



The Daily Dish

# Inflation

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## Eakinomics: Inflation

Eakinomics has had its eye on the [inflation outlook](#) for a while, but yesterday's Bureau of Labor Statistics (BLS) report on consumer price inflation has *everybody* talking inflation. No sense fighting the masses; let's take a look.

The headline growth of the Consumer Price Index (CPI) (the full name is the pithy "Consumer Price Index for All Urban Consumers (CPI-U)") was 0.8 percent from March to April. That's an annual rate of 10 percent, compared to the expected annual rate of 2 percent. Excluding the volatile food and energy products yields the so-called "core" CPI, which rose 0.9 percent for an annual rate of 11.4 percent. Stunning stuff.

Here's the key, however. The prices of used cars and trucks rose 10 percent – 213.8 percent annual rate – and car and truck rentals by 16.2 percent – 506 percent annual rate. As it turns out, used vehicles are only 2.8 percent of overall spending, while rentals are merely 0.15 percent, so these are not big components of the average budget. But it still means that used vehicles contributed nearly 6 points of the annual rate of 10 percent, while rentals added 0.8 points. Both increases are driven (pun intended) by the common supply shock of a chip shortage, and it does not seem likely these pressures will persist beyond a few more months.

Three other big increases were for "other lodging away from home including hotels and motels" at 8.8 percent – 175.1 percent annual – airline fares at 10.2 percent – 220.8 percent annual – and admission to sporting events up 10.1 percent – 217.3 percent annual. In each case, these are prices of activities that were essentially closed down by the pandemic, with the result that prices were depressed. This month's jump in prices is more a normalization than any real sustained inflation pressure.

The bottom line is there *is* [evidence](#) of upward pressure on prices in the supply chain, but yesterday's report is more a result of special factors than that pressure reaching the consumer. But it is only April, so stay tuned.