

- **Topline CPI grew at a 0.3% pace in April 2024 versus the month. Core CPI, less Food & Energy, also posted a 0.3% monthly gain in April 2024.**
- **Housing CPI finally relented in April 2024, gaining only 0.2% over the month prior. Services less Rent of Shelter also came in well below its first-quarter pace at +0.2% for the month.**

Consumer Price Index (CPI) inflation came in at +0.3% in April 2024 versus March on a seasonally adjusted basis. This translates to a 3.4% gain versus one year ago. The Core CPI inflation metric also posted a 0.3% gain in April – falling to its slowest monthly gain since October 2023. Producer cost pressures have re-entered the equation regarding inflation risks, but April's CPI reading offers hope that an outright upward trend in consumer prices can be avoided this summer.

A nosedive in Housing CPI in April 2024 contributed significantly to lower-than-expected inflation results for the month. The Housing component comprises more than 40% of the overall CPI index and has been pushed higher by the lingering effects of rising home prices & rents over the past few years. April's +0.2% monthly gain for Housing CPI translates to an annualized pace of just 2.7% - a calculation which assumes that April's price growth conditions were to persist for a full year. This is the slowest reading on Housing CPI since January 2021 (+0.6%) and will have to be the start of a softer trend for the category if overall inflation has any chance of reaching the Fed's 2% target by the end of 2025.

Services less Rent of Shelter is another sub-index to the CPI report that has stymied progress toward the Fed's 2% goal over the past year. April 2024's CPI report provided welcome news on that front of the battle with inflation, coming in at +0.2% for the month. This result follows an average 0.7% pace in the first three months of 2024. Although the year-over-year gain for Services less Rent of Shelter *accelerated* to a 4.9% pace, versus 4.8% in March, the annualized gain was only 2.7%. This is an example of the sometimes-convoluted nature of year-over-year inflation trends. The implications of current conditions are far more critical to forward-looking analysis than what happened over the past year; that is, will current conditions in Housing and Services price growth be able to persist, allowing inflation to reach the Fed's 2% goal? One data point does not make a trend, but the April 2024 results at least provide a starting point for optimism for the months to come.

Energy prices saw strong gains in April 2024 at +1.1% for the month. Gasoline prices alone gained 2.8% versus March 2024. Both categories have now recorded three consecutive strong monthly gains after falling through most of the second half of 2023. Their respective index values – at 290.6 and 318.2 – unwound most of their declines going back to September 2023 (291.7 & 332.0, respectively). Oil prices seem to have ceased their upward trend through the first few weeks of May, which suggests that some moderation in Energy CPI categories is on tap in the near term. But the busy and energy-heavy summer months could undermine the development of a near-term equilibrium.

Virtually every Fed official has stressed that they have adjusted their expectations for monetary policy in 2024 as a result of the first quarter's inflation results. While most of them express hope and a desire to lower interest rates when inflation data permits, they admit that the trend to open 2024 does not meet their standards for doing so. The April 2024 CPI report should provide some sense of relief among Fed officials and monetary policy Doves in general, as the most stubborn CPI categories of Housing and Services less Rent of Shelter offered their first glimpse of easing in some time. More evidence will be demanded before expressed Fed sentiment turns back toward lowering interest rates more aggressively. But PNC's expectation of two 25 basis point rate cuts this year, in September and December, now looks like a more robust prediction than it has at any point in 2024 thus far.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Fed Funds Rate Target Range Mid-Point (after the FOMC meeting on 6/12/24)	5.38-5.38%	5.38%	5.38%	The first 25 bp funds rate cut is more likely in September than July followed by a second cut in December. More cuts to come in the first half of 2025.
Apr Existing Home Sales (5/22, Wednesday)	4.078-4.300M	4.160M	4.190M (Mar)	Up to 4.30 million.
Initial Claims, Wk of 5/18/24 (5/23, Thursday)	213K-222K	220K	222K (5/11/24)	Down to 218K.
Apr New Home Sales (5/23, Thursday)	0.650-0.686M	0.675M	0.693M (Mar)	Down to 0.655 million.
Apr Durable Goods (5/24, Friday)	-2.2 to 1.8%	-0.7%	0.9% (Mar)	Up 1.8%, mostly due to a rebound in civilian aircraft orders. Shipments up 0.8%.
May U. Mich. Consumer Sentiment (final) (5/24, Friday)	67.4-71.0	68.0	67.4 (May prelim)	Up to 68 as gasoline prices fell and stock prices rose to record highs in the latter half of the month.
May Consumer Confidence (5/28, Tuesday)	94.0-99.0	96.5	97.0 (Apr)	Down to 95 .
Apr Advance Trade in Goods (5/30, Thursday)	-\$93.0 to -\$89.2B	-\$92.3B	-\$91.5B (Mar)	A widening to -\$92.5 billion.
Q1 GDP Second Report (5/30, Thursday)	1.1-2.6%	1.5%	1.6% (Q1 First Report)	Small downward revision to 1.5%.

Action Economics Survey	Range	Median	Last Actual	PNC's Comment
Q1 Chain Price Index Second Report (5/30, Thursday)	3.0-3.2%	3.1%	3.1% (Q1 First Report)	Small upward revision to 3.2%.
Apr Personal Income (5/31, Friday)	0.0-0.4%	0.3%	0.5% (Mar)	Up 0.4%.
Apr Personal Consumption Expend. (5/31, Friday)	0.3-0.5%	0.3%	0.8% (Mar)	Up 0.3%. The total PCED was up 0.25% keeping the Y/Y rise at 2.7%. The core PCED also rose by 0.25% pushing the Y/Y rise down to 2.7% from 2.8% in March.

Monthly Calendar of Economic Data: May 2024

May 22

Existing Home Sales (000)	
Feb	4,380
Mar	4,190
Apr	

May 23

Unemployment		Claims (000)		
Jan	Feb	Mar	Apr	May
198	213	210	212	232
194	211	212	212	222
221	200	212	208	
225	213	212	209	
		222		

New Home Sales	
Feb	637
Mar	693
Apr	

May 24

Durable Goods		
	Total	Ex-Transp.
Feb	1.2	0.4
Mar	0.9	0.0
Apr		

May U Mich. Consumer Sentiment (final)

May 28

CB Consumer Confidence			
	Total	Current	Expect
Mar	103.1	146.8	74.0
Apr	97.0	142.9	66.4
May			

May 30

Gross Domestic Product		
1st Qtr (Second Report)		
	Real GDP	Price Index
Q2'23	2.1	1.7
Q3'23	4.9	3.3
Q4'23	3.4	1.7
Q1'24(1 st)	1.6	3.1
Q1'24(2 nd)		

May 31

Personal		
	Income	Spending
Feb	0.3	0.8
Mar	0.5	0.8
Apr		

May Chicago PMI

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