



June 18, 2013

## TD Economics

### Data Release: Consumer prices rise modestly in May

- Consumer prices rose 0.1% in May, below expectations for a 0.2% gain. Core CPI (excluding food and energy) rose 0.2%, on par with expectations.
- On a year-over-year basis, headline inflation rose to 1.4% (from 1.1%), while core inflation remained unchanged at 1.7%.
- Energy prices rebounded by a modest 0.4% (month-over-month), after declining by 4.3% in April. The rebound in energy prices was largely a (piped) natural gas (+2.4%) and electricity (+0.8%) story. Gasoline prices were flat in the month and overall energy commodities declined by 0.1%.
- Food prices fell by 0.1%, a modest decline, but the first since June 2010.
- Core consumer price growth was led by services, which rose 0.2%. Core goods prices were flat for the second straight month.

### Key Implications

- The soft reading on inflation comes as the Federal Reserve begins its two-day meeting in which it will discuss the future of its asset purchase program. Today's report may temper some of the push for tapering, but it is not a game changer. We expect that the Fed's statement tomorrow will forewarn that it is ready to taper purchases, but is waiting on signs that the labor market has moved closer to substantial improvement. This is likely still a few statements away.
- The gain in headline consumer prices was soft in May, but core consumer price growth firmed. The firming in core inflation should assuage fears that a major disinflationary trend has set in. Consumer price inflation is likely to move up modestly from here and reach 2.0% by the second quarter of next year. For more on the economic, inflation and interest rate outlook please see our [Quarterly Economic Forecast](#), released this morning.

**James Marple, Senior Economist**  
**416-982-2557**

This e-mail and PDF is client and customer friendly.

#### DISCLAIMER

This report is provided by TD Economics. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.