

## BBVA Research Flash

U.S.

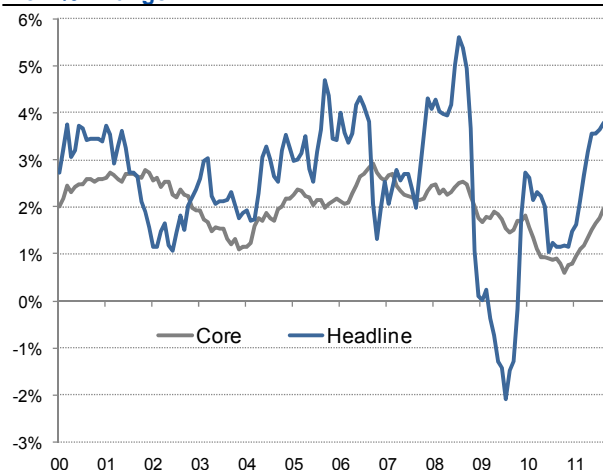
## Energy Prices Drive Headline Inflation in September

- **Consumer prices increased 0.3% MoM in September after rising 0.5% and 0.4% in July and August, respectively**
- **Energy prices jumped 2.0% due in large part to a 2.9% rise in gasoline prices**
- **Core inflation slowed to 0.1%, reflecting declines in apparel and used vehicles**

The consumer price index (CPI) in September moderated to 0.3% MoM growth following two months of higher-than-expected inflation. Energy prices were the main driver of headline inflation, up 2% after rising 1.2% in August, mostly due to a 2.9% jump in gasoline prices. Food prices continued to rise in September at 0.4% growth, although at a slower pace than in the previous month. Excluding food and energy, core inflation slowed to 0.1% after holding steady at 0.2% throughout the summer months. Shelter prices led the core components with a moderate 0.1% increase, while medical care, airline fares, and tobacco also increased slightly. Much of the slowing in core inflation was due to apparel prices, which declined 1.1% despite four months of strong gains. Prices for new vehicles remained flat for the third consecutive month, while used cars and trucks fell 0.6%.

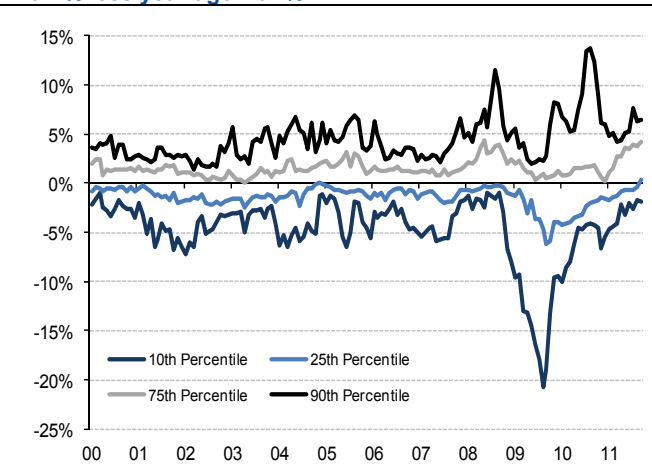
Over the past 12 months, non seasonally-adjusted headline and core CPI have increased 3.9% and 2.0%, respectively. Although headline inflation has increased more than expected in the past few months, the pass-through to core appears to be shrinking. The core index has hit the Fed's maximum rate in the implicit inflation target range of 1.5-2.0%, however, today's data suggest that prices are moderating. Headline prices will continue to adjust as energy and food inflation declines, in line with the Fed's expectations for a less worrisome inflation outlook. Looking forward, the distribution of prices in the CPI continues to suggest an increasing central tendency.

Chart 1  
**Consumer Price Inflation**  
YoY % Change



Source: Bureau of Labor Statistics

Chart 2  
**12M Relative Consumer Price Distribution**  
YoY % less year-ago YoY%



Source: Bureau of Economic Analysis and BBVA Research

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