

## The April CPI data in historical context

Douglas Himes

The Consumer Price Index (CPI) data for April 2021 (and other recent months) received much attention in the media because these data showed larger price increases than had been seen in many years. The changes were not only higher than what had been expected, but they were also higher than the Federal Reserve's inflation target. In "[Putting recent inflation in historical context](#)" (*Economic Synopses*, Federal Reserve Bank of St. Louis, June 3, 2021), authors Matthew Famiglietti and Carlos Garriga compare the April data with past data and ask if we should be worried, and if so, how much.

The authors compare the price change in the April CPI report with price changes over the past 60 years. Compared with the entire 1960–2021 period, the price change reported in April 2021 is well within the normal range. They then divide those 60 years into the "pre-inflation-targeting era" before 1995 and the "inflation-targeting era" of 1995 to present. This split is based on the Federal Reserve's decision to adopt policies to achieve a certain targeted inflation rate. Compared with 1960–1995, the April 2021 data are again basically normal. But compared with the post-1995 era, the April 2021 data stand out.

Then the authors look at the "core" inflation, which ignores changes in the relatively more volatile food and fuel prices. While recent core inflation is unremarkable when compared with pre-1995 data, the April core inflation is the highest it has ever been during the post-1995 period. This finding shows that the volatile food and fuel prices are not predominately responsible for the increase in the overall CPI rate. The authors also state that the April 2021 CPI data had a "surprise" factor, in the sense that they were so unlike the immediately preceding months' data.

With Famiglietti and Garriga concluding that April 2021 is a highly unusual month in the context of the post-1995 inflation-targeting era, how should we respond to it? The data are indeed highly unusual, but April 2021 was an unusual month. The authors see no need to worry, yet, closing with, "While the April 2021 inflation report is undeniably historically high, it also follows an unprecedented turbulent period for the economy for which the historical evidence might provide imperfect guidance."