

U.S. Inflation Flash

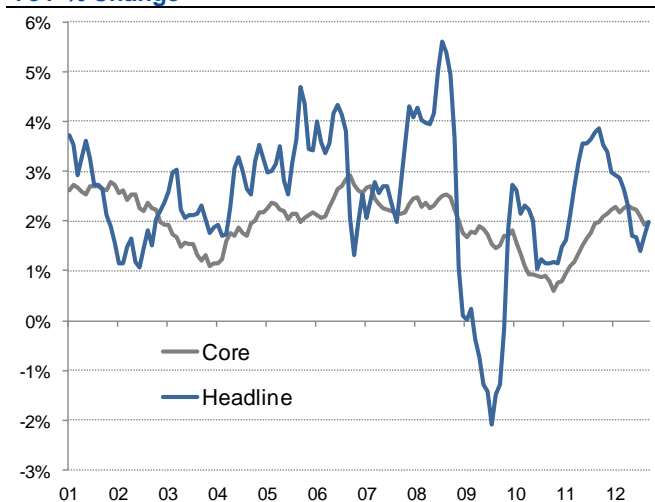
A surge in energy prices keeps pressure on CPI

- **Headline inflation increased 0.6% for the second consecutive month, hitting 2.0% YoY**
- **Energy prices rose 4.5% bolstered by a 7.0% increase in gasoline prices**
- **Core prices increased 0.1%, repeating the last two months**

The Consumer Price Index looked quite similar to the prior month's figures as headline inflation rose 0.6% on intensifying energy prices. A 7.0% jump in gasoline prices led the energy components and the overall 4.5% gain, marking the second consecutive monthly increase for the energy index after a 4-month swing of declines. Although energy prices did climb considerably, the increase was slightly less sharp compared to the 5.6% gain in August. On the other hand, the heavily watched food sector showed very little movement on a month-over-month basis, growing by only 0.1% following a 0.2% increase in August. Concerns are rising that the Midwest drought will soon have its impact on food prices. On a YoY basis, food inflation has decelerated since December of last year, from 4.6% to 1.6%, but we expect that this trend will soon return to an upward trend.

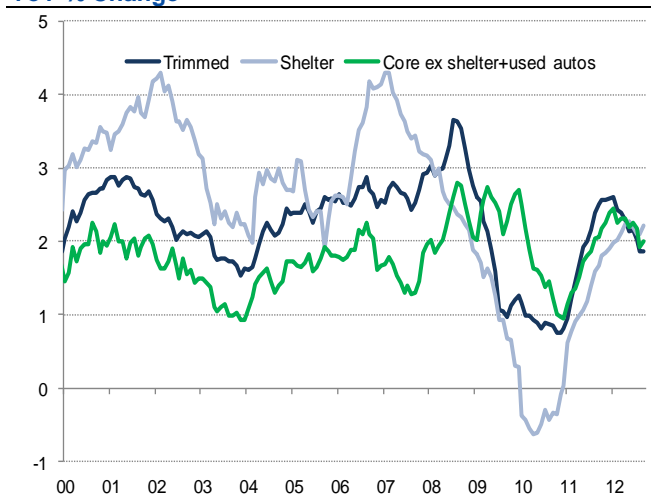
Excluding food and energy, core inflation held steady at a 0.1% for the third straight month, with a small uptick to 2.0% in the YoY figure. This small movement is likely the result of a fall in prices for vehicles, new and used, balanced by an increase in transportation services (0.6%) and medical care (0.4%) prices since August. Shelter prices have accelerated slightly throughout the past few months, mostly on account of rising rental costs. While core prices remain relatively unresponsive for the time being, it is likely that shelter prices will make more of an impact as vehicle price volatility becomes less of a driver. However, the headline level stands to increase some, if not more, as food prices exert additional upward pressures.

Chart 1
Consumer Price Inflation
YoY % Change



Source: Bureau of Labor Statistics & BBVA Research

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



Source: Bureau of Labor Statistics & BBVA Research

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