

May 10, 2023

U.S. inflation inched down again in April

- Headline CPI growth in the U.S. ticked lower to 4.9% in April from 5% in March. 'Core' inflation excluding food and energy products also moderated, to 5.5% from 5.6% in March.
- Rebound in gasoline prices in April lifted energy inflation, to a still low -5.1% year over year. Food inflation further slowed to a yearly rate of 7.7%, with prices unchanged on a seasonally adjusted basis from March. That's the second month in a row where food prices held flat.
- Excluding food and energy products, core "CPI" rose by 0.4% on a seasonally adjusted basis from March. Notable increases were seen in rent costs and used vehicle prices.

RBC Inflation Watch: a tracker of key indicators on price trends in the U.S.

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- Rents continue to be the main driver for monthly increases in core inflation. But April's monthly inflation reading for rents (0.5%) was the slowest in a year, and even led to a small deceleration in yearly rent CPI reading. With that, annual rent CPI has likely peaked, and easing in rent inflation should continue as slower growth in market posted rents works its way with a lag into lease renewals.
- Stripping rent and energy services out of the traditional 'core' CPI measure, the 'super-core' services ex-shelter index slowed to 0.1% in April on a monthly basis, after posting a larger 0.4% increase in March. The breadth of inflation pressures also narrowed but was also still wider than pre-pandemic.
- **Bottom line:** Inflation trends in the U.S. continue to head the right direction, but still have a long way to go before they reach the Fed's 2% target. Labour market conditions still look strong, but are showing cracks under the surface, and tension remains among regional banking credit markets. Increasingly, we expect the Federal Reserve will have to balance risks between sticky inflation, and slowing growth momentum / tighter financial conditions. We continue to expect the move last week to be the last one this cycle, leaving the Fed on hold until later this year.

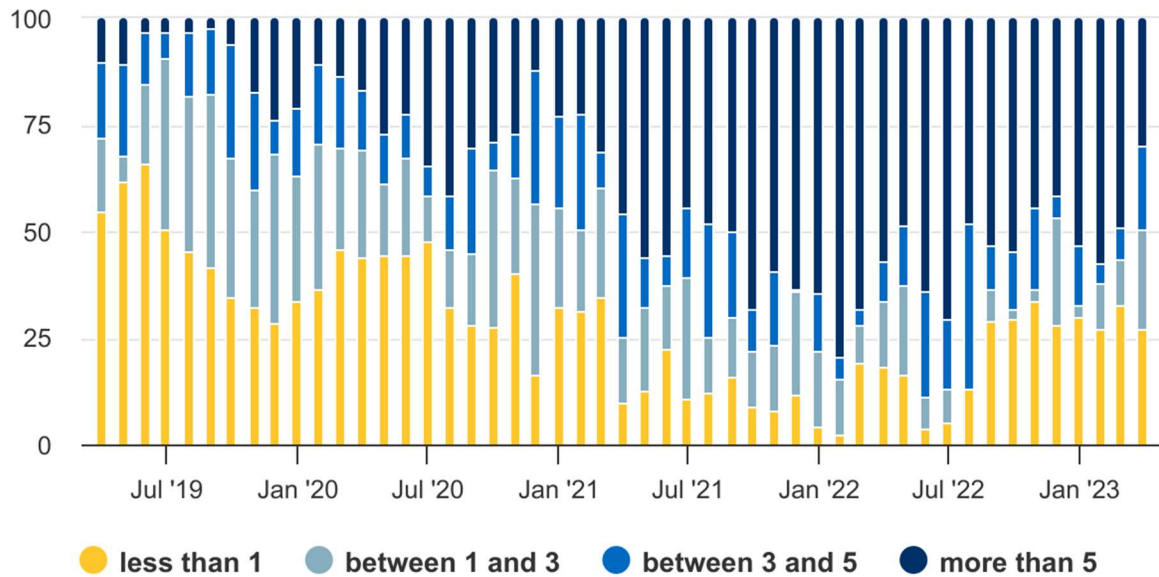
Claire Fan | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-3639s
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U.S. CPI Growth

	Feb-23	Mar-23	Apr-23	Apr-23
	MoM % change (SA)			change (NSA)
Headline	0.4	0.1	0.4	4.9
Food	0.4	0.0	0.0	7.7
Energy	-0.6	-3.5	0.6	-5.1
Core	0.5	0.4	0.4	5.5
Goods ex food and energy	0.0	0.2	0.6	2.0
Services ex energy	0.6	0.4	0.4	6.8

Price pressures continue to narrow in the U.S.

Share of CPI basket ex-shelter by annualized near-term (3m/3m) growth rate



Source: BLS, RBC Economics