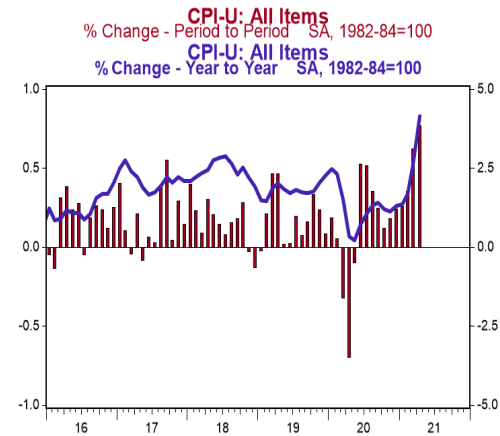


April CPI

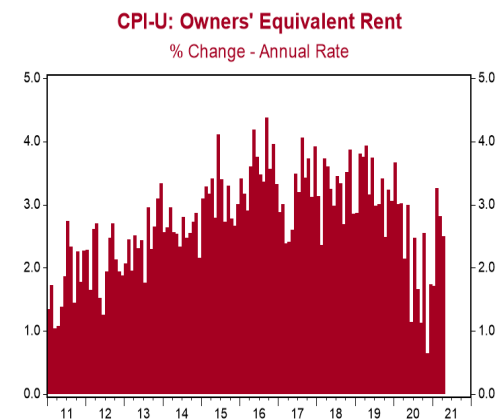
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- The Consumer Price Index (CPI) increased 0.8% in April, well above the consensus expected +0.2%. The CPI is up 4.2% from a year ago.
- Food prices increased 0.4% in April, while energy prices fell 0.1%. The “core” CPI, which excludes food and energy, rose 0.9% in April, coming in well above the consensus expected +0.3%. Core prices are up 3.0% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – were unchanged in April and are down 3.7% in the past year. Real average weekly earnings are down 1.4% in the past year.

Implications: Consumer prices rose in April at the fastest pace in more than a decade as supply chains struggled to keep up with rapidly rising demand. The April rise of 0.8% comes after increases of 0.6% in March and 0.4% in February, bringing the three-month change to a 7.2% annual rate, the fastest increase since 2008. Usually, when we get a sudden sharp spike in inflation, it’s because of energy prices, but not this time. Energy prices declined 0.1% in April while food prices, also sometimes a source of volatility, rose a relatively moderate 0.4%. Instead, it was “core” prices, which exclude food and energy, that led overall consumer prices higher in April. Core prices rose 0.9%, the largest monthly increase since 1982. The leading driver of the increase in core prices was used cars and trucks, which rose 10% in just one month, the largest gain ever for the series, which dates back to 1953. Other key contributors were fares (+10.2%), hotels/motels (+8.8%), and car and truck rentals (+16.2%). Overall consumer prices are now up 4.2% versus a year ago, while “core” prices are up 3.0%. Of course the Federal Reserve is going to claim these increases are “transitory”, which is its way of saying there is no need to change monetary policy. And yes, we do not expect prices to continue to rise at the recent rapid clip. But that doesn’t mean we aren’t headed for persistently higher inflation. The M2 measure of the money supply is up 24% from a year ago, the federal government has ramped up “stimulus” efforts, and employers need to lift wages rapidly to compete with abnormally high unemployment benefits. Math wins, and today the math says inflation above the Fed’s 2% target is likely to be with us for some time. Meanwhile, we should expect a much higher energy inflation reading in the month of May due to the cyber-attack on the Colonial Pipeline, which carries about 45% of the fuel consumed on the East Coast. Inflation will be a front and center issue for markets and policymakers in 2021 and beyond.



Source: Bureau of Labor Statistics/Haver Analytics



Source: Bureau of Labor Statistics/Haver Analytics

CPI - U	Apr-21	Mar-21	Feb-21	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
<i>All Data Seasonally Adjusted Except for Yr to Yr</i>						
Consumer Price Index	0.8%	0.6%	0.4%	7.2%	5.0%	4.2%
Ex Food & Energy	0.9%	0.3%	0.1%	5.6%	3.3%	3.0%
Ex Energy	0.8%	0.3%	0.1%	5.1%	3.1%	2.9%
Energy	-0.1%	5.0%	3.9%	40.8%	35.7%	25.1%
Food	0.4%	0.1%	0.2%	2.7%	2.1%	2.4%
Housing	0.5%	0.3%	0.2%	4.5%	3.1%	2.6%
Owners Equivalent Rent	0.2%	0.2%	0.3%	2.8%	2.1%	2.0%
New Vehicles	0.5%	0.0%	0.0%	1.8%	0.6%	2.0%
Medical Care	0.1%	0.1%	0.3%	1.8%	1.0%	1.5%
Services (Excluding Energy Services)	0.5%	0.4%	0.2%	4.8%	2.9%	2.5%
Real Average Hourly Earnings	0.0%	-0.8%	-0.1%	-3.5%	-0.4%	-3.7%

Source: U.S. Department of Labor