

U.S. Data Review

- CPI: another restrained reading in September, but trend still near two percent

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Consumer Prices

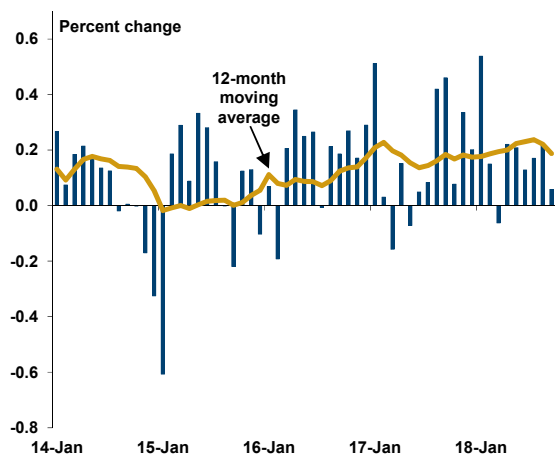
The consumer price index rose 0.1 percent in September, as did the core component. Both measures were softer than the expected increases of 0.2 percent. The headline figure almost rounded down to no change (0.059 percent), while the core component was only marginally above 0.1 percent when calculated with more precision (0.116 percent).

The CPI showed upward pressure around the turn of the year, but it has been subdued in recent months. Indeed, the core component rose only 0.1 percent in both August and September. We are inclined to view the modest changes in recent months as offsets to the jumps in prior months rather than a sign of underlying easing. The year-over-year changes, although down in September, remained above two percent (2.3 percent for the headline and 2.2 percent for the core). In addition, the rolling three-month changes totaled 2.0 percent for both the headline and core (chart, left).

The headline index in September was restrained by a drop of 0.5 percent in the energy sector. Gasoline prices contributed modestly to the decline; reduced charges for electricity and natural gas played a larger role. Food prices were unchanged, as declines in prices of food for home consumption offset higher costs of food away from home. The soft results for the food component reinforced a slow underlying trend, as this component rose at an average pace of 0.1 percent in the prior 12 months.

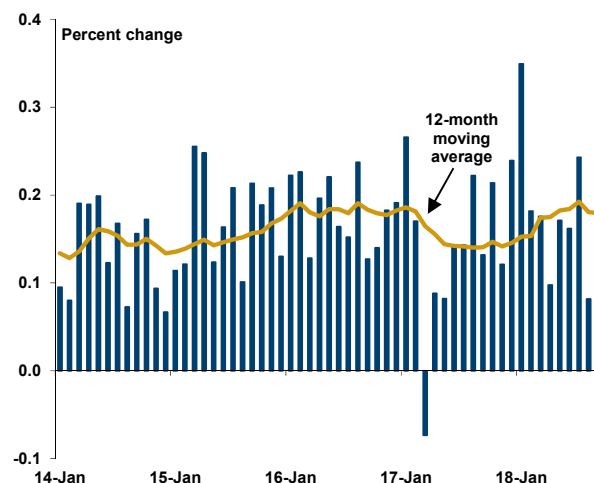
Prices of used vehicles (off 3.0 percent) stood out in restraining the core component in September, but other items contributed as well. Prices of new vehicles also fell, as did the cost of medical care commodities. The prices of medical care commodities have now declined for three consecutive months and are down for the year-to-date. A subdued shift in rental rates for primary residences also was notable. This component rose 0.2 percent in September, but it usually rises 0.3 percent (often rounding down to 0.3 percent). Offsets to these restraints were limited. The cost of recreation services jumped 0.7 percent, with several items contributing. Apparel prices rose 0.9 percent, but the change could be viewed as noise, as this component often moves erratically and the jump in September followed a decline of 1.6 percent in August.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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