

ECONOMIC NEWS

United States: Inflation Slows for the First Time since Last Summer

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HIGHLIGHTS

- ▶ The consumer price index (CPI) edged up 0.3% in April, after rising 1.2% in March.
- ▶ Energy prices fell for the first time in a year. The 2.7% decline was fuelled by a 6.1% drop in gasoline prices. Meanwhile prices for fuel oil (+2.7%), electricity (+0.7%) and natural gas (+3.1%) continued to rise. Food prices were up 0.9%.
- ▶ Core CPI, which strips out food and energy, increased 0.6% in April, its biggest jump since January.
- ▶ For the first time since last August, total CPI grew at a slower annual pace. It increased 8.3% for the 12 months ending in April compared to 8.5% for the year ending in March. Core CPI rose 6.2% over the last 12 months compared with 6.5% in March.

COMMENTS

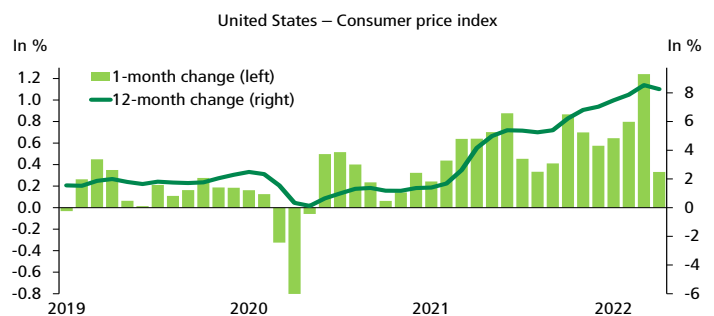
Inflation did slow as expected in April, but prices continued to climb. Both total CPI and core CPI rose last month. The difference is that yearly price increases are now being measured against elevated price readings from spring of last year. This effect will continue over the coming months, so inflation should gradually come off March's 8.5% cyclical peak.

That said, inflation has surprised us many times since the pandemic ended. One surprise that could keep inflation high is energy prices. Over the past two weeks, gasoline prices have spiked again in Canada and the United States. And while energy prices could drive inflation higher in May, those increases should be offset by seasonal adjustments.

Used car prices declined again in April, and clothing prices fell for the first time since September. But the cost of services increased, including shelter and especially airfares, which rose 18.6%.

GRAPH

Consumer prices were down slightly on an annual basis in April



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

IMPLICATIONS

Inflation showed the first signs of cooling last month, but its improvement is unclear. Though inflation is down slightly, it's likely to remain elevated for some time to come, much to the Federal Reserve's dismay.