

BBVA Research Flash

U.S.

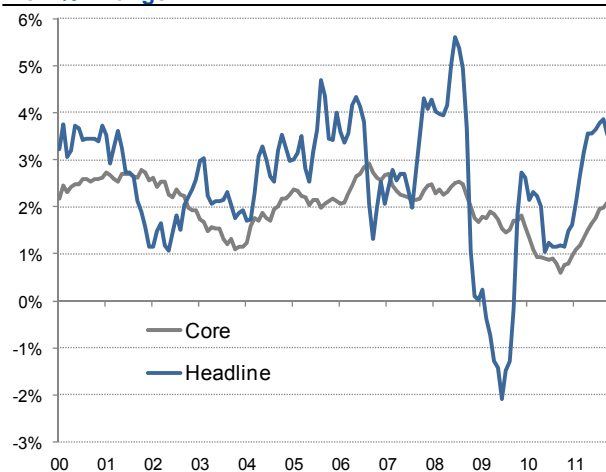
Headline inflation dragged down by declining energy prices

- **Headline consumer prices fell 0.1% MoM in October, with core inflation up 0.1%**
- **Seasonally-adjusted energy prices declined 2.0% for the first time since June, while food inflation slowed to 0.1%**

Consumer price inflation eased in October, falling 0.1% following three months of higher-than expected MoM growth. The negative headline figure primarily reflects a 2% decline in energy prices, mostly coming from a drop in crude oil prices for the month. Gasoline prices fell 3.1% after jumping 2.9% in September, while the household energy index declined 0.3%. Increasing energy prices throughout the past few months were in large part due to fixed seasonal adjustments, as the non-seasonally-adjusted energy index has been negative since June. Food prices, which have been on the rise for more than a year, increased again but at the slowest pace since October 2010. Excluding food and energy, prices increased 0.1% for the second consecutive month. Leading the core components were medical care (0.5%) and apparel (0.4%), which were partially offset by a 1.1% decline in the transportation index.

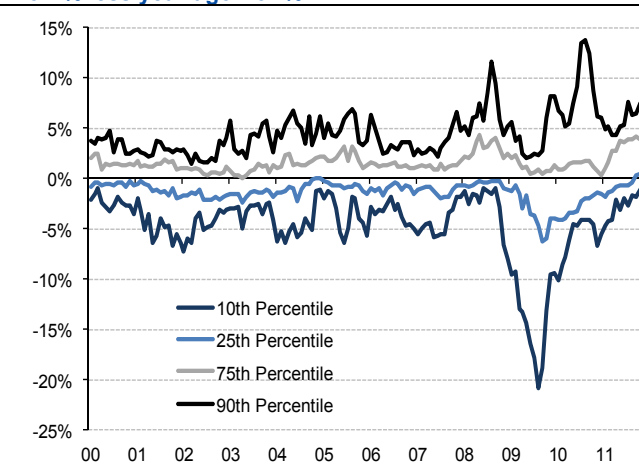
While today's data is in line with the Fed's expectations for easing inflation, it is likely that we will see a bigger jump in prices for November as oil prices rebound. Alternative measures of underlying inflation, such as the trimmed-mean CPI and the median CPI, have accelerated on a YoY basis, but decelerated on a MoM basis. However, the distribution of prices in the CPI suggests 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 Labor Statistics and BBVA Research

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