

U.S. Data Review

- CPI: pressure in the energy sector; noise in the core component

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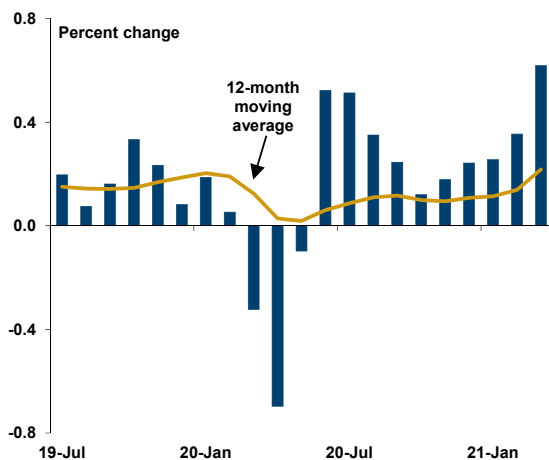
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Consumer Prices

The consumer price index rose 0.6 percent in March, a touch firmer than the consensus estimate of 0.5 percent. As expected, the energy component accounted for most of the increase in the headline index, registering an increase of 5.0 percent. Food prices continued to increase modestly (0.1 percent, matching the average in the prior seven months). The core component rose 0.3 percent, faster than the expected increase of 0.2 percent. The increase, however, followed soft results in the prior three months, and thus the underlying inflation rate did not shift appreciably. The year-over-year change in the core CPI totaled 1.6 percent, up from 1.3 percent in the prior month but in line with other readings in the current recovery period and below results above two percent before the pandemic. The upward pressure on energy prices in recent months pushed the year-over-year change in the headline index to 2.6 percent, the fastest pace since 2.9 percent in June and July 2018.

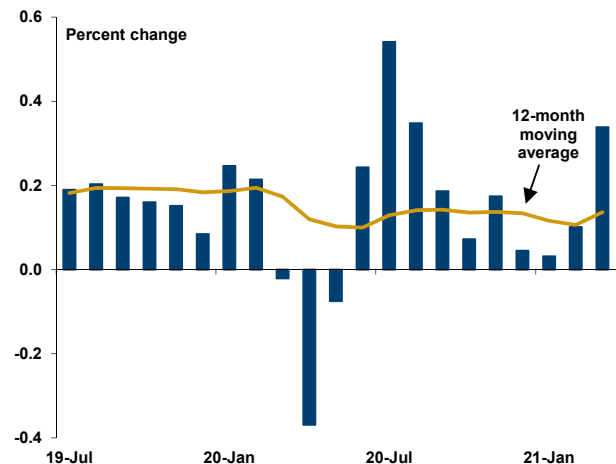
The core CPI provided a bit of a surprise, but in light of an average increase of less than 0.1 percent in the prior three months, the results were not troubling. A review of the detail also would ease concern about inflation that might arise. Charges for hotel stays stood out with an increase of 4.4 percent, but the jump followed three sizeable declines and the level of the index remained in the low portion of its recent range. Financial services also showed a sharp advance (4.1 percent after an increase of 1.9 percent in February). However, this component can be noisy, and the index had tumbled 5.0 percent in January to a three-year low. The new level of the index merely returned to the range in place around the turn of the year. The cost of recreation services contributed to the increase in the core with a jump of 0.8 percent, driven by an increase of 2.6 percent in admissions fees to movies, plays, sporting events, etc. This component, though, was quite soft and the new level of the index is still well below historical norms.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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