Core inflation rose less than expected in Oct …

… while headline inflation resumed its downward trend

- The Consumer Price Index (CPI) resumed its downward trend and fell to 3.2% YoY in October—a 0.5 percentage point decrease from the previous two months’ level that had remained unchanged. This drop in the annual rate and resumption of the downward trend was possible because headline inflation remained unchanged monthly. This favorable print can be attributed to a lower-than-expected core print alongside base effects, as housing-related prices started to exhibit a more meaningful moderation and energy prices experienced a sharp fall.

- Previously displaying positive variations, energy prices recorded a monthly decrease of (-)2.5% and a year-on-year decline of (-)4.5%. Gasoline prices within this category had a noteworthy negative year-on-year variation of (-)21.4%, emerging as the primary contributor to the monthly decline.

- Concerning core inflation, housing-related prices, the component with the greatest weight, finally exhibit a more pronounced deceleration. For October’s inflation, this component played a key role as the growth in Owners’ Equivalent Rent of Residences prices slowed down with a monthly variation of only 0.4%, 0.2 pp less than the increase of the previous month. This also led to a 0.2 percentage point drop in its year-on-year rate compared to the previous month, reaching 6.8% YoY.

- Transportation services played a determining role in preventing a more substantial deceleration of core inflation, with a monthly variation of 0.8% and a year-on-year variation of 9.3%. Notably, within this category, the increase is primarily attributed to shifts in motor vehicle insurance prices, rising by 2.3% month-on-month and 19.2% year-on-year.

- Overall, both headline and core inflation continue to exhibit better performance than in previous years. However, housing prices and transportation services, accounting for 2.9 percentage points of the total 3.2% inflation, will continue to play a crucial role in further reducing inflation.

- We anticipate that inflation will continue to cool down in the coming months. We expect headline inflation to average 3.4% YoY in 4Q and core inflation to 4.0%.
Core inflation continues to ease steadily, and excluding housing costs, which remain... 

**Figure 1. CONSUMERS PRICE INDEX (CPI) (YoY %, NSA)**

Energy prices declined by (-)2.5% month-on-month, effectively offsetting ...

**Figure 3. CPI ALL ITEMS LESS CORE (MoM %, SA)**

... the largest contributor to inflation, it stayed at 2.0% YoY for the second month in a row  

**Figure 2. CPI SELECTED ITEMS (YoY %, SA)**

... the rise in food prices, which registered a 3.3% year-on-year increase.

**Figure 4. CPI ALL ITEMS LESS CORE (YoY %, SA)**
Used cars had a decrease of (-)0.8%, contributing to a (-)0.2 pp reduction in inflation. Conversely, transportation services ... 

Figure 5. CORE CPI (MoM %, SA)

Within non-core inflation, lower energy prices offset the rise in food prices.

Figure 7. CONTRIBUTION TO INFLATION BY NON-CORE CPI ITEMS (PERCENTAGE POINTS)

Source: BBVA Research based on data by Haver Analytics.

... exhibited the highest growth (9.3% YoY), driven by a jump in motor vehicle insurance prices.

Figure 6. CORE CPI (YoY %, SA)

Housing costs remain the biggest contributor to inflation, accounting for more than half in Oct.

Figure 8. CONTRIBUTION TO INFLATION BY CORE CPI ITEMS (PERCENTAGE POINTS)

Source: BBVA Research based on data by Haver Analytics.
Accumulated inflation is now well below the trend of the past two years, …

... while core inflation is now running c. 2 pp last year’s trend

Housing costs remain very high, but they are starting to show a more noticeable slowdown

Yet, the 3-month annualized sticky core measure shows short-term stickiness
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