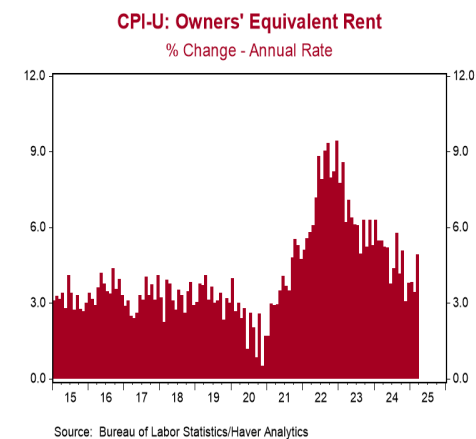
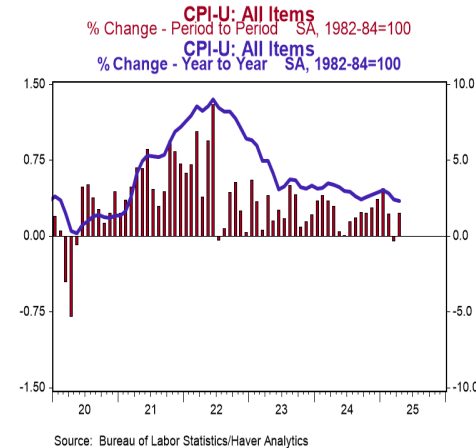


April CPI

Nate Gerze, CFA – Economic Analyst
Brian S. Wesbury – Chief Economist
Robert Stein, CFA – Dep. Chief Economist

- The Consumer Price Index (CPI) rose 0.2% in April, below the consensus +0.3%. The CPI is up 2.3% from a year ago.
- Energy prices rose 0.7% in April, while food prices declined 0.1%. The “core” CPI, which excludes food and energy, increased 0.2% in April, below the consensus expected +0.3%. Core prices are up 2.8% versus a year ago.
- Real average hourly earnings – the cash earnings of all workers, adjusted for inflation – were unchanged in April, but are up 1.4% in the past year. Real average weekly earnings are up 1.7% in the past year.

Implications: Despite higher tariffs in April, inflation came in below expectations and the twelve-month reading dropped to the lowest level since the inflation surge began back in early 2021. Looking at the headline, consumer prices rose 0.2% in April versus a consensus expected +0.3%, the third month in a row below consensus expectations, and comes on the heels of the first outright monthly decline since the COVID lockdowns. Cooler inflation readings in recent months have in turn led to a swift drop in the year-ago comparison, from 3.0% in January to 2.3% in April. Looking at the details, energy prices rose 0.7% in April with higher prices for natural gas and electricity offsetting a decline in gasoline prices. Food prices declined 0.1%, as prices at grocery stores dropped the most since 2020, including the biggest drop for egg prices since 1984. “Core” prices, which strip out food and energy, rose 0.2% in April versus a consensus expected +0.3%, with the twelve-month reading staying at 2.8%, the second month in a row below 3.0% since the inflation surge began in 2021. The main driver of core inflation has been housing rents, which continue to outpace most categories (+0.4% in April), though not as much as in years prior. It appears that companies are in no rush to pass along new tariffs to consumers, as apparel prices (-0.2%) and used car prices (-0.5%) both fell while prices for new cars were flat. We also like to follow “Supercore” inflation – a subset category of prices that excludes food, energy, other goods, and housing rents. Fed Chair Jerome Powell said back in 2022 that they follow this category closely, though never seems to mention it anymore, perhaps because of the lack of progress it’s had since their tightening cycle began. However, it appears the tide has finally turned for the category, with supercore prices up at a 0.7% annualized pace in the last three months, while the year-ago comparison has fallen from 4.0% in January to 2.7% in April. Notable decliners this month within the supercore category were prices for airline fare (-2.8%), and hotels (-0.2%). Although inflation is still above the Fed’s 2.0% target, given the lags in monetary policy and slow growth in the M2 measure of the money supply, it is time for the Fed to consider reducing short-term rates slightly in the months ahead. In other news last week, nonfarm productivity (output per hour) declined at a consensus expected 0.8% in the first quarter of 2025, as output fell while hours rose. In the past year, productivity is up 1.4%, the smallest year-to-year change since early 2023. On the labor front, initial jobless claims fell 13,000 to 228,000, while continuing claims fell 29,000 to 1.879 million. These figures are consistent with continued job growth in May, but at a slower pace than last year.



CPI - U	Apr-25	Mar-25	Feb-25	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	0.2%	-0.1%	0.2%	1.6%	3.0%	2.3%
Ex Food & Energy	0.2%	0.1%	0.2%	2.1%	3.0%	2.8%
Ex Energy	0.2%	0.1%	0.2%	2.1%	3.0%	2.8%
Energy	0.7%	-2.4%	0.2%	-6.0%	4.1%	-3.7%
Food	-0.1%	0.4%	0.2%	2.1%	3.0%	2.8%
Housing	0.5%	0.3%	0.4%	4.7%	4.3%	4.0%
Owners Equivalent Rent	0.4%	0.4%	0.3%	4.2%	3.9%	4.3%
New Vehicles	0.0%	0.1%	-0.1%	0.1%	1.8%	0.3%
Medical Care	0.5%	0.2%	0.3%	3.9%	3.2%	2.7%
Services (Excluding Energy Services)	0.3%	0.1%	0.3%	2.6%	3.5%	3.6%
Real Average Hourly Earnings	0.0%	0.3%	0.0%	1.1%	0.4%	1.4%

Source: U.S. Department of Labor