

U.S. Inflation Flash

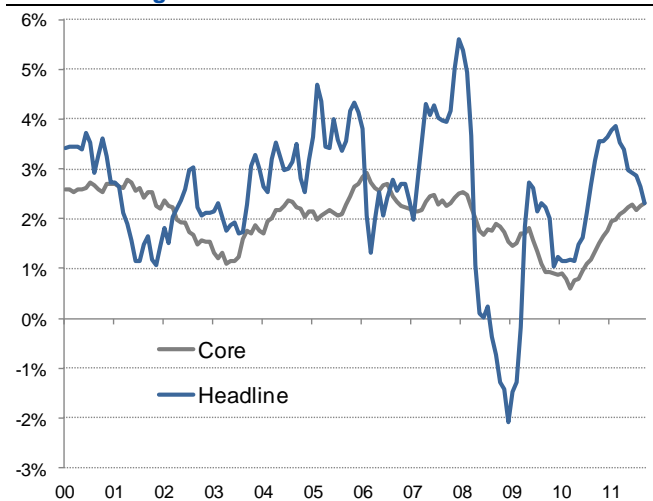
Lower Energy Costs Limit Headline Inflation in April

- **Headline inflation was unchanged in April, mostly due to a 2.6% drop in gas prices**
- **Core prices increased 0.2% and held steady at 2.3% on a YoY basis**

Headline consumer inflation was unchanged in April following three months of gains. As expected, lower energy costs limited price pressures for the month. The energy price index declined 1.7%, with gas prices down 2.6% after increasing 6.0% and 1.7% in February and March, respectively. Consequently, nominal retail sales in April increased only 0.1% and 0.2% excluding autos, in large part due to the decline in gasoline sales. Food inflation held steady at 0.2% for the second consecutive month and continues to decelerate on a YoY basis. Excluding food and energy, core prices increased 0.2% in April, with most pressure stemming from transportation (0.5%), apparel (0.4%), and medical care services (0.4%).

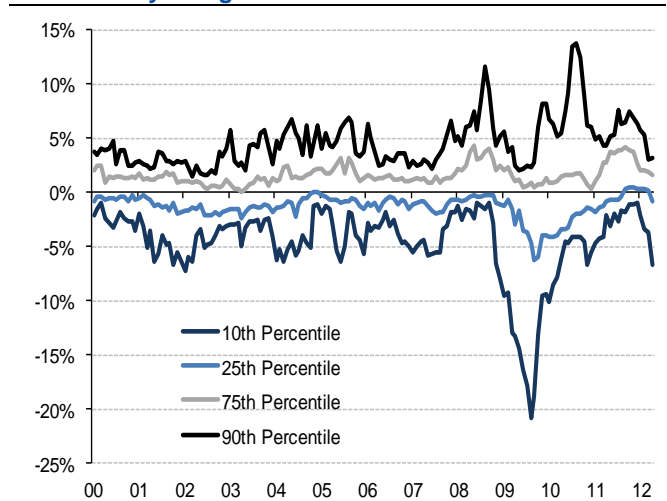
On a YoY basis, headline inflation dropped significantly, from 2.7% in March to 2.3% in April, while the core figure remained unchanged at 2.3%. Alternative measures of underlying inflation, such as the trimmed-mean CPI and the median CPI, have decelerated on a YoY basis. Looking forward, the distribution of prices in the consumer price index suggests a decreasing central tendency, and the data are consistent with our outlook for the second quarter. We do not expect that these figures will have any impact on Fed actions in the near term.

Chart 1
Consumer Price Inflation
YoY % Change



Source: Bureau of Labor Statistics & BBVA Research

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



Source: Bureau of Labor Statistics & BBVA Research

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