

# U.S. Inflation Flash

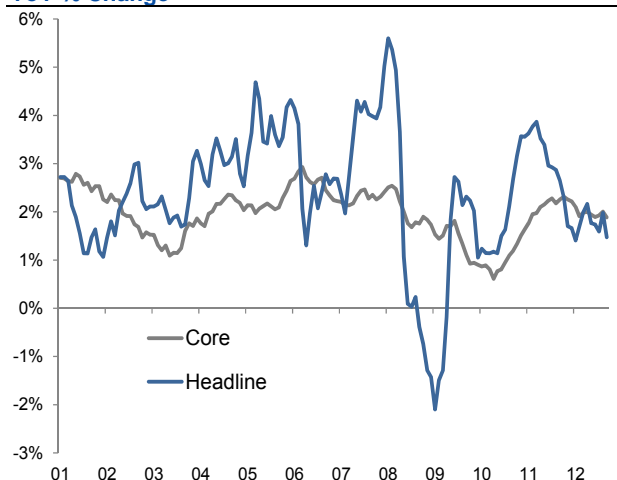
## Headline Inflation Falls as Energy Prices Soften in March

- **Headline inflation declined 0.2% as energy prices dropped throughout the month**
- **Gasoline prices reversed from its February surge, falling 4.4%**
- **Core prices rose a modest 0.1% on increases in shelter and medical services costs**

Consumer prices were in line with our forecasts for March as a decline in energy prices dragged down the headline figure while core inflation rose only slightly. Down 0.2%, the headline consumer price index (CPI) fell as energy prices reversed from their surge the month prior as petroleum supplies normalized. The energy component to CPI fell 2.6%, its largest decline since November, putting strong downward pressure on the overall CPI figure. Gas prices dropped 4.4% following an extreme 9.1% jump in February. Electricity prices also declined sharply, falling 0.6% for its first decline since last July, pulling the headline figure downward further in terms of the energy index. Food prices remained flat for the month. On a YoY basis the headline figure rose 1.5% which is a significant pull back from the 2.0% rise the month prior, signaling the energy component volatility for the beginning of the year.

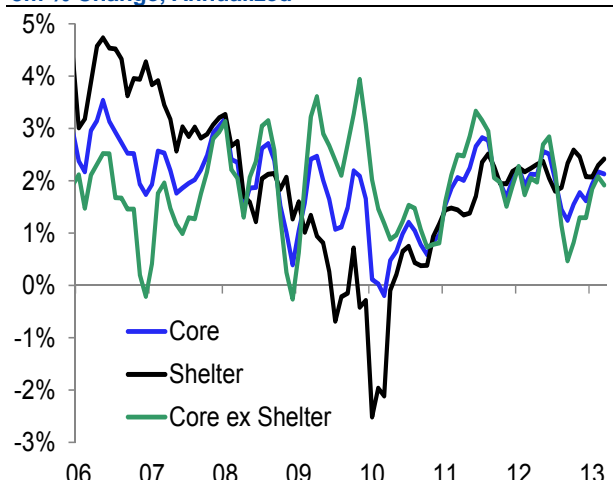
Core prices remained stable for March, rising 0.1% to continue the decline in pace over the past couple of months after January's 0.3% rise. The modest rise was tempered, however, by a prolific decline in the price of apparel which fell 1.0% from February. The price of used vehicles helped balance the decline in prices from apparel, rising by 1.2% as inventories declined slightly. The rest of the components were business as usual. Shelter continues to rise as rent prices continue to rise although we expect this figure to soften in the coming months as data shows a large amount of multifamily units come online. Medical care services rose 0.3% matching their rise the month prior while transportation services rose slightly on a rise in airline fares of 0.6%. A 1.9% YoY core inflation rate remains soft and in line with the Fed's target as economic indicators remain supportive of their policy action.

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



Source: Bureau of Labor Statistics & BBVA Research

Chart 2  
**Core Inflation and Shelter Prices**  
3m % Change, Annualized



Source: Bureau of Labor Statistics & BBVA Research

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