



May 17, 2016

## TD Economics

### Data Release: Higher prices at the gas pumps raises consumer price inflation in April

- Consumer prices rose 0.4% in April, ahead of survey expectations for a 0.3% gain. The gain in core CPI (excluding food and energy) matched expectations, rising by 0.2% on the month. Overall inflation rose to 1.1% on a year-over-year basis, up from 0.9% the month prior, while core edged down to 2.1% from 2.2%. Both matched the median survey estimate.
- Energy prices were the main contributor to the headline gain, rising by 3.4% (month-over-month). Gasoline prices rose 8.1% (m/m), but were somewhat offset by falling electricity prices (-0.3%).
- Gains in core prices were led by services, which saw relatively broad-based price growth across categories. Core goods, on the other hand, fell 0.1%, pulled down by apparel (-0.3%), new vehicles (-0.3%) and used vehicles (-0.3%).

### Key Implications

- Given the rise in energy prices headline inflation looks to have bottomed. With oil prices likely to continue to rise modestly over the remainder of this year, headline inflation (year-over-year) is likely to continue to trend upward, likely hitting a peak of around 3.0% by the first quarter of next year.
- Core inflation is also likely to move higher. The disinflationary impetus from a higher U.S. dollar will fade over the second half of this year. With ongoing robust job growth, the labor market is moving closer to full employment. This is evidenced in wage growth that is showing increasing evidence of accelerating. The Atlanta Fed wage tracker is now running at 3.4% year-on-year.
- Inflation is not an immediate concern for the economy or the Federal Reserve, but it should not be ignored either. Financial markets seem especially complacent to the risk of higher inflation at the moment. Expectations imbedded in inflation-protected securities are pricing in an average inflation rate of 1.6% over the next 10-years. For more on the inflation outlook, please see our recent report, [U.S. Inflation Has Turned The Corner](#).

**James Marple, Senior Economist**  
416-982-2557

@TD\_Economics

#### DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.