



The Daily Dish

Some Like It Hot (Not)

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This week provided a look at Iran War Inflation: Month 2 (IWI2), with the release of the Consumer Price Index (CPI) and Producer Price Index (PPI) for April. It was not fun reading.

Obviously, given the standstill in the Strait of Hormuz, energy inflation stood out. The energy component went up at an annual rate of 108.8 percent in April. That's eye-opening, but down from 287.2 percent in March. Fueled (pun intended) by this, top-line CPI rose at a 10.7 percent annual rate and was up 3.8 percent year over year. That's the highest since May 2023.

The core CPI grew at a 5.2-percent annual rate. It was up 2.8 percent since April 2025. Again, this represents inflation moving in the wrong direction.

But the really troubling news was that inflation appeared to spread past the energy sector and is set to persist for a while. Food inflation was 5.9 percent and shelter inflation 7.6 percent (annual rates, see chart below). The core of the typical budget is food, energy, and shelter. It rose 5.1 percent in the past year and at an annual rate of 20.0 percent in April. That's not just an energy price problem.

And it is likely to persist. The PPI for final demand in April rose at an 18.2-percent annual rate, and was up 6.0 percent since April 2025. There is not a 1-to-1 relationship between the PPI and the CPI, but high wholesale inflation bodes poorly for CPI inflation in the months to come.

The Fed has its hands full and the new Chairman Kevin Warsh may be wondering why he wanted his job.

Shelter Price Inflation (year-over-year)

