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April 13, 2020 • 630.517.7756 • www.ftportfolios.com

March CPI

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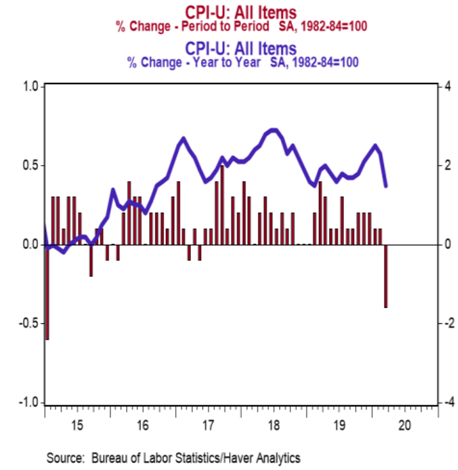
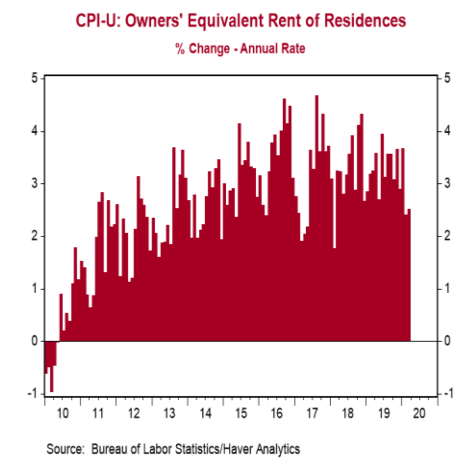
- The Consumer Price Index (CPI) declined 0.4% in March, versus a consensus expected -0.3%. The CPI is up 1.5% from a year ago.
- Energy prices declined 5.8% in March, while food prices rose 0.3%. The "core" CPI, which excludes food and energy, declined 0.1% in March, matching consensus expectations. Core prices are up 2.1% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – rose 0.8% in March and are up 1.6% in the past year. Real average weekly earnings are up 0.7% in the past year.

Implications: Consumer prices declined 0.4% in March, led lower by the largest monthly drop in energy costs in more than five years. Outside of energy, prices were also pushed lower by airfares, lodging away from home (hotels and motels), as well as apparel (clothing). This shouldn't come as a surprise given the impact of the Coronavirus and government-mandated shutdowns. The virus will continue to bring volatility to the data over the next few months, but keep in mind that these impacts are temporary. Consumer prices are up 1.5% in the past year, 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 0.1% in March, the first monthly drop since 2010. Core prices are still up 2.1% versus a year ago, but may 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 an impressive 0.8% in March and are up 1.6% in the past year. However, the gain in wages was at least in part caused by greater layoffs at lower-paying jobs, which makes average earnings look better. In the months ahead, real earnings per hour may continue to grow in spite of much higher unemployment as very generous unemployment benefits for the next four 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 will lead to a rebound in inflation rates later this year.





CPI - U *All Data Seasonally Adjusted Except for Yr to Yr*	Mar-20	Feb-20	Jan-20	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Consumer Price Index	**-0.4%**	0.1%	0.1%	-0.8%	1.1%	1.5%
Ex Food & Energy	**-0.1%**	0.2%	0.2%	1.5%	1.6%	2.1%
Ex Energy	**0.0%**	0.2%	0.2%	1.8%	1.8%	2.1%
Energy	**-5.8%**	-2.0%	-0.7%	-29.4%	-8.8%	-5.7%
Food	**0.3%**	0.4%	0.2%	3.7%	2.8%	1.9%
Housing	**0.0%**	0.2%	0.3%	2.0%	2.1%	2.4%
Owners Equivalent Rent	**0.3%**	0.2%	0.3%	3.5%	3.1%	3.2%
New Vehicles	**-0.4%**	0.1%	0.0%	-1.1%	-0.8%	-0.4%
Medical Care	**0.4%**	0.1%	0.2%	2.8%	4.8%	4.7%
Services (Excluding Energy Services)	**0.0%**	0.2%	0.3%	2.3%	2.6%	2.8%
Real Average Hourly Earnings	**0.8%**	0.3%	0.0%	4.4%	2.4%	1.6%

Source: U.S. Department of Labor