

April inflation rose slightly, but at a slower annual pace

Annualized inflation eased to a 2.3 percent pace, the lowest since early 2021. But the month-to-month pace of inflation increased.

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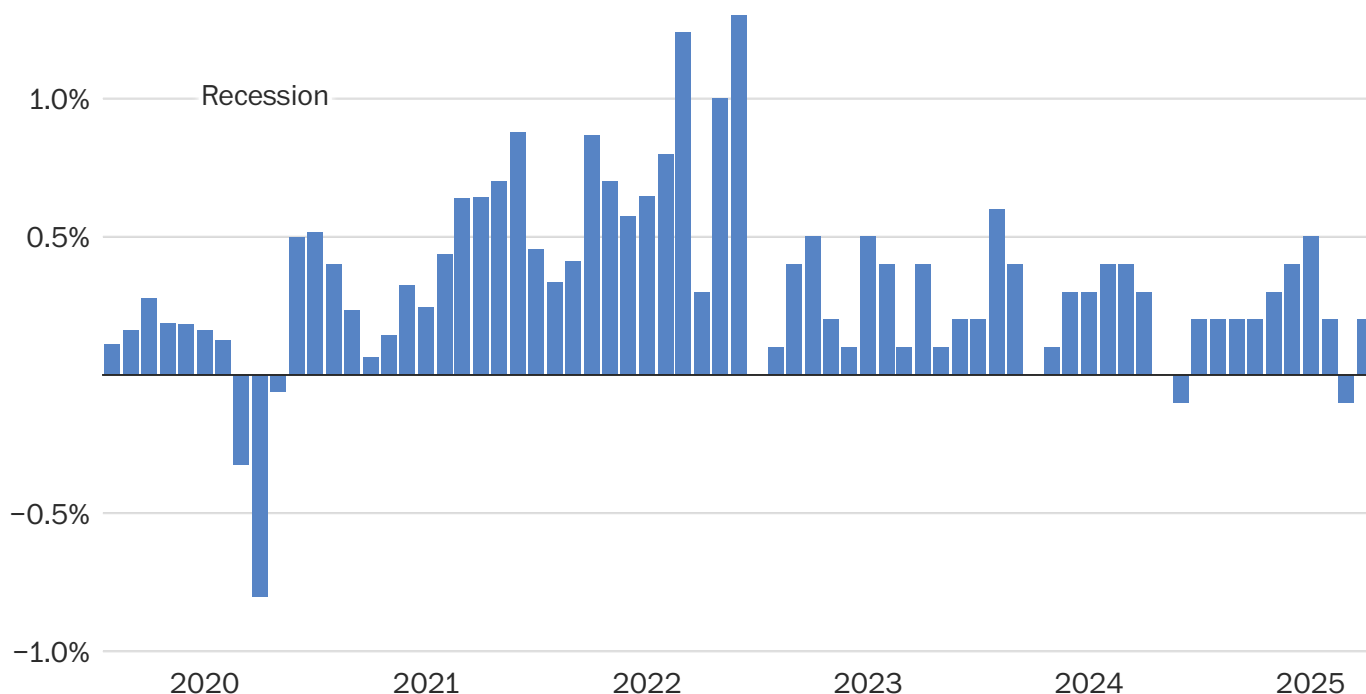
By Andrew Ackerman

Inflation ticked up in April after a slowdown the month before, but the annual pace of inflation eased unexpectedly, a breather before tariffs are likely to push consumer prices higher, economists say.

The Labor Department's softer-than-expected consumer price index, a key gauge of inflation, rose 0.2 percent last month, reversing March's slight decline. But the annualized pace cooled to 2.3 percent, a small decrease that marked the lowest level of headline inflation since early 2021.

Core inflation, which excludes volatile food and energy categories, rose 2.8 percent from a year earlier — the same as the previous month.

Monthly inflation rate



Note: Seasonally adjusted

Source: Bureau of Labor Statistics

President Donald Trump’s tariffs, many imposed in mid-April, marked a sharp escalation in his protectionist policies since he returned to the White House. But the April CPI report was generally good news for the Trump administration. Tariff policies are beginning to show up in the inflation data, including household furnishings, but most of the pickup in inflation last month was due to housing and natural gas prices.

“While inflation was well-behaved in April, it still looks likely to pick up as businesses pass on the cost of tariffs,” said Bill Adams, chief economist at Comerica Bank.

U.S. markets were mostly higher Tuesday morning after the release of the inflation report.

China remains a major wild card in the inflation outlook. The administration initially imposed sweeping 145 percent tariffs on a wide range of Chinese goods, sparking concern among retailers and manufacturers about soaring input costs. But in a surprise move, China and the United States announced Monday that they had agreed to lower tariffs on goods from each other’s countries for 90 days, offering a temporary reprieve in the trade war.

More than half of the monthly increase in April was fueled by a 0.3 percent increase in shelter costs, the Labor Department said. Energy prices rose 0.7 percent, fueled by an increase in natural gas and electricity prices. Prices of household furnishings rose 1 percent in April, the biggest monthly gain since January 2022.

Economists said they were seeing modest increases in the prices for household furnishings, including fabrics and furniture, that are made in China.

“That’s where we’re seeing some pressure building up,” said Alberto Cavallo, speaking before the release of Tuesday’s report. Cavallo teaches at Harvard Business School and is a founder of the HBS Pricing Lab, which does academic research on pricing behaviors. He added that the magnitude of the price increases are still not that large relative to the size of the tariffs.

Meanwhile, food prices fell 0.1 percent in April as egg prices — which have risen sharply on an annualized basis — dropped 12.7 percent from March. Prices for new autos were unchanged, while prices for used cars and trucks fell 0.5 percent.

In a sign that insurance premiums were beginning to cool, auto insurance prices rose 6.4 percent on an annual basis. That was the smallest gain in about three years.

Trump, meanwhile, has dismissed inflation concerns outright while repeatedly calling for the Federal Reserve to lower interest rates to cushion the economy amid his trade war.

“Groceries, gasoline, energy and all other prices are down with no inflation. We have no inflation,” Trump said in a speech Tuesday in Riyadh, Saudi Arabia.

The message is also at odds with Trump’s own acknowledgment that tariffs may lead to fewer and costlier consumer goods. At a Cabinet meeting last month, he predicted that higher prices might mean children may “have two dolls instead of 30 dolls.”

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Some analysts say businesses are still working through stockpiled inventory and are hesitant to raise prices too quickly, which could delay a more noticeable rise in consumer prices until at least May.

“With tariffs no longer merely a threat but a reality, we view it as only a matter of time before higher import costs filter through to consumer prices,” wrote Sarah House, a senior economist at Wells Fargo. She added that the bank expects core inflation to jump to a 3.6 percent annualized increase by the fourth quarter.

Tuesday’s report is unlikely to change the calculus for the Federal Reserve, which last week held interest rates steady for a third straight meeting, warning that the economy faces the dual risks of stubborn inflation and rising unemployment.

Even with the threat of tariffs receding somewhat after Monday’s deal with China, the added import duties complicate the Fed’s outlook. While designed to protect U.S. industries, tariffs often raise prices for consumers — leaving Fed officials to determine whether inflation is being driven by one-time price increases they can look past or by more persistent expectations for higher prices that may require tighter monetary policy.

If U.S. tariffs against major trading partners end up at lower levels, the uncertainty fueled by Trump's stop-and-go trade policies will undoubtedly take a toll on business investment and household consumption, said Eswar Prasad, an economist at Cornell. Paradoxically, a weaker economy might restrain the inflationary impact of tariffs, although this would certainly be a less-than-ideal reason for inflation to remain in check, he said.

"This inflation reading is a mixed blessing for the Fed — giving it more room for maneuver but probably also inviting more pressure from Trump for a rate cut," Prasad added.

What readers are saying

The comments reflect significant skepticism and concern about the impact of President Trump's tariffs on everyday goods. Many commenters express doubt about the accuracy of inflation data released by the administration, suspecting manipulation. Some business owners, like a flower... [Show more](#)

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