

ECONOMIC NEWS

United States: Energy Prices Push Inflation Higher in March

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HIGHLIGHTS

- ▶ The consumer price index (CPI) jumped 1.2% in March after rising 0.8% in February.
- ▶ Energy prices soared 11.0% in March, the largest monthly increase since September 2005. The gain was led by a spike in gasoline (+18.3%) and fuel oil (+22.3%) prices. Food was up 1.0% for the second straight month.
- ▶ Core CPI, which strips out food and energy, edged up 0.3% in March, the slowest pace since September.
- ▶ The all items index rose 8.5% for the 12 months ending in March, up from 7.9% in February. It's the largest 12-month increase since December 1981. Core inflation rose from 6.4% to 6.5%, the biggest 12-month change since August 1982.

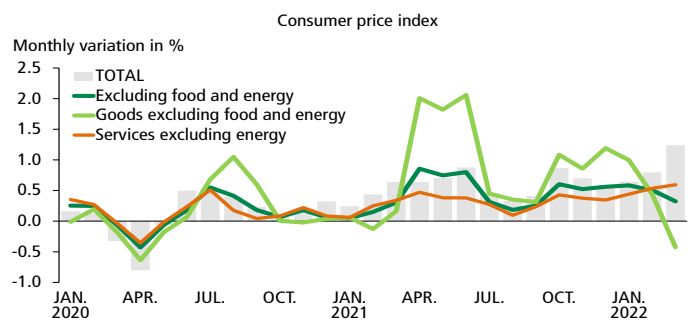
COMMENTS

As expected, inflation continued to accelerate in March. It now stands at 8.5%. The surge in oil and gasoline prices from the war in Ukraine was on full display in the all items index. But in a positive sign for the April CPI reading, gas prices have fallen from their March peak. Prices at the pump are down from US\$4.18 in mid-March to US\$3.94 this week.

March's core CPI number, which excludes food and energy, was a bit more surprising. The consensus forecast called for an increase of 0.5%, while we expected a 0.4% advance. The price of goods minus food and energy even fell (-0.4%) for the first time since February 2021. The cost of used cars and trucks was down 3.8%, a slightly larger decline than expected. The price of electronics and recreational goods also fell. On the flip side, prices for non-energy services were up another 0.6% in March after rising 0.5% in February. Airfares (+10.7%), car and truck rentals (+11.7%) and hotel rooms (+3.7%) were all up sharply, likely reflecting a post-COVID-19 return to normal for the tourism industry and the broader economy, as well as higher energy prices. The cost of health insurance rose 2.2%.

GRAPH

The price of goods excluding food and energy was down in March in the United States



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

IMPLICATIONS

Inflation was up again in March, but we've probably already seen the peak 12-month increase or will soon. That said, prices will continue to rise over the coming months, prodding the Federal Reserve to hike interest rates quickly.