

U.S. Data Review

- CPI: shocking change, but concentrated and heavily influenced by the pandemic

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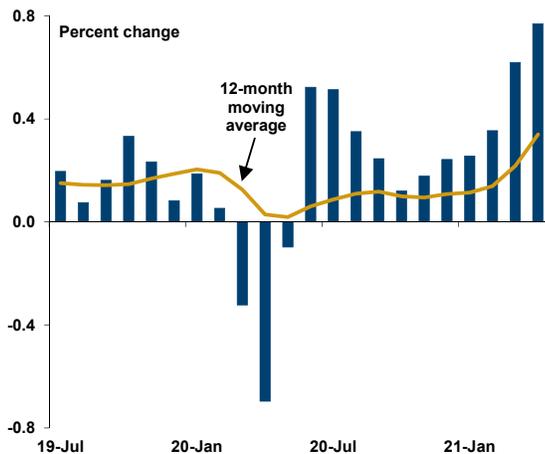
Consumer Prices

The jump of 0.8 percent in the consumer price index was nowhere near the expected increase of 0.2 percent, nor was the core component (up 0.9 percent versus the expectation of 0.3 percent). The striking changes left the year-over-year increases at 4.2 percent overall and 3.0 percent excluding food and energy, up from Q1 averages of 1.9 percent and 1.4 percent, respectively (charts). Base effects played a large role in the year-over-year surges, as declines of 0.7 percent overall and 0.4 percent core in April 2020 dropped out of the year-over-year change and were replaced by the surges this year. Still, the year-over-year changes were elevated, with the headline measure showing the largest increase since September 2008 and the core component showing the largest since the mid-1990s (several observations in 1995 and January 1996 matched the increase in April; May 1995 was the last time the core posted a sharper increase at 3.1 percent).

Although the increases were pronounced, the surges were not broadly based. A few areas stood out in pushing the indexes higher, and some of these changes were pandemic-related. Most notable, prices of used motor vehicles surged 10.0 percent and moved far above levels in other recent months. This area had shown upward pressure in the early stages of the current recovery as individuals shifted preferences from public transportation to personal vehicles. The latest change pushed prices far above hefty readings from last year, with the April surge suggesting an aberrant move. Also in the transportation category, air fares jumped 10.2 percent, but the change occurred from a low level and the level of the index remained noticeably below pre-pandemic levels. With individuals traveling more, the cost of hotel stays rose 8.8 percent in April, but like air fares, hotel fees remained below pre-Covid levels. With individuals becoming more active, the costs of recreation rose 0.9 percent, with a wide array of goods and services contributing. Although many items contributed to the increase in recreation, prices of admissions to entertainment events stood out with a jump of 3.4 percent in the latest month after increases of 2.6 and 1.3 percent in the prior two months. Admission fees are now close to pre-pandemic levels.

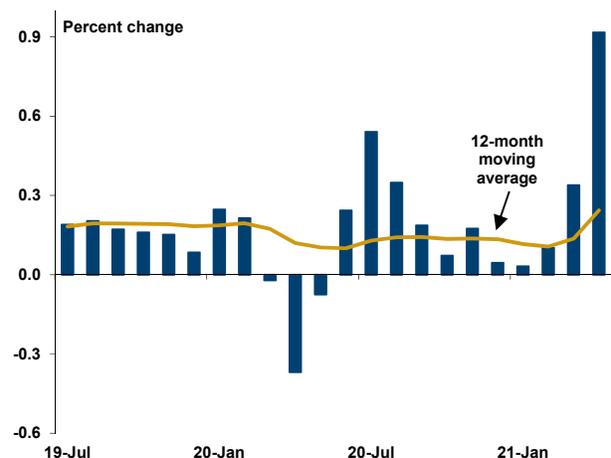
Fed officials have been arguing that inflation readings were likely to increase this year. The April changes were probably more than policymakers were envisioning, but given the concentrated nature of the changes and the influence of the pandemic, Fed officials will probably continue to argue that the pressure will be transitory.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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