

ECONOMIC NEWS

United States: Inflation Surprises Again in May

By Francis Généreux, Senior Economist

HIGHLIGHTS

- ▶ The consumer price index (CPI) rose 0.6% in May, after advancing 0.8% in April.
- ▶ Energy prices were flat in May. As in April, food prices climbed 0.4% in May.
- ▶ Excluding food and energy, core CPI was up 0.7% in May, after a 0.9% gain in April.
- ▶ The annual variation in total CPI increased from 2.6% in March to 4.2% in April and 5.0% in May, a record since August 2008. Inflation excluding food and energy rose from just 1.6% in March to 3.0% in April and 3.8% in May, a peak since June 1992.

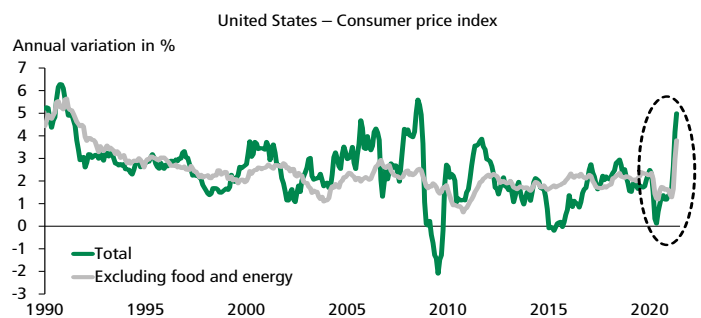
COMMENTS

Inflation continues to run hot in the United States. Monthly and annual growth in April had already broken several records, with no lull suggested by May readings. The key drivers behind the March and April variations in the CPI were mostly the same last month. Base effects still play a major role in 12-month price variations, as the declines recorded in May 2020 are no longer part of the equation. Palpable tensions in some industries remain just as high. This was particularly true in the automotive sector, with used car and truck prices up 7.3% in May on the heels of a 10.0% jump in April. Airline fares also rose sharply again, up 7.0% in May after a 10.2% gain in April. Over the past two months, these two sectors alone have fuelled 45% of the increase in the total CPI. Other items such as clothing and furniture also saw sharp increases in May. However, we also note that price growth in certain sectors, such as auto insurance and hotels, was tempered in May.

IMPLICATIONS

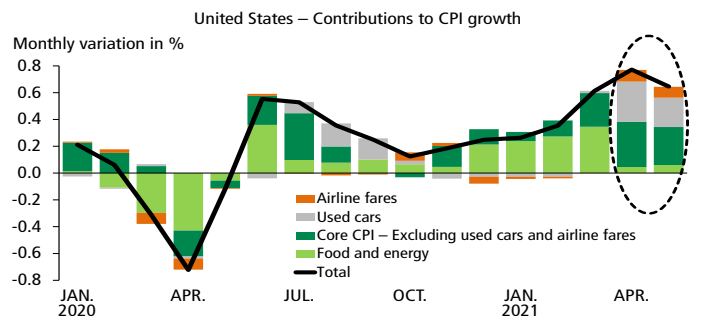
Inflation has probably peaked in the United States, while base effects will start to pull the annual variation in the CPI

GRAPH 1
Total inflation continues to rise



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

GRAPH 2
Used cars and airline fares are among the main sources of the recent rise in consumer prices



CPI: Consumer price index
Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

downwards in June. Nevertheless, the price situation will remain worrisome, particularly if pressures are more persistent than Federal Reserve officials expect.