

MONDAY ECONOMIC REPORT



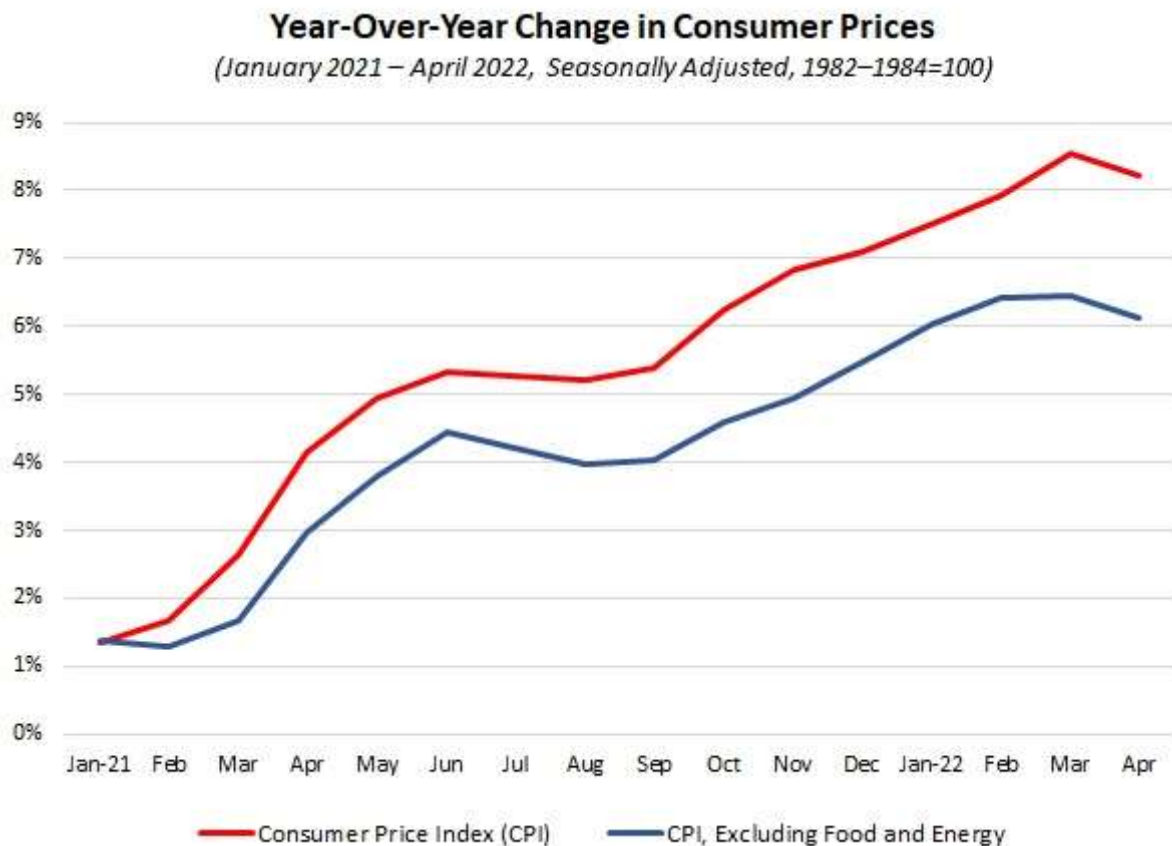
Consumer Prices Cooled in April, but Core Inflation Rose Solidly

By Chad Moutray – May 16, 2022

The Weekly Toplines

- [Consumer prices](#) rose 0.3% in April, cooling off after jumping 1.2% in March, which had been the strongest monthly gain since September 2005. Reduced energy costs, which declined 2.7% in April, helped to slow the headline number, with gasoline costs down 6.1%. At the same time, food prices increased 0.9% in April, just shy of the 1.0% gain in March.
- Excluding food and energy, core consumer prices rose 0.6%, up from 0.3% in March. Like energy costs, prices for apparel and used cars and trucks decreased in April, but other costs continued to increase at a solid rate.
- The consumer price index has risen 8.2% over the past 12 months (seasonally adjusted), down from 8.6% in March, which was the fastest year-over-year pace since December 1981. At the same time, core inflation increased 6.1% year-over-year in April (seasonally adjusted), down from 6.4% in March, which was the biggest increase since August 1982.
- Overall, price pressures for consumers are likely to remain very elevated over the coming months. With the Russian invasion of Ukraine, prices are likely to remain accelerated, particularly for food, energy and certain commodities. Supply chain issues are also not likely to abate as fast as desired, especially with ongoing closures related to COVID-19 in China.
- However, the easing of year-over-year growth rates in the latest data offered some comfort, with some stabilization in inflation expected over the coming months. The current forecast is for year-over-year growth in the CPI to be 5.5% at year's end, with core inflation at 4.9%.
- Likewise, [producer prices](#) for final demand goods and services rose 0.5% in April, slowing from the 1.6% gain in March. At the same time, producer prices for final demand goods increased 1.3%, extending the 2.4% growth in March, which was the largest monthly gain on record for a series dating to November 2009. In April, food and energy costs increased 1.5% and 1.7%, respectively, with 16.3% and 39.8% growth year-over-year.
- Excluding food and energy, producer prices for final demand goods increased 1.0% in April, extending the 1.1% gain in March.
- Over the past 12 months, producer prices for final demand goods and services jumped 11.0%, pulling back from 11.5% year-over-year in March, which was the largest increase on record. At the same time, core producer prices increased 6.9% year-over-year in April, edging down from the record 7.1% in March.

- The [Index of Consumer Sentiment](#) fell from 65.2 in April to 59.1 in May, the lowest reading since August 2011, according to preliminary data from the University of Michigan and Thomson Reuters.
- The National Federation of Independent Business [reported](#) that the Small Business Optimism Index was unchanged at 93.2 in April, remaining the lowest level since April 2020. Supply chain disruptions, workforce shortages and inflation continued to challenge small business owners.
- Small business respondents in the NFIB survey cited inflation as the top “single most important problem,” followed by difficulties in obtaining enough qualified labor. The labor market remained tight, with 47% saying that they were unable to fill job openings, and 55% suggesting that there were few or no qualified applicants for their job openings.
- While [initial unemployment claims](#) inched higher in the latest data, continuing claims fell to their lowest level since the week ending Jan. 3, 1970.



Economic Indicators

Last Week's Indicators:
(Summaries Appear Below)

Monday, May 9
None

This Week's Indicators:

Monday, May 16
New York Fed Manufacturing Survey

Tuesday, May 10
NFIB Small Business Survey

Wednesday, May 11
Consumer Price Index

Thursday, May 12
Producer Price Index
Weekly Initial Unemployment Claims

Friday, May 13
University of Michigan Consumer Sentiment

Tuesday, May 17
Industrial Production
NAHB Housing Market Index
Retail Sales

Wednesday, May 18
Housing Starts and Permits

Thursday, May 19
Conference Board Leading Indicators
Existing Home Sales
Philadelphia Fed Manufacturing Survey
Weekly Initial Unemployment Claims

Friday, May 20
State Employment Report

A Message from Bain & Company

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Global Machinery & Equipment Report 2022

Thinking outside the machine

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From investing in automation to retooling for sustainability, machinery and equipment companies have set bold transformation agendas. How will you [address](#) the forces at play?

Deeper Dive

- **Consumer Price Index:** Consumer prices rose 0.3% in April, cooling off after jumping 1.2% in March, which had been the strongest monthly gain since September 2005. Reduced energy costs, which declined 2.7% in April, helped to slow the headline number, with gasoline costs down 6.1%. At the same time, food prices increased 0.9% in April, just shy of the 1.0% gain in March. Excluding food and energy, core consumer prices rose 0.6%, up from 0.3% in March. Like energy costs, prices for apparel and used cars and trucks decreased in April, but other costs continued to increase at a solid rate.

The consumer price index has risen 8.2% over the past 12 months (seasonally

adjusted), down from 8.6% in March, which was the fastest year-over-year pace since December 1981. (The non-seasonally adjusted figure in April was 8.3%.) At the same time, core inflation (which excludes food and energy) increased 6.1% year-over-year in April (seasonally adjusted), down from 6.4% in March, which was the biggest increase since August 1982. (The non-seasonally adjusted figure in April was 6.2%.)

Overall, price pressures for consumers are likely to remain very elevated over the coming months. With the Russian invasion of Ukraine, prices are likely to remain accelerated, particularly for food, energy and certain commodities. Supply chain issues are also not likely to abate as fast as desired, especially with ongoing closures related to COVID-19 in China.

However, the easing of year-over-year growth rates in the latest data offered some comfort, with some stabilization in inflation expected over the coming months. The current forecast is for year-over-year growth in the CPI to be 5.5% at year's end, with core inflation at 4.9%.

- **[NFIB Small Business Survey](#):** The National Federation of Independent Business reported that the Small Business Optimism Index was unchanged at 93.2 in April, remaining the lowest level since April 2020. Supply chain disruptions, workforce shortages and inflation continued to challenge small business owners. Small businesses suggesting that the next three months were a “good time to expand” edged down from 6% to 4%, a two-year low, and sales and earnings expectations remained challenged.

Respondents cited inflation as the top “single most important problem,” followed by difficulties in obtaining enough qualified labor. In April, the net percentage of respondents reporting higher prices today than three months ago pulled back from a record 72% to 70%. At the same time, the net percentage planning a price increase over the next three months declined from 50% to 46% but remained very elevated.

The labor market remained tight. The percentage of respondents suggesting they had job openings they were unable to fill remained at 47%, and the percentage of respondents citing few or no qualified applicants for job openings was unchanged at 55%. In addition, the net percentage of respondents planning to increase hiring over the next three months was flat at 20%.

- **[Producer Price Index](#):** Producer prices for final demand goods and services rose 0.5% in April, slowing from the 1.6% gain in March. At the same time, producer prices for final demand goods increased 1.3%, extending the 2.4% growth in March, which was the largest monthly gain on record for a series dating to November 2009. In April, food and energy costs increased 1.5% and 1.7%, respectively, with 16.3% and 39.8% growth year-over-year.

Excluding food and energy, producer prices for final demand goods increased 1.0% in April, extending the 1.1% gain in March. Meanwhile, producer prices for final demand services were flat in April, but with transportation and warehousing costs up 3.6% for the month.

Over the past 12 months, producer prices for final demand goods and services jumped 11.0%, pulling back from 11.5% year-over-year in March, which was the largest increase on record. At the same time, core producer prices increased 6.9% year-over-year in April, edging down from the record 7.1% in March. Manufacturers [continued to cite](#) soaring raw material costs and supply chain disruptions as two of

their top challenges, with the rapid acceleration in prices in this data over the past year helping to explain why.

- **[University of Michigan Consumer Sentiment](#)**: The Index of Consumer Sentiment fell from 65.2 in April to 59.1 in May, the lowest reading since August 2011, according to preliminary data from the University of Michigan and Thomson Reuters. These data were lower across the board for all segments, with reduced assessments for both current and future economic conditions. Americans continued to worry about inflation and with lingering uncertainties related to the Russian invasion of Ukraine, and the latest data reverse the rebound in April, which was attributed to the strong labor market. Inflation expectations remain elevated. More worrisome, buying intentions declined, particularly for durable goods, which were the lowest since the question was added in 1978.
- **[Weekly Initial Unemployment Claims](#)**: The week ending May 7 saw 203,000 initial unemployment claims, inching up from 202,000 for the week ending April 30 and the highest since the week ending Feb. 12. At the same time, the week ending April 30 saw 1,343,000 continuing claims, down from 1,387,000 for the week ending April 23 and the lowest level since the week ending Jan. 3, 1970. Overall, these data continued to reflect a labor market that has improved significantly across the past year, even as initial claims have trended slightly higher over the past couple months.

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