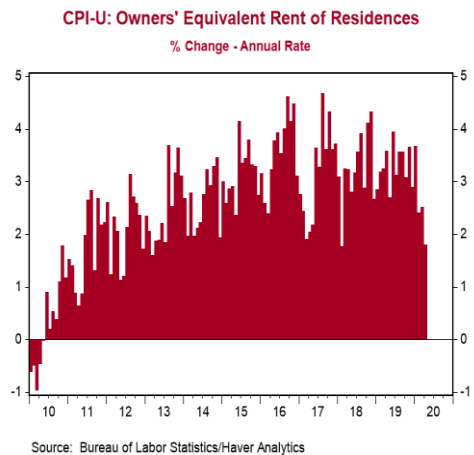
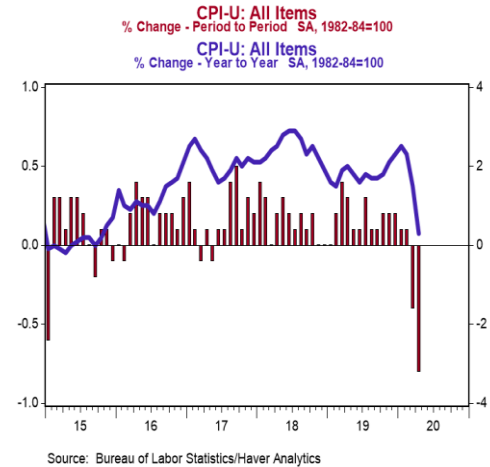


# April CPI

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- The Consumer Price Index (CPI) declined 0.8% in April, matching consensus expectations. The CPI is up 0.3% from a year ago.
- Energy prices declined 10.1% in April, while food prices rose 1.5%. The “core” CPI, which excludes food and energy, declined 0.4% in April, versus a consensus expected -0.2%. Core prices are up 1.4% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 5.6% in April and are up 7.5% in the past year. Real average weekly earnings are up 6.9% in the past year.

**Implications:** In a month where oil prices touched negative territory, the consumer price index declined 0.8%, the largest monthly drop since December of 2008. As expected, energy prices led the drop, with gasoline prices down a massive 20.6% in April. Outside of energy, prices were also pushed lower by fares, lodging away from home (hotels and motels), apparel (clothing), and car insurance. The Coronavirus and government-mandated shutdowns will continue to bring volatility to the data over the next few months, but keep in mind that these effects are temporary. Remember, too, that data reports with a lag, and at times the releases we get are telling us about a very different environment from the one we are now living in. To keep a pulse on the progress of the country as the doors reopen, we are focusing on high frequency data that is reported weekly or – in some cases – daily. The latest look at high frequency data can be found [on our blog](#). Even with the large declines in March and April, consumer prices are still up 0.3% in the past year, though that is a marked slowdown versus the upward trend in inflation prior to the Coronavirus. Strip out the typically volatile food and energy sectors, and “core” prices declined 0.4% in April, the largest monthly drop in the series history dating back to 1957. Even with the historic drop in April, core prices are still up 1.4% versus a year ago, but will continue to face some downward pressure in the near term. The best news in today’s report was that “real” (inflation-adjusted) average hourly earnings rose a massive 5.6% in April and are up 6.9% in the past year. However, the gain in wages was largely caused by layoffs at lower-paying jobs, which makes average earnings look better. [As we saw in last Friday’s employment report](#), the decline in the hours worked by employees handily offset the rise in these wages, resulting in a drop of consumer purchasing power – the number that really matters. In the months ahead, real earnings per hour may continue to grow in spite of higher unemployment, as very generous unemployment benefits for the next few months (an additional \$600 per week, on top of normal benefits) makes it tough for businesses to hire workers unless they boost wages. A combination of disincentives for work while the Federal Reserve maintains a loose monetary policy should ultimately lead to a rebound in inflation rates later this year. Not hyperinflation, but a return towards the 2-3% range we were on track for at the start of 2020.



CPI - U	Apr-20	Mar-20	Feb-20	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
<b>Consumer Price Index</b>	<b>-0.8%</b>	-0.4%	0.1%	-4.4%	-1.0%	0.3%
<b>Ex Food &amp; Energy</b>	<b>-0.4%</b>	-0.1%	0.2%	-1.3%	0.5%	1.4%
<b>Ex Energy</b>	<b>-0.2%</b>	0.0%	0.2%	0.2%	1.2%	1.7%
<b>Energy</b>	<b>-10.1%</b>	-5.8%	-2.0%	-52.6%	-28.8%	-17.7%
<b>Food</b>	<b>1.5%</b>	0.3%	0.4%	9.1%	5.5%	3.5%
<b>Housing</b>	<b>0.0%</b>	0.0%	0.2%	0.8%	1.7%	2.2%
<b>Owners Equivalent Rent</b>	<b>0.2%</b>	0.3%	0.2%	2.8%	3.1%	3.1%
<b>New Vehicles</b>	<b>0.0%</b>	-0.4%	0.1%	-1.4%	-0.7%	-0.6%
<b>Medical Care</b>	<b>0.4%</b>	0.4%	0.1%	3.8%	3.8%	4.8%
<b>Services (Excluding Energy Services)</b>	<b>-0.4%</b>	0.0%	0.2%	-0.6%	1.3%	2.2%
<b>Real Average Hourly Earnings</b>	<b>5.6%</b>	0.9%	0.3%	30.3%	14.1%	7.5%

Source: U.S. Department of Labor