

Consumer Prices and Inflation – March 2007

Consumer prices rose for the fourth straight month in March, up a sharp 0.9% from February. That was more than double the previous one-month increase, which in turn was double the January increase. Even though the year-over-year increase in consumer prices remains low, at 2.8%, the increases of the last three months may ignite concerns of accelerating inflation. Inflation over the first three months of 2007 was at an annual rate of 4.7%, considerably higher than what some policy makers consider healthy.

The main culprit is the usual suspect: energy costs. Energy costs are up at an annual rate of 22.9% in the first three months of 2007, accounting for 41% of the rise in overall prices. Also adding to the increase were food and beverages, up at an annual rate of 7.4% for the first quarter, while medical care was up at an annual rate of 5.6% for the same period.

The “core” rate of inflation, excluding the volatile food and energy components, actually fell in March.

The Bureau of Labor Stats report can be found at:

<http://www.bls.gov/news.release/cpi.toc.htm>

Next release: the April Consumer Price Index will be released on May 15.

Consumer Price Stats at a Glance Percent Change 12 Months Ending:

CPI - U	CPI-W	CPI-W, All Items Less Medical Care	March 2003	3.0%	3.2 %													
3.2%	March 2004	1.7%	1.4%	1.3%	March 2005	3.1%	3.1%	3.1%	March 2006	3.4%	3.6%	3.5%	March 2007	2.8%	2.7%	2.6%	2007 Forecast	2.4%

Percent changes in consumer prices above are drawn from non-seasonally adjusted data. This is the data used to calculate changes in COLA. CPI-U is the Consumer Price Index for All Urban Consumers. It is based on a typical “market basket” of goods consumed by urban consumers, including salaried employees, business owners and retirees as well as wage earners. CPI-W is the Consumer Price Index for All Urban Wage and Clerical Workers. It is based on a typical “market basket” of goods consumed by urban households that receive most of their income from clerical or hourly wage occupations.

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