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US CPI (Apr): Oil shock spillover into core begins

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Consumer Price Index (monthly change, %)	Apr 2026	Mar 2026	Feb 2026	Jan 2026	Dec 2025	Nov 2025	April NSA YoY%
All items	0.6	0.9	0.3	0.2	0.3	N/A	3.8
Ex-food/energy	0.4	0.2	0.2	0.3	0.2	N/A	2.8
• Ex-food	0.7	1.0	0.2	0.2	0.2	N/A	3.9
• Ex-energy	0.4	0.2	0.2	0.3	0.3	N/A	2.8
Energy	3.8	10.9	0.6	-1.5	0.3	N/A	17.9
Services	0.6	0.2	0.3	0.4	0.3	N/A	3.4
Housing	0.7	0.3	0.3	0.2	0.4	N/A	3.6
Fuels & util.	1.4	1.0	0.5	0.2	0.8	N/A	6.0
Food/beverages	0.5	0.0	0.4	0.2	0.6	N/A	3.1
• Food	0.5	0.0	0.4	0.2	0.7	N/A	3.2
Apparel	0.6	1.0	1.3	0.3	0.3	N/A	4.2
Transportation	1.3	4.3	0.2	-0.3	0.0	N/A	7.1
Medical care	-0.1	-0.2	0.5	0.3	0.4	N/A	2.5
Recreation	0.1	0.0	0.0	0.5	1.2	N/A	2.3
Education, comm.	0.0	0.2	-0.2	0.4	-0.9	N/A	0.2
Other good, serv.	0.7	-0.4	-0.1	1.3	0.3	N/A	4.4
Commodities	0.8	2.0	0.3	-0.2	0.2	N/A	4.6

Source: Haver Analytics.

- Price pressures were red-hot in the US in April, with the headline CPI rising by a 0.6% m/m pace as expected by the consensus. That reflected another lofty increase in gasoline prices and a pickup in food, which left the annual pace at 3.8%, up from 3.3% in the prior month. The first signs of passthrough from the oil shock into core elements were on display, with the ex. food/energy measure rising by 0.4% m/m and 2.8% y/y (vs. 0.3% and 2.7% expected). This data only includes the first signs of broader spillover from the oil price shock into core components, and annual inflation is set to move higher in May, which will leave the Fed on the sidelines until there are signs of oil prices heading sustainably lower.
- Airfares jumped and are sitting 21% above year-ago levels, boosted by the oil price shock. Some tariff-exposed categories including apparel added to the upside in core, with that category up by 4.2% y/y. Although tariff pass through is still occurring in some categories, the Fed will look through this as a one-time lift to prices, and businesses are likely to face resistance to higher prices this year as the consumer is under pressure from higher prices of non-discretionary items.
- With consumers spending more on gasoline, constrained demand for discretionary categories may be limiting price increases in some categories. Recreation service prices were up only a tick in April following declines in the prior two

months, while household furnishing/supply prices have dropped for two consecutive months, and recreation goods prices decelerated to 0.1% m/m.

- Still, other measures that exclude volatile categories, including core services ex. shelter, still looked hot, with that index rising by 0.45% m/m, and accelerating by three ticks to 3.4% y/y, leaving the six-month annualized pace at 3.8%.
- A jump in shelter prices to 0.6% m/m also contributed to the upside in core, but the monthly increase reflected a measurement quirk tied to an understatement in that component during the government shutdown in October last year. The year-over-year pace of 3.3% is a more accurate estimate of where shelter prices stand, roughly in line with the pre-Covid average pace of inflation. Still, home prices are under pressure given constrained demand from elevated mortgage rates, while deportations and immigration restrictions are limiting rent growth, which could see that index ease off ahead.

Implications & actions

Re: Economic forecast — Annual headline inflation is set accelerate further in May, bolstered by greater passthrough of the oil shock into core elements. That will keep the Fed on the sidelines in the near-term and, with the labor market stable, they will be focused on containing inflation expectations and will need to see oil prices head sustainably lower in the summer months in order to cut in December as we currently expect.

Re: Markets — Bond yields increased in the lead up to the release but eased off after, likely reflecting the fact that the upside in monthly core prices was tied partly to a measurement quirk.