

Inflation Monitor for April 3

A Publication of BMO Capital Markets Economic Research • Douglas Porter, CFA, Chief Economist, BMO Financial Group

Summary

- A key measure of U.S. inflation eased in February, suggesting the Fed may be nearing the end of its aggressive tightening cycle. Meantime, the BoC's Q1 survey showed moderating inflation expectations.

ECONOMIC RESEARCH

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Priscilla Thiagamoorthy, Senior Economist

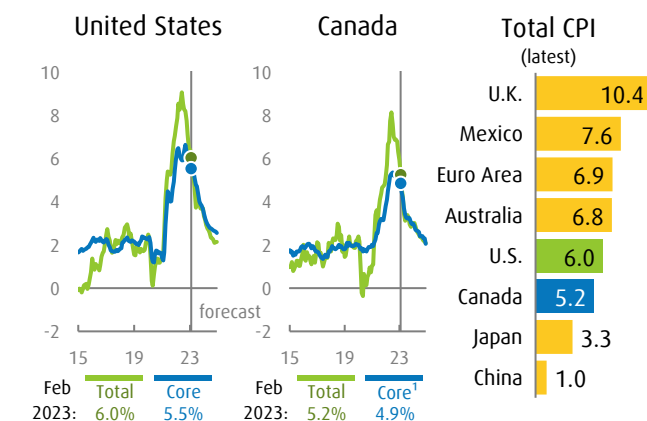
priscilla.thiagamoorthy@bmo.com

Key Developments

- The Fed's preferred inflation gauge—**PCE prices**—rose 0.3%, a slowdown from 0.6% in the prior month. That cut the yearly rate to 5.0% from 5.3%. Core price growth also slowed to 0.3%, trimming its yearly rate to 4.6%. Chair Powell's all-important 'supercore' measure (core services ex. housing) rose just 0.2%, the slowest pace in seven months, with the yearly rate steady at 4.6%.
- The **BoC's Q1 survey** showed improving inflation metrics. Firms' inflation expectations eased, though most still see inflation holding well above 2% until at least 2025. Meantime, households see near-term inflation edging down but remaining elevated—similar to actual inflation trends.
- U.S. household surveys** are sending mixed messages about inflation expectations. The Conference Board's one-year ahead inflation expectations measure edged up to 6.3% from 6.2% in the prior month. Meantime, the University of Michigan's consumer sentiment survey showed inflation expectations for next year downshifted to 3.6% in March from 4.1% in February.
- The **ISM manufacturing survey** signalled that prices paid for materials fell in March. Meantime, supplier delivery delays also improved to the lowest since the Great Recession.
- Headline inflation in the **Euro Area** plunged to 6.9% y/y in March from 8.5% in the prior month, but core prices climbed to a record-high 5.7% y/y. Meantime, **Australia's** inflation rate slowed in February, down to 6.8% from 7.4% in January. While consumer price growth is easing nicely, it's still above the central bank's target, so markets are split between whether the RBA will pause or hike on April 4.
- Just when overall price growth trends were improving, the inflation picture was dealt a crude blow this week. Oil prices surged 6% after **OPEC+** unexpectedly announced a large cut to output.

Inflation Trends and Outlook

Consumer Price Index (y/y % chng)



¹ avg. of 2 BoC core measures; Sources: BMO Economics, Haver Analytics

year/year % change	2022				2023				2024				2021	2022	2023	2024
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
CANADA																
CPI All Items	5.8	7.5	7.2	6.7	5.3	3.6	3.3	2.9	2.9	2.6	2.3	2.1	3.4	6.8	3.8	2.5
New Core CPIs <i>avg. of measures</i>	4.3	5.5	5.7	5.8	5.1	3.8	3.2	3.1	2.9	2.6	2.4	2.2	2.7	5.3	3.8	2.5
UNITED STATES																
CPI All Items	8.0	8.6	8.3	7.1	5.9	4.5	4.0	3.7	3.1	2.7	2.3	2.1	4.7	8.0	4.5	2.5
Ex. Food and Energy	6.3	6.0	6.3	6.0	5.5	5.1	4.4	3.8	3.3	2.9	2.7	2.6	3.6	6.2	4.7	2.9
PCE Deflator	6.4	6.6	6.3	5.7	↓4.9	↓4.0	↓3.8	↓3.5	↓2.9	2.5	2.1	1.9	4.0	6.3	↓4.1	2.4
Core PCE Deflator	5.3	5.0	4.9	4.8	↓4.6	↓4.4	↓4.0	↓3.6	↓3.0	2.7	2.5	2.4	3.5	5.0	↓4.1	2.7

Shaded values represent forecasts; arrows mark forecast changes since the previous issue of this publication; Sources: BMO Economics, Haver Analytics

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