand for data centers is boosting electricity demand and power prices. We estimate that higher electricity prices will boost headline PCE inflation by about 0.1-0.2pp over the next few years.
    - Computer software and accessories prices in the PCE price index increased by 5.0% month-over-month in April after increasing by 4.0% in March and 6.5% in February. This likely reflects a combination of higher accessories prices as a result of memory cost increases and higher software prices. While CPI and PCE use the same price index for this component, the recent acceleration has boosted core PCE by significantly more than core CPI because the software and accessories component receives roughly 30 times the weight in PCE compared to CPI, which we suspect reflects an overstatement of software sales to retail customers in the PCE source data.
    - We expect higher electronics and digital input prices to boost year-over-year core PCE inflation by another 0.3pp (making a peak of 0.6pp in 2026Q3) and core CPI inflation by about 0.1pp over the next year.
- **Tariff effects:**
    - We estimate that the share of tariff costs that has passed through to consumer prices reached 90% after 13 months.
    - We estimate that tariffs have boosted current year-over-year core PCE inflation by 0.9pp and will contribute 0.1pp at the end of 2026.
    - We expect core goods inflation to decelerate from a year-over-year pace of 2.8% in April 2026 to 1.8% in December 2026 and 0.5% in December 2027 as tariff cost passthrough to goods prices comes to an end.
- **Inflation expectations:**
    - Inflation expectations have increased notably since the start of the Iran war. Short-term inflation expectations increased in both the UMich (+0.1pp to +4.8%, 1yr ahead) and NY Fed (+0.2pp to +3.6%, 1yr ahead) surveys.

Long-term household inflation expectations increased notably in the University of Michigan survey (+0.4pp to +3.9%, next 5-10yr) while the New York Fed measure declined (-0.1pp to +3.0%, 5yr ahead).

- Financial market-implied expectations for annualized headline CPI inflation over the next few years were little changed over the past month but have increased sharply since the start of the Iran war.

- **GS inflation forecast:**
  - We estimate that core PCE inflation net of tariff effects stands at roughly 2.4% in April. Inclusive of tariff effects, we expect core PCE inflation to decline to 2.8% by December 2026.
  - We expect core CPI inflation to decline from 2.7% in April to 2.5% in December 2026 and 2.1% in December 2027.

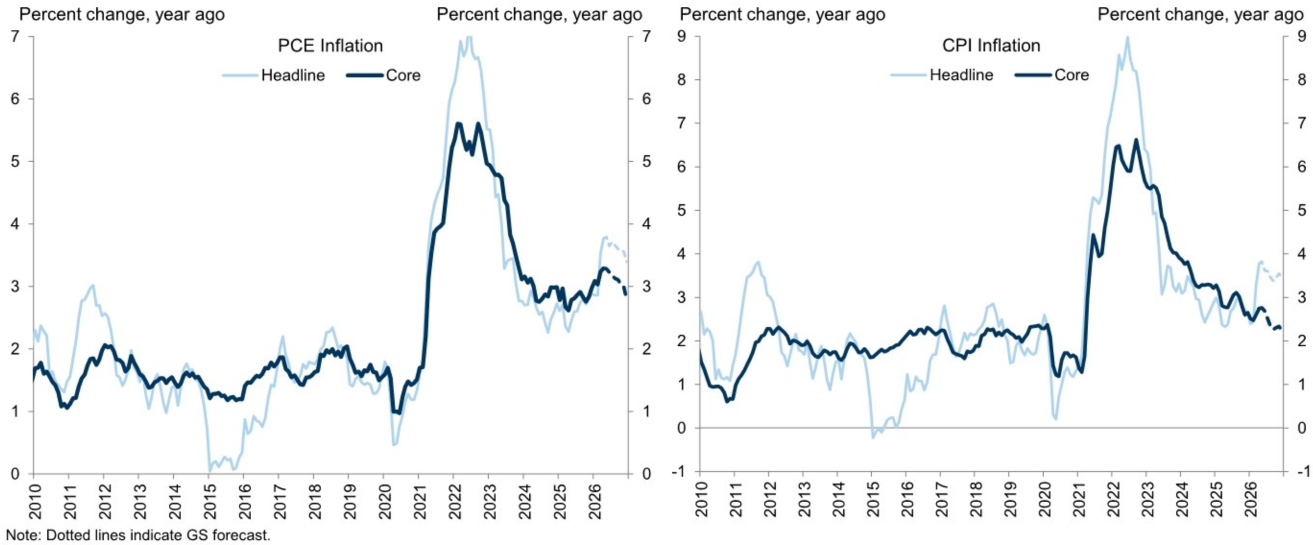
New inflation research from US Economics:

- US Daily: What's Behind the Recent Core PPI Acceleration?, May 11
- US Economics Analyst: AI and (Measured) Inflation: Up Then Down, May 4
- US Daily: Core vs. Trimmed vs. Median: What's the Best Measure of the Inflation Trend?, May 1
- US Economics Analyst: Higher Energy Costs, International Spillovers, and the Inflation Outlook, April 28

US Inflation Monitor: April 2026

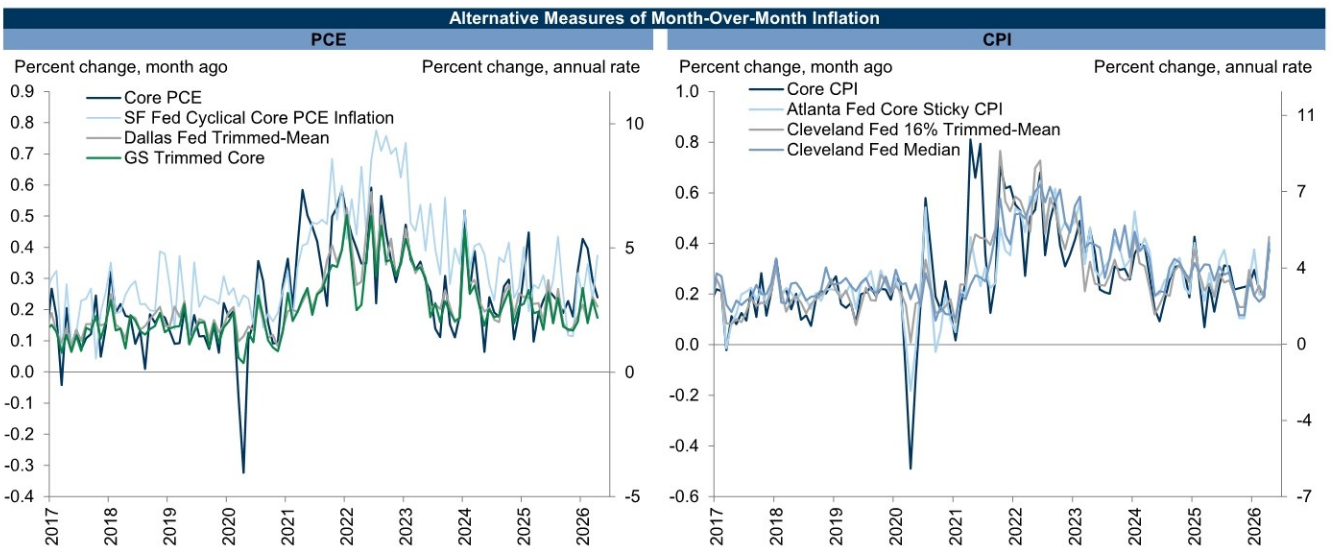
Latest Inflation Trends

Exhibit 1: Both Core PCE Inflation (+0.05pp to +3.29%) and Core CPI Inflation (+0.14pp to +2.74%) Accelerated on a Year-on-Year Basis in April



Source: Department of Commerce, Department of Labor, Goldman Sachs Global Investment Research

Exhibit 2: Measures of the Sequential Core Inflation Trend Accelerated on Net in April, Partly Reflecting a Boost From Two Months' Worth of Rent and Owners' Equivalent Rent Inflation, Which Went Unmeasured in October 2025 Because of the Government Shutdown

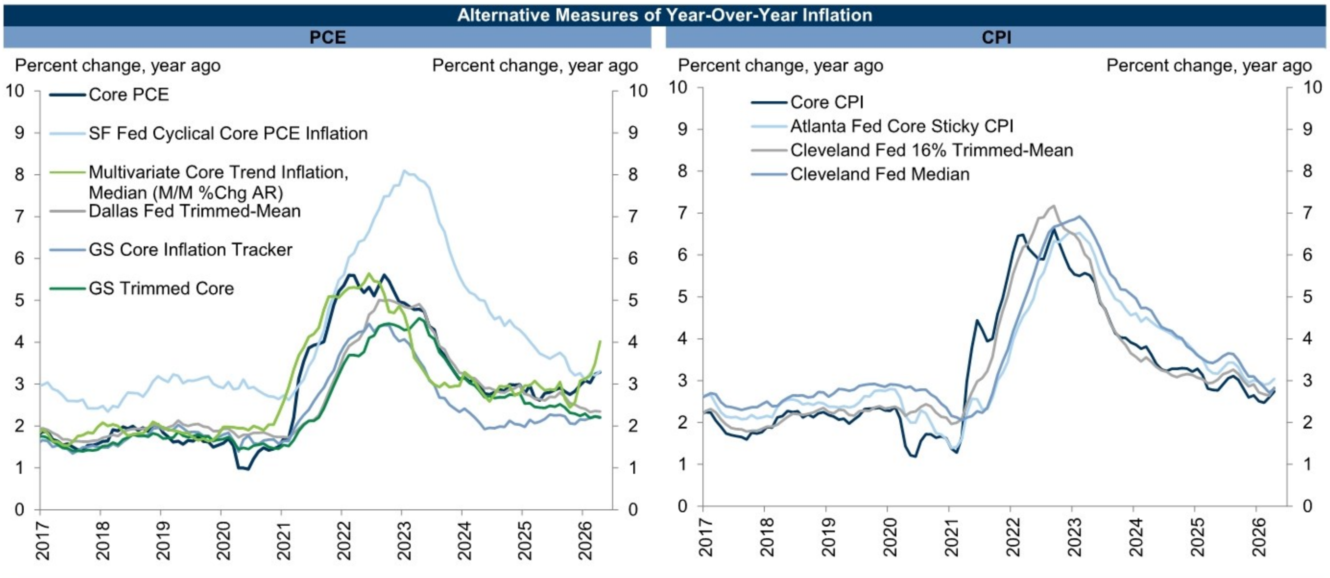


Latest Readings

Indicator	Month	% change, month ago	Indicator	Month	% change, month ago
Core PCE	Apr	0.24	Core CPI	Apr	0.38
SF Fed Cyclical Core PCE Inflation	Apr	0.37	Atlanta Fed Core Sticky CPI	Apr	0.39
Dallas Fed Trimmed-Mean	Apr	0.21	Cleveland Fed 16% Trimmed-Mean	Apr	0.43
GS Trimmed Core	Apr	0.17	Cleveland Fed Median	Apr	0.40

Source: Department of Commerce, Federal Reserve, Goldman Sachs Global Investment Research

Exhibit 3: Measures of the Year-on-Year Inflation Trend Accelerated on Average in April, Remaining Somewhat Elevated

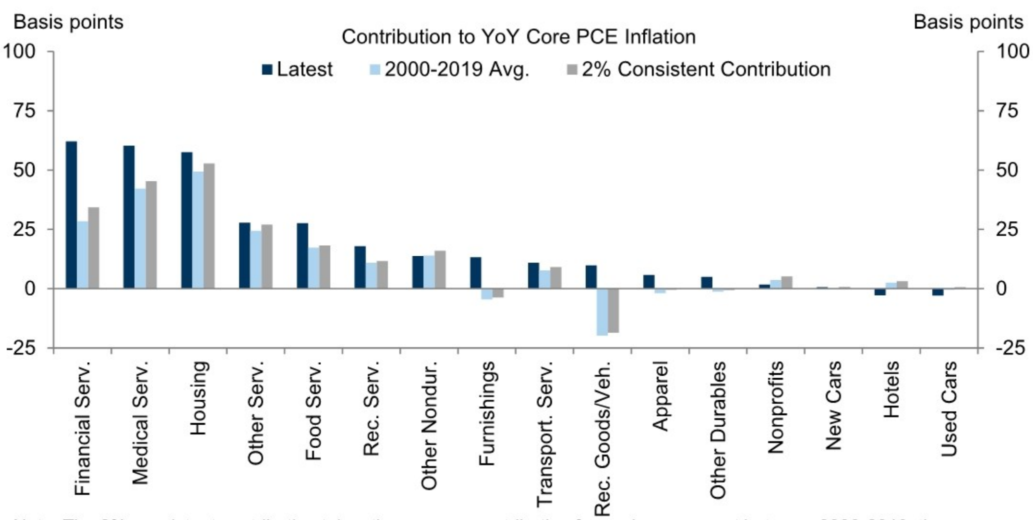


Latest Readings

Indicator	Month	% change, year ago	Indicator	Month	% change, year ago
Core PCE	Apr	3.29	Core CPI	Apr	2.74
SF Fed Cyclical Core PCE Inflation	Apr	3.31	Atlanta Fed Core Sticky CPI	Apr	3.04
Dallas Fed Trimmed-Mean	Apr	2.35	Cleveland Fed 16% Trimmed-Mean	Apr	2.83
GS Core Inflation Tracker	Apr	2.20	Cleveland Fed Median	Apr	2.80
GS Trimmed Core	Apr	2.21			
Multivariate Core Trend Inflation	Apr	4.02			

Source: Department of Commerce, Federal Reserve, Goldman Sachs Global Investment Research

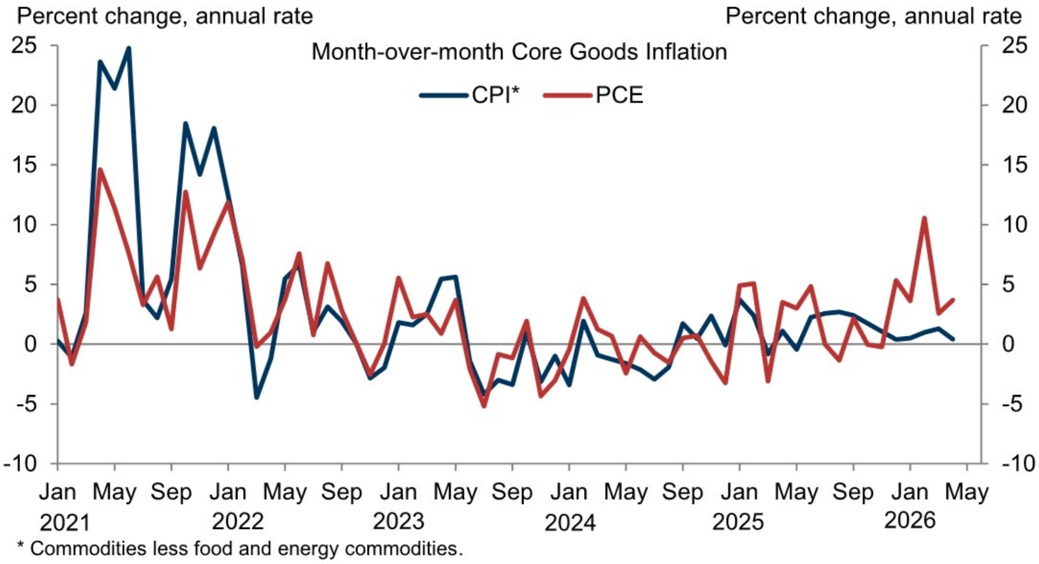
Exhibit 4: The Contribution from Financial and Medical Services to Year-Over-Year Inflation Has Been Higher Than Usual



Note: The 2% consistent contribution takes the average contribution for each component between 2000-2019, then calculates the minimum necessary increase in standardized component inflation rates required to reach 2% core PCE inflation.

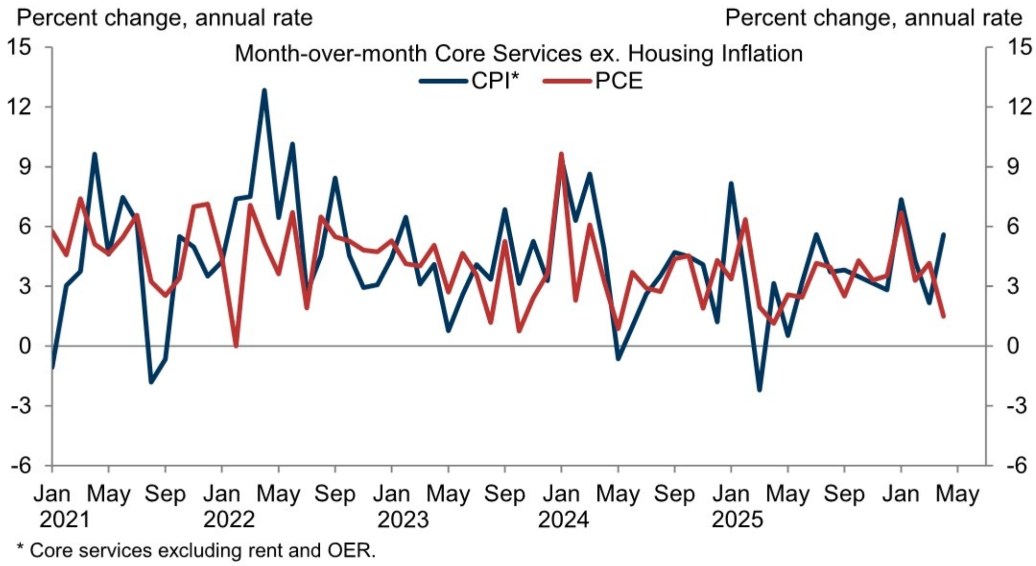
Source: Department of Commerce, Goldman Sachs Global Investment Research

Exhibit 5: The PCE Measure of Core Goods Prices Accelerated in April While CPI Core Goods Prices Increased at a Slower Pace, Largely Reflecting the Larger Impact of Software and Accessories in the PCE Index



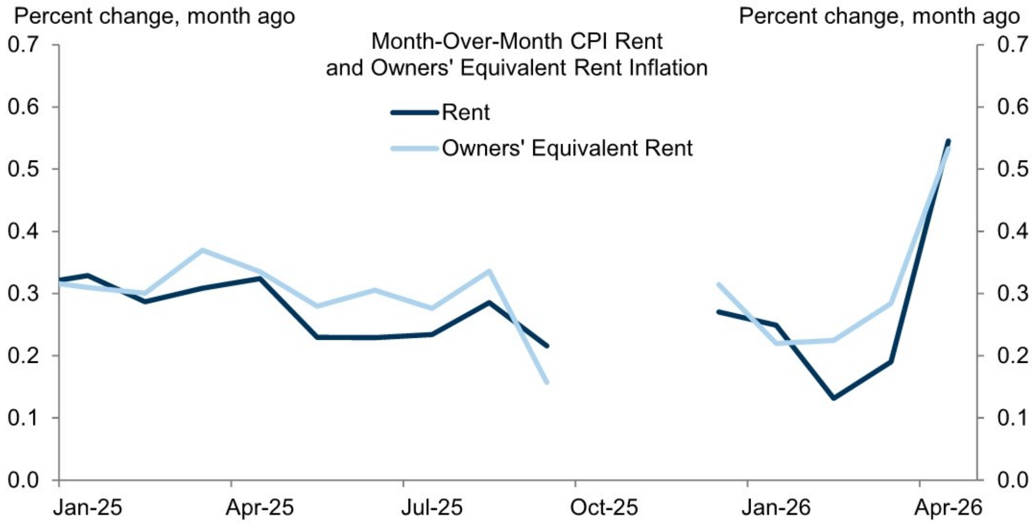
Source: Goldman Sachs Global Investment Research, Department of Commerce, Department of Labor

Exhibit 6: The CPI Measure of Core Services Inflation Excluding Housing Accelerated in April, While the PCE Measure Slowed, Reflecting the Larger Impact of the Extra Month of Rent and OER Inflation on the CPI



Source: Goldman Sachs Global Investment Research, Department of Labor, Department of Commerce

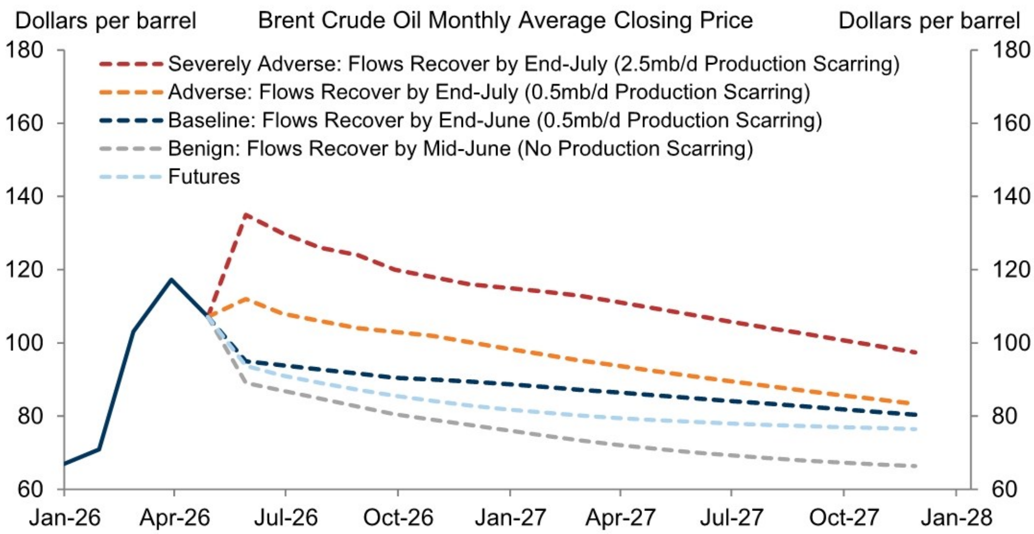
Exhibit 7: The April CPI and PCE Reports Included Two Months' Worth of Rent and Owners' Equivalent Rent Inflation, Which Went Unmeasured in October 2025 Because of the Federal Government Shutdown



Source: Goldman Sachs Global Investment Research, Department of Labor

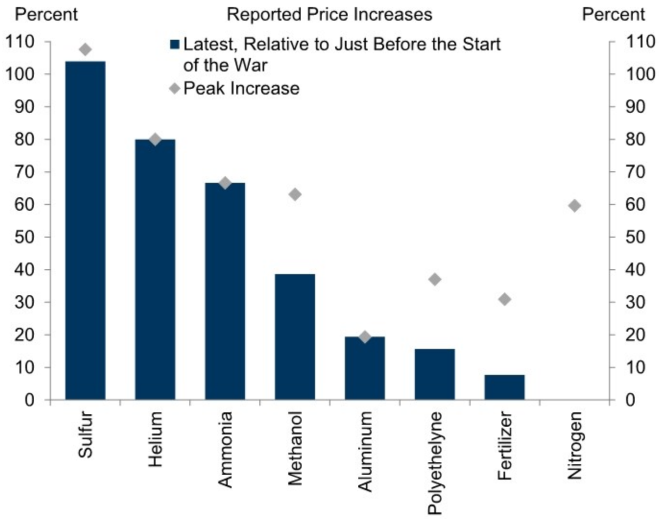
Iran war effects

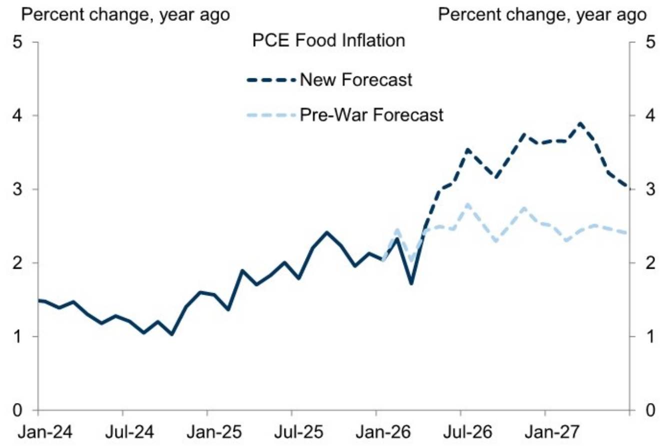
Exhibit 8: Crude Oil Prices Have Increased by Roughly 50% Since the Start of the War in Iran; Our Oil Strategists Expect Brent Oil Prices to Fall to $90 by 2026Q4, but See Two-Sided Risks to Prices Going Forward



Source: Goldman Sachs Global Investment Research

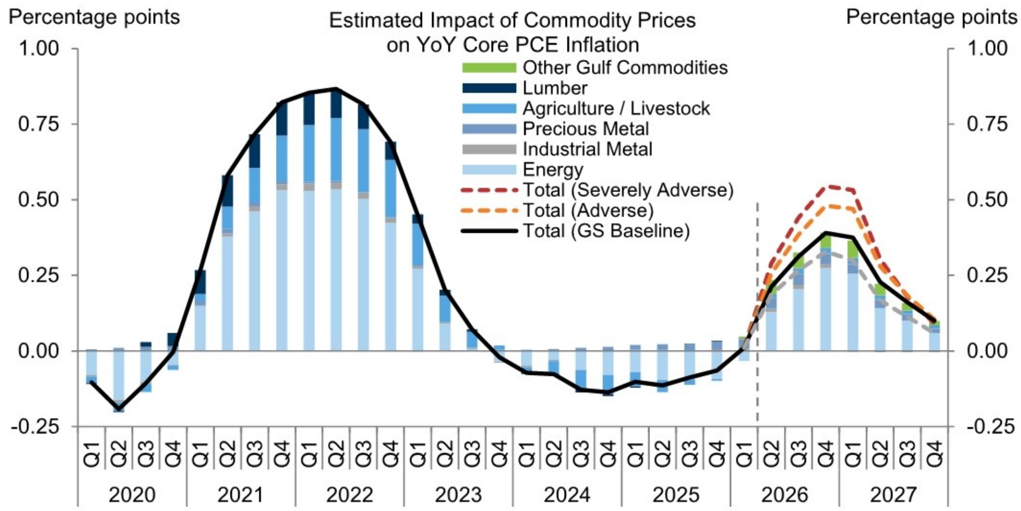
Exhibit 9: The War Has Raised Prices of Non-Oil Gulf Exports, Including Fertilizers and Aluminum; We Have Boosted Our Forecast for PCE Food Inflation, Reflecting the Increase in Fertilizer Prices





Source: Goldman Sachs Global Investment Research, Department of Labor, Data compiled by Goldman Sachs Global Investment Research

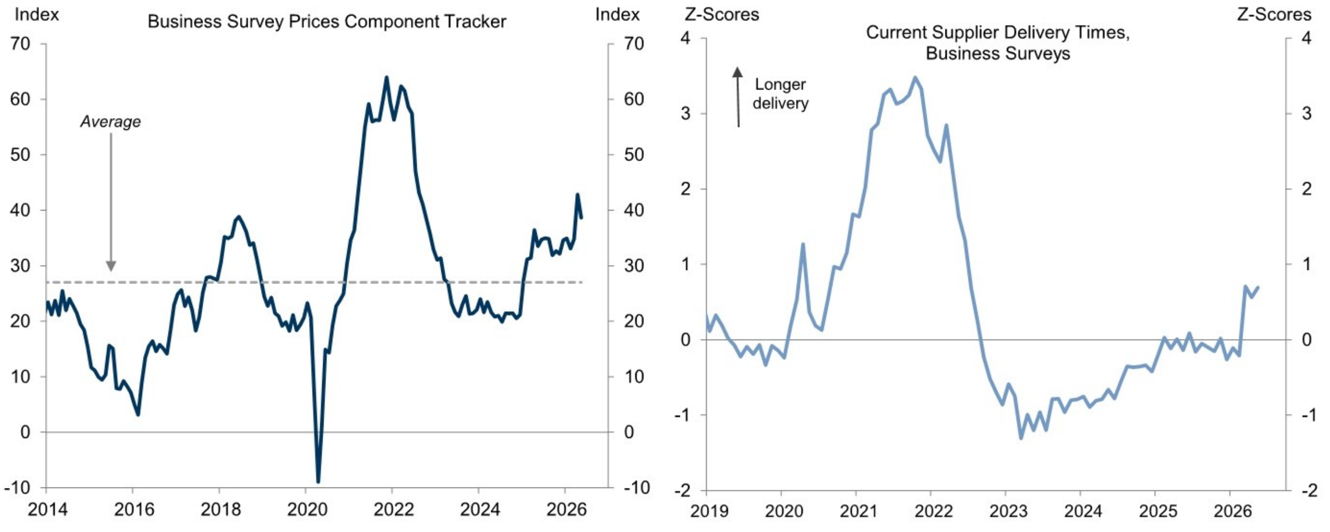
Exhibit 10: We Estimate That the Boost from Commodity Price Increases to Year-Over-Year Core PCE Inflation Will Peak Around 0.35pp in 2026Q4 in Our Baseline Scenario for Oil Prices, Excluding the Impact via Imported Consumer Goods



For more information on our commodity price pass-through model, see Ronnie Walker, "US Economics Analyst: The Commodities Boom and Consumer Prices," 2021.

Source: Goldman Sachs Global Investment Research

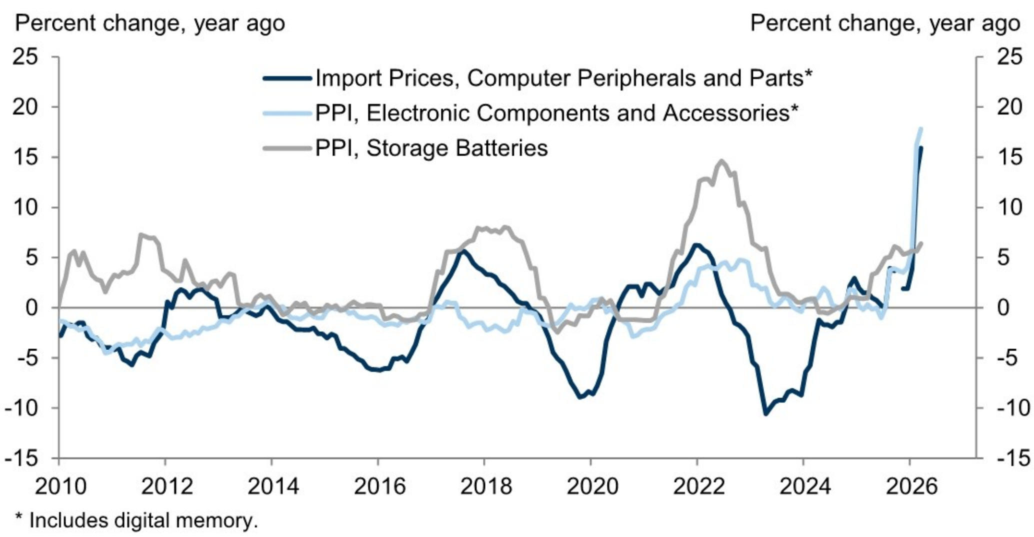
Exhibit 11: The Price Components of Business Surveys Have Increased Notably Since the Start of the War; Supplier Delivery Times Jumped Following the Start of the War, but Delays Remain Minor Compared to Pandemic Disruptions



Source: Goldman Sachs Global Investment Research, Federal Reserve, Institute for Supply Management

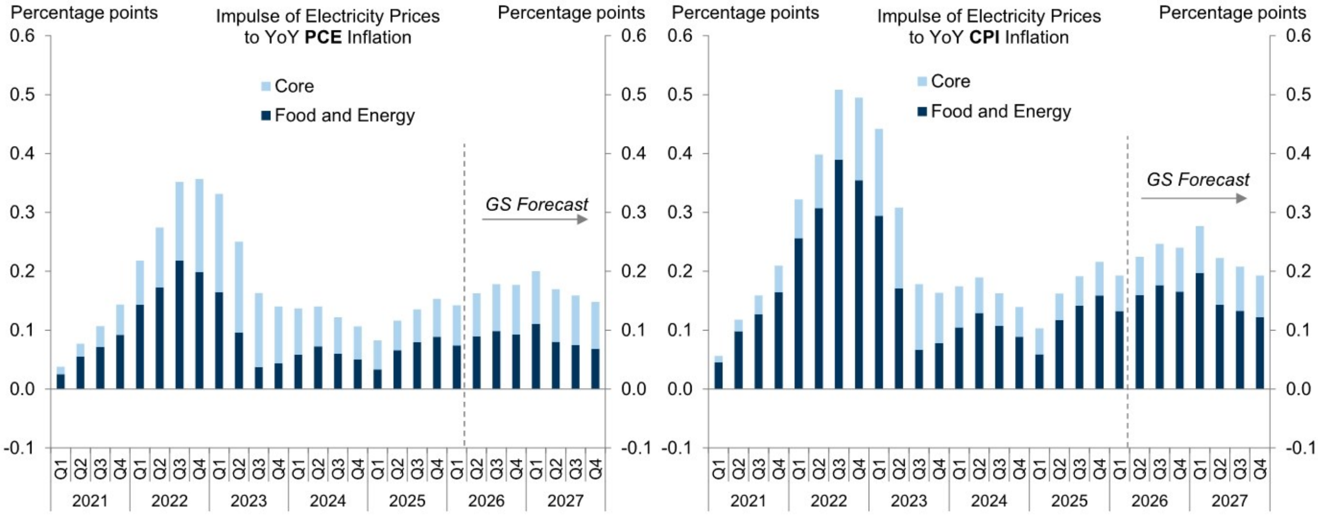
AI-Related Effects

Exhibit 12: AI-Related Demand Has Put Upward Pressure on Key Electronics Inputs



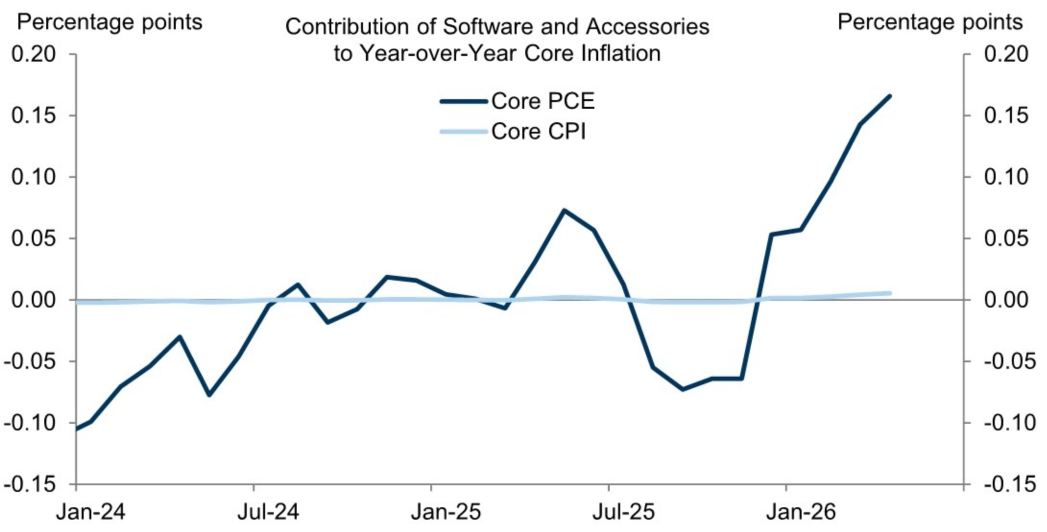
Source: Goldman Sachs Global Investment Research, Department of Commerce, Department of Commerce

Exhibit 13: We Estimate That Higher Electricity Prices Will Boost Headline PCE Inflation Both Directly and Indirectly by About 0.1-0.2pp Over the Next Couple of Years



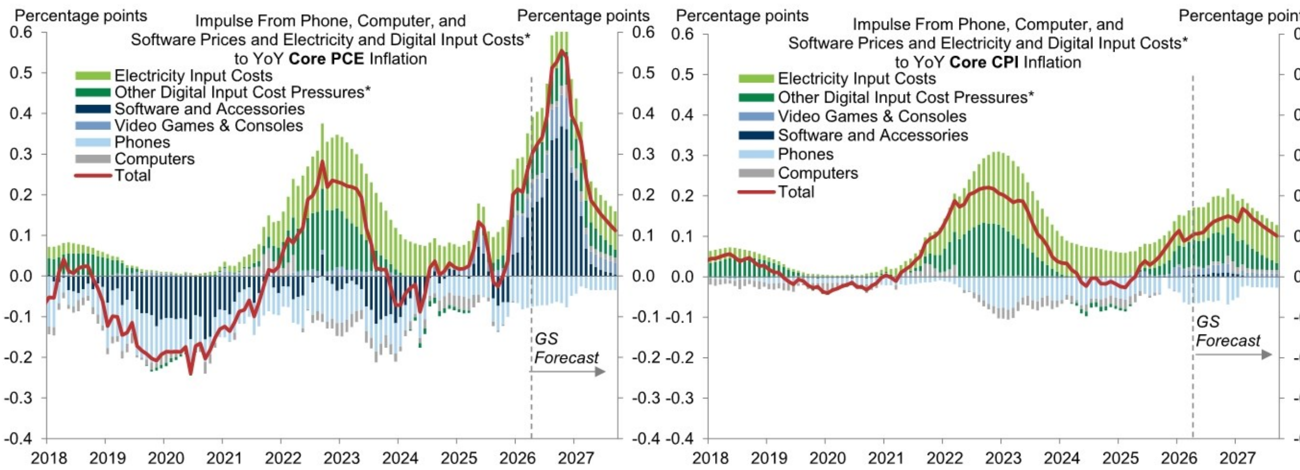
Source: Goldman Sachs Global Investment Research

Exhibit 14: Software Accessory Prices Boosted Core PCE by 0.05pp on a Month-Over-Month Basis and by 0.17pp on a Year-Over-Year Basis in April; The Impact on Core CPI Has Been Much Smaller Because the Software and Accessories Component Has a Much Smaller Weight in CPI Than in PCE



Source: Goldman Sachs Global Investment Research, Department of Labor

Exhibit 15: We Expect Higher Electricity, Electronics, and Software Prices to Boost Year-over-Year Core PCE Inflation by About 0.3pp and Core CPI Inflation by About 0.1pp Over the Next Year, With a Higher Peak in 2026H2



* Estimated effect of changes in digital memory, storage, computer terminals and other peripherals costs on consumer prices throughout the supply chain, based on PPI, import prices, and input-output linkages.

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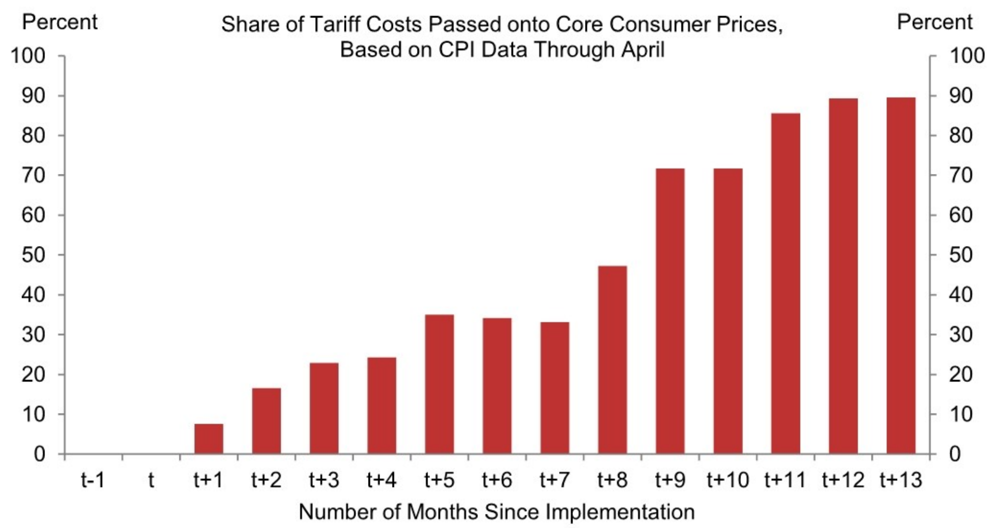
Source: Goldman Sachs Global Investment Research, Department of Commerce, Department of Labor

Tariff Effects

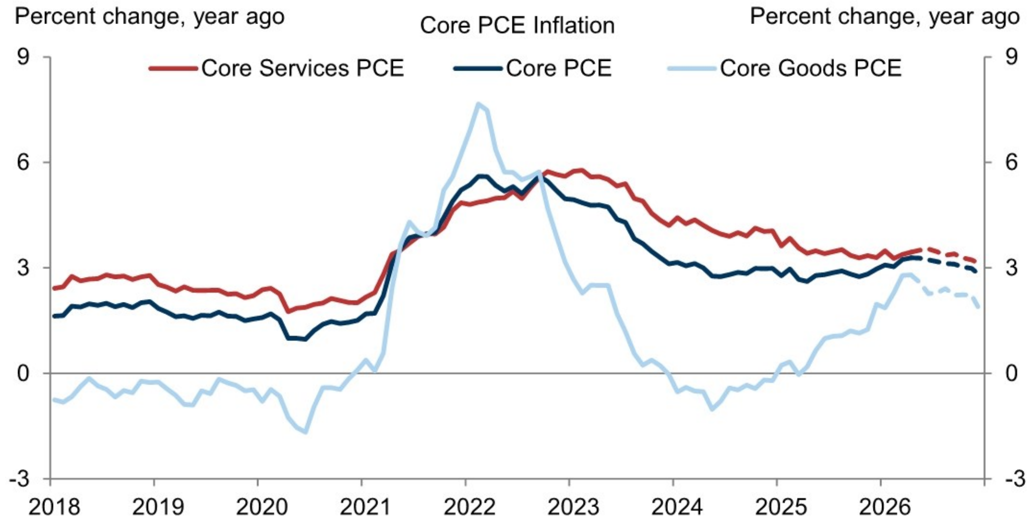
Exhibit 16: We Estimate That Passthrough from Tariff Costs to Consumer Prices Has Reached 90% So Far



*This estimation method may capture spillover effects (e.g. domestic producers not directly affected by tariffs may opportunistically raise prices), so the estimated passthrough rate can eventually reach over 100%.

Source: Goldman Sachs Global Investment Research, Department of Commerce

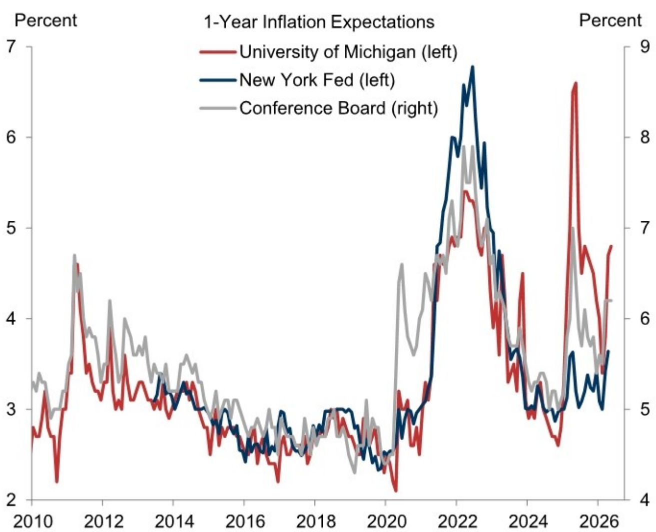
Exhibit 17: Year-Over-Year Core Goods Inflation Has Accelerated in Recent Months, but We Expect the Pace to Slow Somewhat Going Forward as Tariff Passthrough Comes to an End but AI-Related Pressure Continues



Source: Goldman Sachs Global Investment Research, Department of Labor

Inflation Expectations

Exhibit 18: Inflation Expectations Have Moved Higher Since the Start of the Iran War; Short-Term Inflation Expectations Increased in Both the UMich Survey (+0.1pp to +4.8%, 1yr Ahead) and the NY Fed Survey (+0.2pp to +3.6%, 1yr Ahead); Long-Term Household Inflation Expectations Increased Notably in the UMich Survey (+0.4pp to +3.9%, Next 5-10yr) but Ticked Down in the NY Fed Survey (-0.1pp to 3.0%, 5yr Ahead)

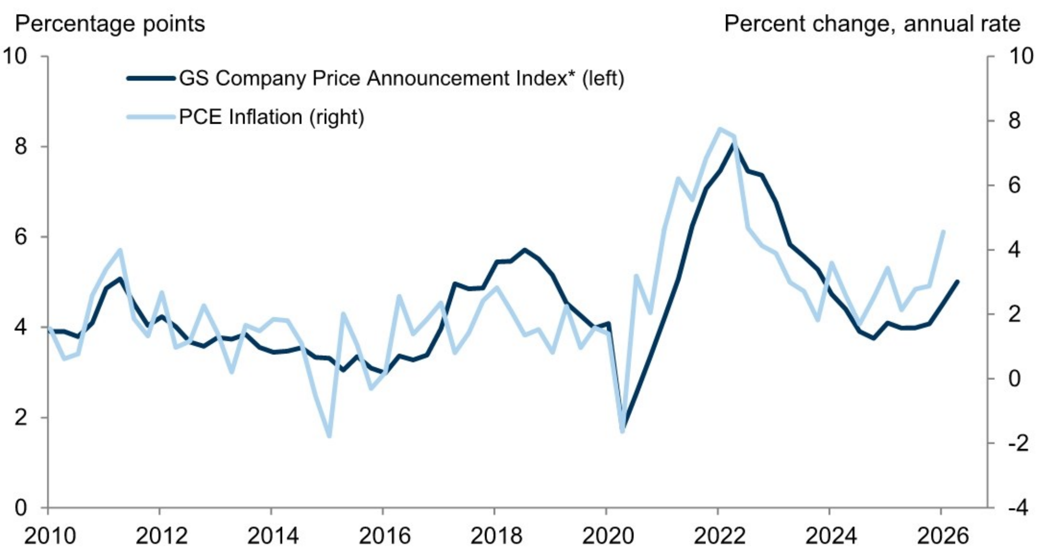


Source: University of Michigan, Federal Reserve

Exhibit 19: Business Inflation Expectations Increased Following the Tariff Announcements in Early 2025 and Have Risen Again Since the Start of the Iran War

Source: Goldman Sachs Global Investment Research

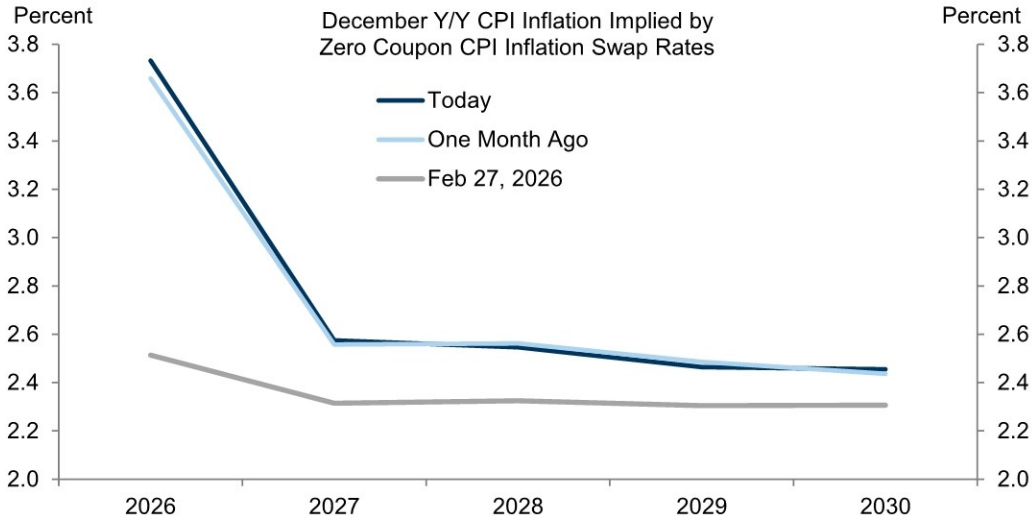
Exhibit 20: Our Company Price Announcement Index Based on Russell 3000 Earnings Calls Has Increased Since the Start of the Iran War



* Share of sentences mentioning higher prices less share of sentences mentioning lower prices.

Source: Goldman Sachs Global Investment Research, Department of Commerce

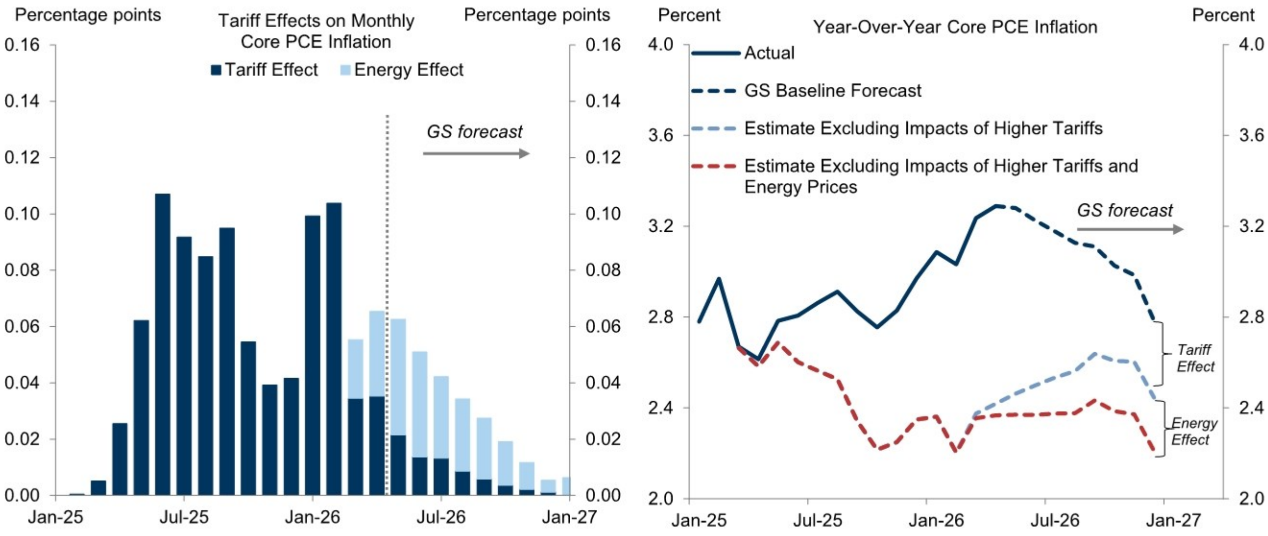
Exhibit 21: Market-Implied Expectations for Annualized Headline CPI Inflation Over the Next Few Years Were Roughly Unchanged Over the Past Month but Have Increased Sharply Since the Start of the Iran War



Source: Goldman Sachs Global Investment Research

GS Inflation Forecast

Exhibit 22: Excluding the Effects of Higher Energy Prices and Tariffs, We Estimate That Underlying Core PCE Inflation Stands at 2.4% in April



Source: Goldman Sachs Global Investment Research

Exhibit 23: We Expect Core PCE Inflation to Stand at 2.8% by End-2026 and 2.1% by End-2027

		GS Bottom-up Core PCE Model				
		Apr. 2026	Dec. 2026		Dec. 2027	
	Weight	YoY	YoY	Contribution to Change	YoY	Contribution to Change
Core PCE	***100.0***	**3.3**	**2.8**	-0.5	**2.1**	-1.2
Core Goods	***24.4***	**2.8**	**1.8**	-0.2	**0.5**	-0.6
New Vehicles	*2.1*	0.2	-0.3	0.0	0.2	0.0
Used Vehicles	*1.2*	-2.9	-2.9	0.0	0.2	0.0
Household Appliances	*0.5*	0.4	-1.3	0.0	0.6	0.0
Video, Audio, Computers	*2.4*	8.7	12.5	0.1	-0.7	-0.2
Recreational Vehicles	*0.5*	3.4	0.5	0.0	1.0	0.0
Jewelry, Watches	*0.6*	14.5	15.0	0.0	0.8	-0.1
Clothing & Footwear	*3.0*	3.8	3.0	0.0	1.4	-0.1
Pharma & Medical	*3.8*	-0.8	-1.6	0.0	0.1	0.0
Pets Products	*0.6*	2.6	2.7	0.0	0.4	0.0
Expenditures Abroad	*0.1*	7.1	7.4	0.0	3.3	0.0
Residual Core Goods	*9.6*	3.2	0.7	-0.2	0.7	-0.2
Core goods ex. autos	*21.1*	3.4	2.4	-0.2	0.5	-0.6
Core Services	***75.6***	**3.4**	**3.1**	-0.3	**2.6**	-0.6
Housing	*17.5*	3.2	2.6	-0.1	2.2	-0.2
Ground Transportation	*0.6*	2.6	14.9	0.1	-1.5	0.0
Air Transportation	*1.1*	12.0	14.5	0.0	-2.3	-0.2
Food Services & Accommodation	*7.9*	3.6	3.2	0.0	3.4	0.0
Financial Services & Insurance	*9.3*	6.3	4.6	-0.2	3.8	-0.2
Medical Services	*18.9*	2.9	2.7	0.0	2.8	0.0
Foreign Travel	*1.5*	0.5	3.4	0.0	2.9	0.0
Residual Core Services	*18.8*	2.6	2.3	-0.1	2.3	-0.1
Core services ex. housing	*58.1*	3.5	3.3	-0.1	2.7	-0.5

Source: Goldman Sachs Global Investment Research

Exhibit 24: We Expect Core CPI Inflation to Stand at 2.5% by End-2026 and 2.1% by End-2027

			GS Bottom-up CPI Forecast			
		Apr. 2026	Dec. 2026		Dec. 2027	
	Weight	YoY	YoY	Contribution to Change	YoY	Contribution to Change
Core CPI	***100.0***	**2.7**	**2.5**	-0.2	**2.1**	-0.6
Apparel	*3.1*	4.2	3.3	0.0	0.1	-0.1
New Cars	*4.8*	0.2	-0.2	0.0	-0.4	0.0
Used Cars	*3.3*	-2.7	-2.7	0.0	-1.0	0.1
Medical Care Commodities	*1.8*	-0.5	-1.4	0.0	0.1	0.0
Health Insurance	*1.1*	-6.1	-14.3	-0.1	-5.1	0.0
Medical Services ex. Insurance	*7.6*	4.6	3.9	0.0	3.6	-0.1
Pets	*1.5*	3.8	3.7	0.0	0.4	0.0
Household Furnishings + Ops.	*5.4*	3.9	0.9	-0.2	0.7	-0.2
Personal Care	*3.1*	3.8	3.5	0.0	1.2	-0.1
Rent + OER	*42.4*	3.2	2.6	-0.3	2.2	-0.4
Public Transportation	*2.1*	13.7	10.7	-0.1	1.3	-0.3
Private Transportation Services	*6.0*	1.4	2.4	0.1	2.4	0.1
Misc. Goods and Services	*17.9*	2.8	3.1	0.1	2.8	0.0
Headline CPI	***100.0***	**3.8**	**3.6**	-0.2	**2.0**	-1.8
Core CPI	*79.0*	2.7	2.5	-0.2	2.1	-0.5
Food	*13.5*	3.2	4.0	0.1	2.6	-0.1
Energy	*7.5*	17.5	15.7	-0.1	-0.6	-1.4

Source: Department of Labor, Goldman Sachs Global Investment Research

Exhibit 25: GS Inflation Forecasts, 2026-2028

	PCE		CPI	
	Core	Headline	Core	Headline
Dec. 2026	2.8	3.3	2.5	3.6
Dec. 2027	2.1	2.0	2.1	2.0
Dec. 2028	2.0	2.0	2.2	2.2

Source: Goldman Sachs Global Investment Research

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Disclosure Appendix

Reg AC

I, Jessica Rindels, hereby certify that all of the views expressed in this report accurately reflect my personal views, which have not been influenced by considerations of the firm's business or client relationships.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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Unless otherwise stated, the individuals listed in the Contributing Authors disclosure of this report are analysts in Goldman Sachs' Global Investment Research division.

Disclosures

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