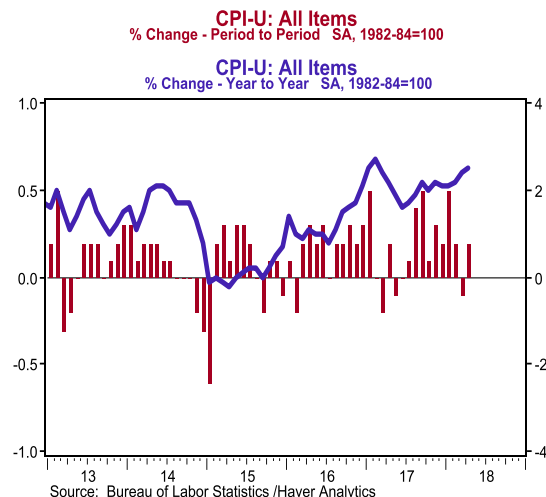


# April CPI

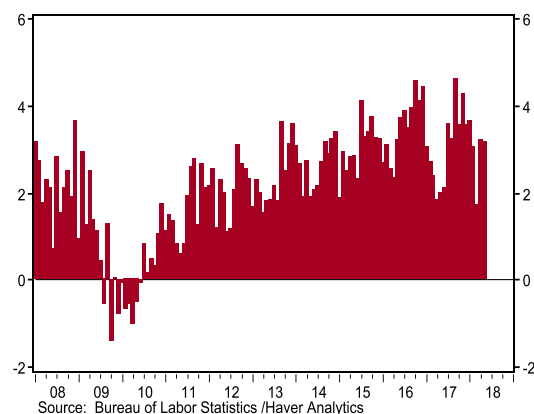
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- The Consumer Price Index (CPI) rose 0.2% in April, coming in below the consensus expected increase of 0.3%. The CPI is up 2.5% from a year ago.
- Energy prices increased 1.4% in April, while food prices rose 0.3%. The “core” CPI, which excludes food and energy, increased 0.1% in April, coming in below the consensus expected rise of 0.2%. Core prices are up 2.1% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – were unchanged in April but are up 0.2% in the past year. Real average weekly earnings are up 0.4% in the past year.

**Implications:** Consumer prices rose in April, but more moderately than in recent months. Nonetheless, the uptrend in inflation remains intact. Rising gasoline prices and increased costs for housing pushed the consumer price index higher for the month. And consumer prices would have been higher in April but for declining costs for both new and used vehicles, which subtracted a combined 0.1% from the April inflation reading. Gasoline prices rose 3.0%, more than offsetting lower costs for electricity and natural gas and pushing overall energy prices up 1.4% in April. Meanwhile food prices rose 0.3%. Stripping out these two typically volatile components shows “core” prices increased 0.1% in April and are now up 2.1% in the past year. A closer look at “core” prices shows costs for housing and services (excluding energy services) led the increase in April, rising 0.3% and 0.2%, respectively. Housing prices are up 3.0% in the past year and accelerating, up at a 3.3% annual rate over the past six months and a 3.5% annual rate in the past three months. The worst news in today’s report was that real average hourly earnings were unchanged in April. These inflation-adjusted hourly earnings have shown little movement over recent months, however this earnings data does not include irregular bonuses – like the ones paid by companies after the tax cut. In addition, earnings are still up a modest 0.2% in the past year, while job growth is accelerating. We expect a visible pickup in wage pressures in the year ahead. The unemployment rate is now 3.9%, the number of unemployed workers in the economy now roughly equals the number of actual job openings, and new claims for unemployment benefits last week were 211,000, tied for the second lowest reading since 1969. For all these reasons, we expect robust job growth in May. Inflation and jobs data show an economy ready for higher interest rates. Expect the Fed to raise rates at the June meeting, followed by two more hikes (likely in September and December) for a total of four hikes in 2018.



**CPI-U: Owners' Equivalent Rent of Residences**  
 % Change - Annual Rate



<b>CPI - U</b> <i>All Data Seasonally Adjusted Except for Yr to Yr</i>	<b>Apr-18</b>	<b>Mar-18</b>	<b>Feb-18</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>0.2%</b>	-0.1%	0.2%	1.2%	2.8%	2.5%
<b>Ex Food &amp; Energy</b>	<b>0.1%</b>	0.2%	0.2%	1.8%	2.4%	2.1%
<b>Ex Energy</b>	<b>0.1%</b>	0.2%	0.2%	1.8%	2.2%	2.0%
<b>Energy</b>	<b>1.4%</b>	-2.8%	0.1%	-5.1%	9.6%	7.9%
<b>Food</b>	<b>0.3%</b>	0.1%	0.0%	1.6%	1.6%	1.4%
<b>Housing</b>	<b>0.3%</b>	0.3%	0.3%	3.5%	3.3%	3.0%
<b>Owners Equivalent Rent</b>	<b>0.3%</b>	0.3%	0.2%	3.4%	3.4%	3.4%
<b>New Vehicles</b>	<b>-0.5%</b>	0.0%	-0.5%	-3.7%	-0.5%	-1.6%
<b>Medical Care</b>	<b>0.1%</b>	0.4%	-0.1%	1.5%	2.3%	2.2%
<b>Services (Excluding Energy Services)</b>	<b>0.2%</b>	0.3%	0.2%	2.7%	2.9%	2.9%
<b>Real Average Hourly Earnings</b>	<b>0.0%</b>	0.3%	-0.1%	0.7%	0.2%	0.2%

Source: U.S. Department of Labor