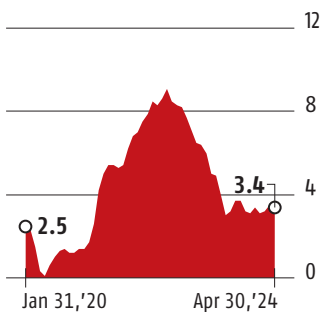


US inflation eases to 3.4% in relief for Fed

First decrease in six months

US CPI (Y-o-Y%)



Source: Bloomberg

REUTERS

Washington, 15 May

US consumer prices increased less than expected in April, suggesting that inflation resumed its downward trend at the start of the second quarter in a boost to financial market expectations for a September interest rate cut.

Federal Reserve policymakers who say they need to see further progress on inflation before reducing borrowing costs got some encouraging data. Those expectations were further bolstered by other data on Wednesday showing retail sales were unexpectedly flat last month as inflation-weary consumers cut back spending at online retailers and auto dealerships.

The reports suggested that domestic demand was cooling, which is likely to be welcomed by officials at the US central bank as they try to engineer a “soft-landing” for the economy.

The consumer price index rose 0.3 per cent last month after advancing 0.4 per cent in March and February, the Labor Department’s Bureau of Labor Statistics said. The higher cost of living looms over the November 5 election.

The cost of shelter, which includes rents, increased 0.4

per cent, rising by the same margin for the third straight month. Gasoline prices shot up 2.8 per cent after rising 1.7 per cent in March. These two categories contributed over 70 per cent of the monthly increase in the CPI. Food prices were unchanged after edging up 0.1 per cent in March.

Food prices at the supermarket declined 0.2 per cent, with eggs, meat, poultry, and fish cheaper as were fruits and vegetables and nonalcoholic beverages. But cereals and bakery products cost more, while prices for dairy and related products rose marginally.

In the 12 months through April, the CPI increased 3.4 per cent after climbing 3.5 per cent in March. The annual increase in consumer prices has dropped from a peak of 9.1 per cent in June 2022, though progress has stalled.

Inflation accelerated in the first quarter amid strong domestic demand after moderating for much of last year. Last month’s slowdown was a relief after data on Tuesday showed a jump in producer prices in April.

“The country is not out of the woods from the threat of inflation, but we can start to see the end of the forest,” said Christopher Rupkey, chief economist at FWDBONDS.