

ECONOMIC NEWS

United States: Consumer Prices Surge in April

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HIGHLIGHTS

- ▶ The U.S. consumer price index (CPI) was up 0.8% in April, after a 0.6% increase in March. This is the biggest jump since June 2009.
- ▶ Energy prices declined 0.1%, with gasoline and fuel oil prices down 1.4% and 3.2% respectively, while electricity was up 1.2%. Food prices edged up 0.4% in April.
- ▶ Excluding food and energy, core CPI increased 0.9% in April, after rising 0.3% in March. This marks the strongest monthly growth since September 1981.
- ▶ The annual variation in total CPI went from 2.6% in March to 4.2% in April, a level last seen in September 2008. Inflation, excluding food and energy, almost doubled, climbing from 1.6% to 3.0%, its highest point since January 1996.

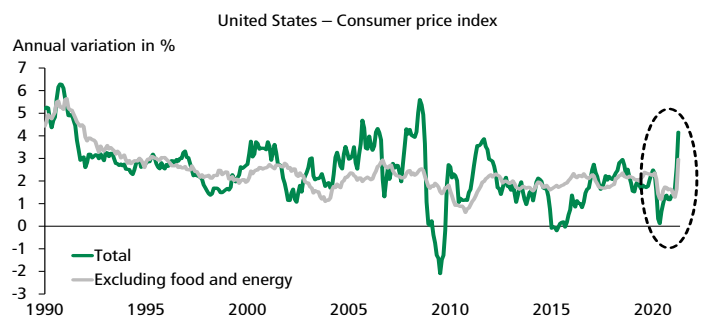
COMMENTS

U.S. consumer price results for April came as a huge surprise, with monthly (and annual) hikes much higher than the consensus expected. Variations over a 12-month period were expected to accelerate again due to the base effects caused by last year's declines. Still, the rise in inflation is now exacerbated by the monthly price increases in April 2021. These increases will only serve to feed existing fears concerning renewed inflationary pressures in the U.S. economy.

April's surprise is mostly due to the core CPI, excluding food and energy, and prices for goods. Their monthly 2.0% increase is the biggest since this component was first published in 1957. Of particular note were the monthly increases of 10.0% in used-vehicle prices, 1.2% in recreational goods and 3.6% in IT products. Factors such as low motor-vehicle inventories and the semiconductor shortage partially explain these hikes. That being said, service prices are also a factor, with a monthly hike of 0.5% in contrast to the 0.1% average recorded in the previous 12 months. For example, transportation service prices were up 2.9%; airfares alone rose 10.2%.

GRAPH

Total inflation and core inflation surge



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

IMPLICATIONS

Inflation in the United States is taking a bigger bite after a year of low levels. It remains to be seen if this new trend will continue. The Federal Reserve (Fed) is betting that the situation will be temporary, but April's CPI figures clearly show that this bet is risky and that the Fed will have to adjust its monetary policy sooner or later.