

U.S. Data Review

- CPI: energy prices tumble; core weak, only partially because of the coronavirus

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Consumer Prices

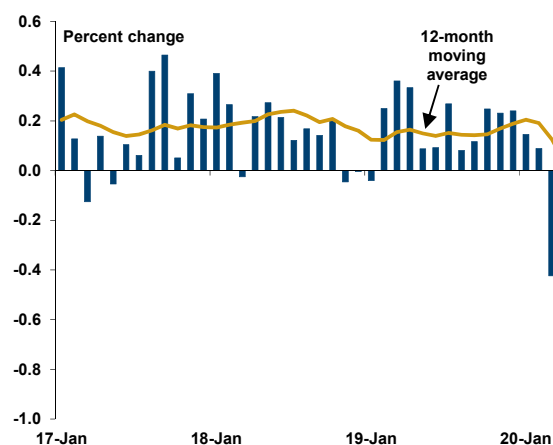
The CPI fell 0.8 percent in April, in line with the consensus estimate, but the components provided some surprises. Food prices jumped 1.5 percent, driven by a surge in prices for food at home (i.e. purchased at a grocery store) of 2.6 percent. An increase of 0.1 percent for food away from home (i.e. at restaurants) tempered the overall food category somewhat. The core component provided a downside surprise with a drop of 0.4 percent, the largest month-to-month decline on record (three readings of -0.3 percent back in the 1960s). Energy prices fell 10.1 percent, reflecting a plunge of 20.6 percent in gasoline prices that was partially offset by slight increases in charges for electricity and natural gas.

The coronavirus played a strong role in containing the core CPI, but other factors also seemed in play. The influence of the virus was obvious in the decline of 15.2 percent in airfares, which followed a drop of 12.6 percent in the prior month. Limited travel led to a drop of 8.1 percent in the cost of a hotel stay in April following a decline of 7.7 percent in March. With many retail establishments closed and foot traffic through others light, apparel prices fell 4.7 percent (off 2.0 percent in the prior month). With individuals sheltering in place, prices of recreation commodities fell 0.9 percent in April, with a long list of items contributing (this category fell 0.8 percent in March).

While the virus had an obvious influence on the core index, other factors also were in play, as shown by below average increases in rental rates (up 0.2 percent versus the norm of 0.3 percent). Prices of medical-care commodities also fell, led by prices of nonprescription drugs and medical equipment and supplies. Lower prices of medical equipment and supplies was surprising in light of reported shortages of items needed in fighting the virus.

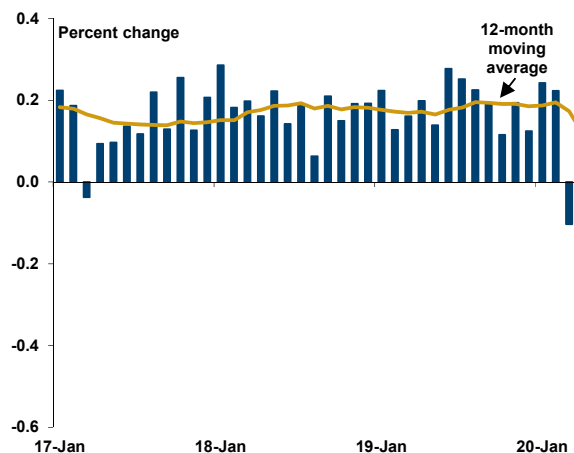
The latest results left the year-over-year change in the headline index at 0.3 percent, down from a recent high of 2.5 percent in January, with a sharp swing in energy prices leading the shift. Core prices also have decelerated, increasing 1.4 percent in the past year, down from 2.1 percent in the prior month and 2.4 percent in February.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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