

BBVA Research Flash

U.S.

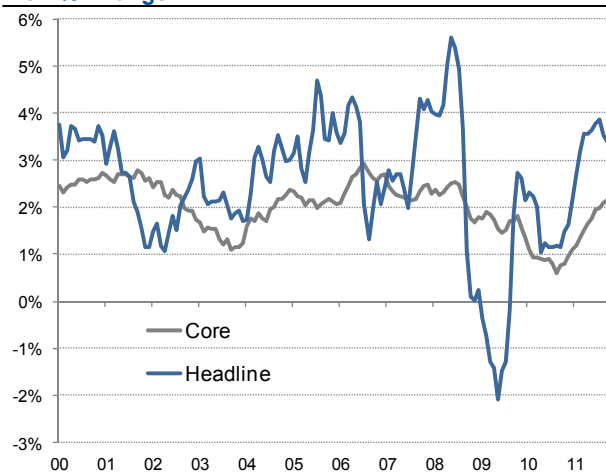
Core inflation edges up, but the headline figure is stabilizing

- **Headline consumer prices were unchanged in November as pressures eased in both energy and food inflation**
- **Core inflation increased 0.2%, mostly due to increases in apparel, shelter, and medical care**

Headline consumer price inflation appears to be stabilizing, posting no change in November after declining 0.1% in the previous month. Energy prices slowed for the second consecutive month, falling 1.6% despite expectations for upward pressure from crude oil. Gasoline and natural gas prices declined 2.4% and 4.4%, respectively, while fuel oil and electricity prices rose slightly. Food inflation, which has been increasing for more than a year, decelerated to the lowest rate since July 2010. Core inflation, on the other hand, accelerated to 0.2% due in large part to a 0.6% jump in apparel prices. Shelter price inflation decelerated slightly in November but remains near 0.2% MoM. The medical care index has been on the rise since August 2010 and increased 0.4% in November.

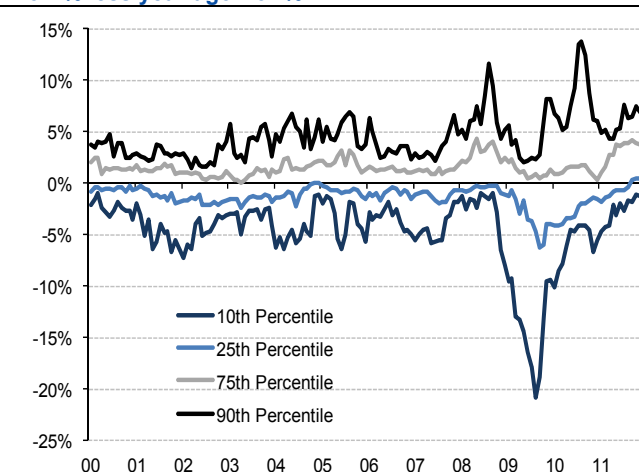
On a YoY basis, headline inflation declined from 3.5% in October to 3.4% in November. Energy and food price inflation has declined to 12.4% and 4.6%, respectively, over the past 12 months. Core inflation edged up slightly to 2.2% YoY, the highest rate since October 2008. Although core consumer price inflation has not eased as much as the headline figure, core PCE, which the Fed follows closely, remains within the target range. Looking forward, the distribution of prices in the CPI continues to suggest an increasing central tendency, which the Fed should continue to monitor.

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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