

Cooler CPI Since 2021 In April; Inflation Set To Rise But Stay Manageable For Most Businesses And Consumers

- **The April CPI report was good news, with the lowest total and core CPI since early 2021.**
- **Inflation pressures from gas prices, eggs, and rent are moderating, and businesses largely refrained from pre-emptively hiking prices in anticipation of tariff costs in April.**
- **Tariffs do look likely to add to inflation later this year. But after partial rollbacks in recent days, tariffs' effects will be smaller than seemed possible a week or two ago.**
- **Consumers' inflation expectations and confidence are likely to stabilize near-term.**

The April CPI report delivered good news for consumers. The CPI rose 0.2% from March, slightly below the 0.3% consensus forecast. The CPI fell 0.1% in March. Food prices edged down 0.1% in April, with food at home (groceries etc.) down 0.4% and food away from home up 0.4%. Egg prices fell 12.7% from March, but were still up 49.3% from a year ago. Energy rose 0.7% on the month, with gasoline down slightly but utility gas service up 3.7%. From a year ago, energy fell 3.7% on a 11.8% drop in gasoline and a 9.6% drop in fuel oil; gas service rose 15.7%.

The core CPI excluding food and energy rose 0.2% in April, and—like total CPI—was slightly below the 0.3% consensus forecast. Prices of goods affected by tariffs ran surprisingly cool. New vehicles were unchanged, used cars and trucks fell 0.5%, and apparel prices fell 0.2%. Household furnishings and supplies rose a moderate 0.2%. Businesses largely refrained from pre-emptive increases in the prices of goods subject to tariffs. Medical care commodity prices bucked the trend, rising 0.4%. Core services excluding energy rose 0.3% on the month, with shelter up 0.3%, transportation services up 0.1%, and medical care services up 0.5%.

From a year earlier, the CPI rose 2.3%, its slowest increase since February 2021. Core CPI held unchanged in year-over-year terms at 2.8%, tying for the coolest since March 2021. Supercore CPI (Services excluding food, energy, and housing) rose 0.2% on the month and was up 2.7% on the year, the slowest increase since March 2021. While Americans are still unhappy about high prices, the CPI's rate of increase slowed to a normal pace this spring.

Inflation looks likely to pick up in the second half of 2025 as businesses pass on the cost of tariffs. But since tariffs now seem likely to settle at much lower levels than were effective a week or two ago, their effect on inflation will be smaller, too. Also, even if the prices of imported goods rise faster, inflation of many domestically-produced goods and services is moderating—this includes gasoline, rent, and many grocery prices. On balance, price pressures from tariffs will probably be manageable for most businesses and consumers in 2025. Consumer surveys showed a lot of concern about inflation from tariffs in the last few months, and there are signs that discretionary spending on services softened in April. But after the recent rollback of tariffs, consumer sentiment seems likely to stabilize.

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