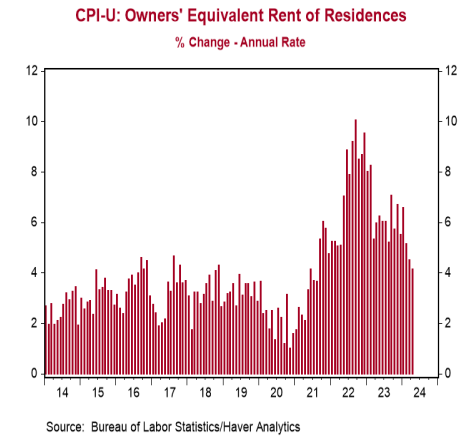
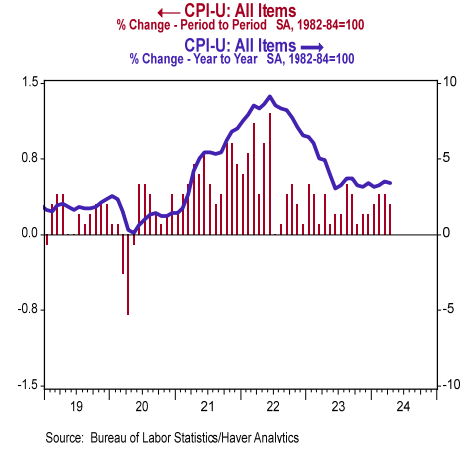


# April CPI

**Bryce Gill** – Economist  
**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Dep. Chief Economist

- The Consumer Price Index (CPI) rose 0.3% in April, below the consensus expected +0.4%. The CPI is up 3.4% from a year ago.
- Energy prices rose 1.1% in April, while food prices remained unchanged. The “core” CPI, which excludes food and energy, rose 0.3% in April, matching the consensus. Core prices are up 3.6% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – fell 0.2% in April but are up 0.5% in the past year. Real average weekly earnings are also up 0.5% in the past year.



**Implications:** Headline inflation came in a bit softer than expected in April, but it’s still a long way to go before the Fed can declare victory. Despite today’s moderately good news, it looks clear that the progress against inflation made from mid-2022 to mid-2023 has stalled. Consumer prices were up 9.1% in the year ending in June 2022. Then the rapid drop back to 3.0% in the year ending in June 2023 made many believe the end of “temporary” pandemic inflation problems was in sight. Since then, baseline inflation has remained stubbornly sticky above 3%, casting doubt on the Fed’s ability to cut rates in 2024. Looking at the details, April inflation was boosted by energy prices, which rose 1.1% on the back of higher prices for gasoline and other fuels. However, it’s important to point out that energy has not been the culprit for the stubbornly high inflation readings over the last year; energy prices are up 2.6% in the same timeframe versus 3.4% for overall prices. Stripping out energy and its often-volatile counterpart (food) to get “core” prices does not make the inflation picture look any better. That measure rose 0.3% in April, is up 3.6% in the past year, and up an even faster 4.1% annual rate over the past three months, showing that underlying inflation pressure remains stubbornly high. While “core” prices did get some help from softer shelter costs in April, that was due to a 0.2% decline in prices for lodging away from home (think hotels). Meanwhile rental inflation – both for actual tenants and the imputed rental value of owner-occupied homes – continues to defy predictions of imminent reversal, rising 0.4% for the month and running at or above a 5% annualized rate over three-, six-, and twelve-month timeframes. Housing rents have been a key driver of inflation over the last year, and we expect this to continue, as rent makes up a third of the weighting in the overall index and still hasn’t caught up with the rise in home prices in the past four years. Finally, the most troublesome piece of today’s report for the Federal Reserve came from a subset category of prices that the Fed itself has told investors to watch closely – known as the “Supercore” – which excludes food, energy, other goods, and housing rents, and is a useful gauge of inflation in the service sector. That measure jumped 0.4% in April, driven by higher prices for motor vehicle insurance (+1.8%) and financial services (+2.5%). In the last twelve months, this measure is up 4.9% and has been accelerating as of late; up at a 6.3% annualized rate in the last three months. And while inflation remains stubbornly high, workers are no longer being compensated for it. Case in point, real average hourly earnings declined 0.2% in April. These earnings are up only 0.5% in the last year, a headwind for future growth in consumer spending. Putting this all together, the Fed has little reason at this point to start cutting rates. How they respond to the incoming economic data in the months ahead could determine whether we repeat the inflationary 1970s.

<b>CPI - U</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>Apr-24</b>	<b>Mar-24</b>	<b>Feb-24</b>	<b>3-mo % Ch. annualized</b>	<b>6-mo % Ch. annualized</b>	<b>Yr to Yr % Change</b>
<b>Consumer Price Index</b>	<b>0.3%</b>	0.4%	0.4%	4.6%	3.7%	3.4%
<b>Ex Food &amp; Energy</b>	<b>0.3%</b>	0.4%	0.4%	4.1%	4.0%	3.6%
<b>Ex Energy</b>	<b>0.3%</b>	0.3%	0.3%	3.6%	3.7%	3.4%
<b>Energy</b>	<b>1.1%</b>	1.1%	2.3%	19.6%	3.6%	2.6%
<b>Food</b>	<b>0.0%</b>	0.1%	0.0%	0.6%	1.8%	2.2%
<b>Housing</b>	<b>0.2%</b>	0.4%	0.4%	4.1%	4.8%	4.5%
<b>Owners Equivalent Rent</b>	<b>0.4%</b>	0.4%	0.4%	5.3%	5.7%	5.7%
<b>New Vehicles</b>	<b>-0.4%</b>	-0.2%	-0.1%	-2.8%	-1.2%	-0.4%
<b>Medical Care</b>	<b>0.4%</b>	0.5%	0.0%	3.7%	4.6%	2.6%
<b>Services (Excluding Energy Services)</b>	<b>0.4%</b>	0.5%	0.5%	5.7%	6.0%	5.3%
<b>Real Average Hourly Earnings</b>	<b>-0.2%</b>	0.0%	-0.3%	-1.8%	0.0%	0.5%

Source: U.S. Department of Labor