

May 12, 2021

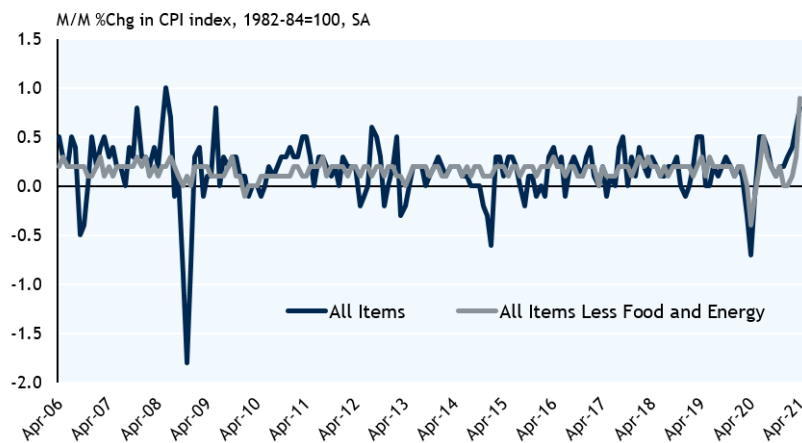
US April CPI stokes inflation worries

- Headline (+4.2%) and core inflation rates (+3%) increased sharply in April
- Base effects played role in energy price surge
- Worries about firming underlying price pressure emerging

Despite widely-held expectations that inflation would surge in April, both headline and core measures still managed to surprise to the upside, with the former growing 4.2% and the latter up 3% from year-ago. To be sure, price growth among energy-related components were still being distorted by incredibly weak year-ago comparables. Energy prices were 25.1% higher in April than last year. Food prices are a different story—stronger early-pandemic comparables offset a solid monthly gain and lowered the year-over-year rate of food price inflation slightly to 2.4%.

Outside of those components, core prices, which averaged a monthly increase of around 0.2% pre-pandemic, rose 0.9% in April, the highest in almost four decades. Nearly half of that jump was due to sharp increases in used car prices and airfare (both +10% mom), as demand for domestic travel rebounded with further easing in restrictions. The gain was nonetheless widely-based, with nearly all major indexes posting increases. Investors and central bankers are watching to see if firming underlying inflation pressure associated with a robust recovery in consumer demand outside of base effects will continue. The April report showed early signs of that, and saw market-based measures of inflation expectations tick up.

CPI price growths surprised to the upside in April



Source: Bureau of Labour Statistics, RBC Economics

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