

U.S. Consumer Price Index — April

Inflation Has No Clothes

Sal Guatieri, Senior Economist • sal.guatieri@bmo.com • 416-359-5295

Bottom Line: Even with tariffs adding an estimated 0.2% to the CPI in the past year, inflation remains calm. The Fed will stay patient.

Another downside surprise in U.S. inflation...maybe we should stop being surprised. Headline prices rose 0.3% in April, nudging the yearly rate up to 2.0%. Higher gasoline prices, medical care costs and rents did the heavy lifting. Meantime, **core prices were light again**, up just 0.138% (the third month with a 1-handle), though the yearly rate edged up to 2.1% (in line with the six-month rate though the 3-month metric is just 1.6%). Food prices fell slightly, likely due to discounting at Whole Foods. Used auto prices reversed for a third straight month and by a sizeable -1.3%, with the potential for further backtracking according to the Manheim index. The big surprise was another steep decline (-0.8%) in clothing after a record tumble (-1.9%) the prior month...methodical changes maybe, but fierce competition is the larger reason apparel prices are down 3% in the past year.

With productivity turning higher and unit labour costs little changed in the past year, **we won't need to worry about rising inflation for a while**, even if the latest tariff hike tacks on another tenth or two to the CPI.



Consumer Price Index					
United States	(month/month % change : s.a.)			(% change : a.r.)	
	Apr	Mar	Feb	6-month	12-month
All Items	0.3	0.4	0.2	1.7	2.0
Ex. Food and Energy	0.1	0.1	0.1	2.1	2.1
Food	-0.1	0.3	0.4	2.7	1.8
Energy	2.9	3.5	0.4	-3.8	1.7
Clothing	-0.8	-1.9	0.3	-3.6	-3.0
Transportation	1.2	1.5	0.1	-1.9	1.6
New Vehicles	0.1	0.4	-0.2	1.1	1.2
Gasoline	5.7	6.5	1.5	-7.0	3.1
Medical Care	0.3	0.3	-0.2	2.6	1.9
Recreation	0.0	0.3	-0.4	2.1	1.6
Education	0.2	0.5	0.3	3.5	3.3
Owners' Equivalent Rent	0.3	0.3	0.3	3.6	3.4

General Disclosure

"BMO Capital Markets" is a trade name used by the BMO Financial Group for the wholesale banking businesses of Bank of Montreal and its subsidiaries BMO Nesbitt Burns Inc., BMO Capital Markets Limited in the U.K. and BMO Capital Markets Corp. in the U.S. BMO Nesbitt Burns Inc., BMO Capital Markets Limited and BMO Capital Markets Corp are affiliates. This document is issued and distributed in Hong Kong by Bank of Montreal ("BMO"). BMO is an authorized institution under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) and a registered institution with the Securities and Futures Commission (CE No. AAK809) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). BMO does not represent that this document may be lawfully distributed, or that any financial products may be lawfully offered or dealt with, in compliance with any regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder. This document is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Their contents have not been reviewed by any regulatory authority. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This document is not to be construed as an offer to sell, a solicitation for or an offer to buy, any products or services referenced herein (including, without limitation, any commodities, securities or other financial instruments), nor shall such information be considered as investment advice or as a recommendation to enter into any transaction. Each investor should consider obtaining independent advice before making any financial decisions. This document is provided for general information only and does not take into account any investor's particular needs, financial status or investment objectives. BMO Capital Markets or its affiliates will buy from or sell to customers the securities of issuers mentioned in this report on a principal basis. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

Dissemination of Research

Our publications are disseminated via email and may also be available via our web site <http://economics.bmocapitalmarkets.com>. Please contact your BMO Financial Group Representative for more information.

Conflict Statement

A general description of how BMO Financial Group identifies and manages conflicts of interest is contained in our public facing policy for managing conflicts of interest in connection with investment research which is available at http://researchglobal.bmocapitalmarkets.com/Public/Conflict_Statement_Public.aspx.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Harris Bank N.A., Member FDIC. Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets. BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Harris Bank N.A, BMO Ireland Plc, and Bank of Montreal (China) Co. Ltd. and the institutional broker dealer businesses of BMO Capital Markets Corp. (Member SIPC), BMO Nesbitt Burns Securities Limited (Member SIPC) in the U.S., BMO Nesbitt Burns Inc. (Member Canadian Investor Protection Fund) in Canada, Europe and Asia, BMO Capital Markets Limited in Europe, Asia and Australia and BMO Advisors Private Limited in India.

"Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Inc., used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

© Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

™ Trademark Bank of Montreal in the United States and Canada.

© COPYRIGHT 2019 BMO CAPITAL MARKETS CORP.

A member of BMO Financial Group