

## BBVA Research Flash

U.S.

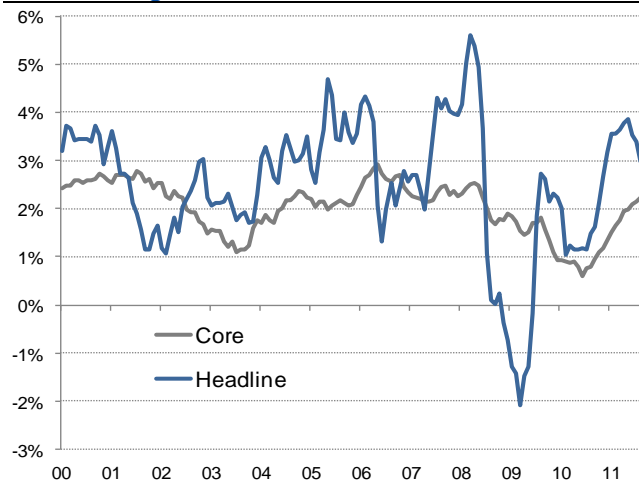
## Gasoline and apparel prices drive inflation in January

- **Consumer price inflation increased 0.2% in January following no change in December and led mostly by rising gasoline prices**
- **Core inflation also increased 0.2%, mostly due to gains in apparel and recreation**

Headline consumer price inflation increased 0.2% MoM in January following no change in December. As expected, rising gasoline prices contributed most to inflation, up 0.9% after declining throughout all of 4Q11. Overall energy prices increased only 0.2%, reflecting a 0.6% decline in household energy. Food inflation remains steady at 0.2%, driven mostly by the food away from home component. Excluding food and energy, core inflation increased 0.2%, led by gains in apparel and recreation prices (up 0.9% and 0.6%, respectively). Pressures from shelter and medical care prices, which have been increasing at a steady pace, were modest in January compared to the leading components. New and used car prices declined for the fifth consecutive month. On a YoY basis, headline inflation dropped to 2.9% in January from 3.0% in December, while core increased slightly to 2.3% from 2.2%.

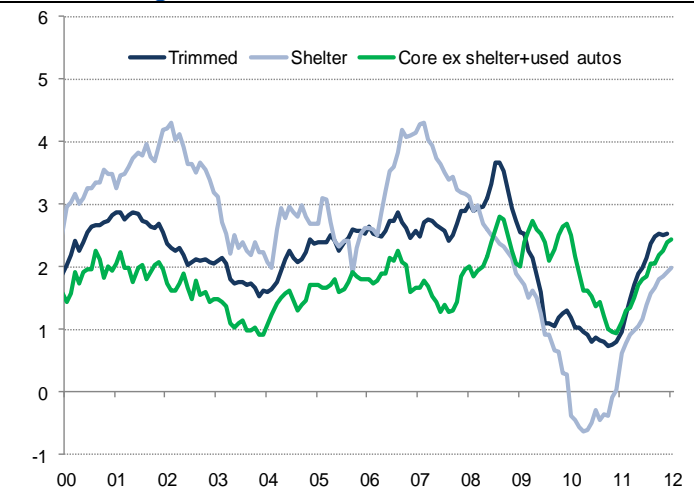
Today's data support our baseline scenario for moderating price pressures in 2012. Although rising oil and gas prices have been a concern for consumers, overall energy inflation is moderate. We expect that commodity price pressures will decline throughout 1Q12, particularly with the slowdown and uncertainty in global economies. However, we remain cautious of an oil shock related to tensions in the Middle East, as high gas prices could linger and put upward pressure on headline inflation for longer than expected. In general, inflation trends are still unfolding as expected by the FOMC and recent data should keep any Fed interventions at bay at least for the near term.

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



Source: Bureau of Labor Statistics and BBVA Research

Chart 2  
**Trimmed Mean, Shelter, and Core CPI**  
YoY % Change



Source: Bureau of Labor Statistics and BBVA Research

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