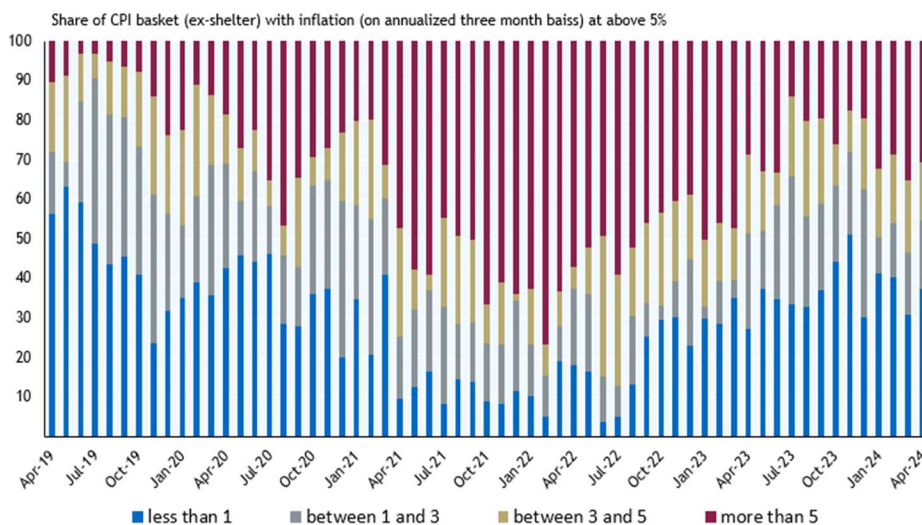


May 15, 2024

April saw a small relief in surging U.S. inflation

- Year-over-year headline CPI reading in the U.S. edged lower in April to 3.4% from 3.5%, in March, with easing in the other “core” non-food and energy items (down from 3.8% in March to 3.6% in April) partially offset by a tick higher in energy inflation.

Breadth of U.S. inflation pressures have room to further improve



- The headline CPI readings matched consensus expectations ahead of the release and represent a small relief after a string of upside surprises in U.S. inflation data in Q1.
- On a month over month seasonally adjusted basis, core ex-food and energy CPI grew at a slightly slower pace of 0.3% from March. The closely watched “supercore” CPI measure (core services CPI ex-rent) that’s designed to get a better gauge at domestically driven price pressures also slowed, but to a still elevated 0.4% in April. By comparison, the same measure grew at a 0.7% average monthly pace in Q1.
- Amongst the non-core items, food inflation at 2.2% was little changed in April. The low reading came as a balance between lower grocery CPI (+1.1%) but higher inflation for restaurant dining (+4.1%).
- U.S. energy CPI rose higher again in April to 2.6% year-over-year and marking a third consecutive acceleration from the 4.6% year-over-year *decline* in January. The acceleration followed earlier

Claire Fan | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-3639s

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risers in crude oil and gasoline prices into mid-April driven by concerns about energy supply that are tied to geopolitics. Oil prices have since moderated.

- Rent inflation has been slowing but remains the main contributor of the price growth in the U.S. In April, rents were up 5.6% from last year. Fed Chair Powell in a panel yesterday commented on the progress with rent CPI being slower than expected given declines already in market rent measures. Moving forward, we continue to expect rent inflation to follow those market indices lower.
- **Bottom line:** The on-consensus CPI turnouts in the U.S. in April is a small relief but far from a cause of celebration. Price pressures moderated slightly but for the most part remained heightened, as readings for core measures stayed high. The diffusion index that measures the breadth of price pressures has changed little since last summer. That still leaves plenty of more room for further improvement relative to the scope that was seen in pre-pandemic 2019. In previous communications, Fed Chair Powell was assertive that interest rates are already restrictive enough, and more time is needed for it to work to further slow inflation. With that, we expect the Fed will stay on the sideline for most part of the year before opting for a first rate cut later in December. That's of course contingent on CPI readings continuing to move lower in the interim.

U.S. CPI Growth				
	Feb-24	Mar-24	Apr-24	Apr-24
	MoM % change (SA)			YoY % change (NSA)
Headline	0.4	0.4	0.3	3.4
Food	0.0	0.1	0.0	2.2
Energy	2.3	1.1	1.1	2.6
Core	0.4	0.4	0.3	3.6
Goods ex food and energy	0.1	-0.2	-0.1	-1.3
<i>Used cars and trucks</i>	0.5	-1.1	-1.4	-6.9
Services ex energy	0.5	0.5	0.4	5.3
<i>Rent of shelter</i>	0.4	0.5	0.4	5.6