

U.S. Data Review

- CPI: drop in energy prices; range-bound change in core component

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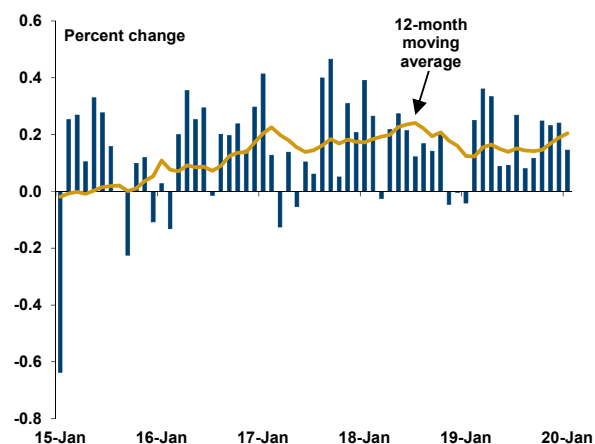
Consumer Price Index

The CPI rose 0.1 percent in January, a touch lighter than the expected increase of 0.2 percent (chart, left). A drop of 0.7 percent in the energy component restrained the change in the headline measure, led by a decline of 1.6 percent in gasoline prices. Food prices rose 0.2 percent, as did the core component, with both matching expectations.

The increase in the core component might be viewed as a high-side change, as it almost rounded up to 0.3 percent (0.242 percent; chart, right). However, the index was restrained in the prior four months, with two of these months posting increases of 0.1 percent and the other two rounding up to 0.2 percent. Recent shifts are best viewed as random changes around a stable trend. Individual items also support the notion of random changes. Rental rates posted above-average increases, but they showed below average changes in other recent months. Apparel prices jumped 0.7 percent in January, but this component is volatile and the change occurred from a low level in the prior month. Airfares rose 0.7 percent, but the change represented only a partial offset to declines in the prior three months. College tuition rose 0.5 percent, but the year-over-year change of 2.0 percent remained light relative to shifts in other recent years.

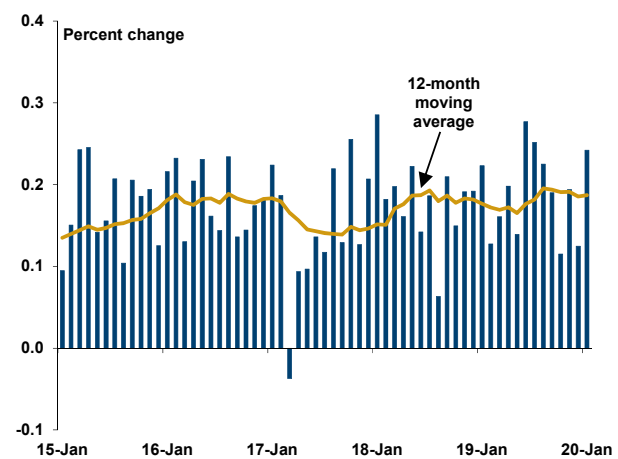
Although the headline index was restrained in January, it was even more subdued in the same month last year, and thus the year-over-year shift increased 0.2 percentage point to 2.5 percent. Because of noise in the energy component, several other readings in the current cycle were firmer than the January increase, including 2.9 percent in July 2018 and 3.9 percent in September 2011. The core component rose 2.3 percent on a year-over-year basis in January, a reading in the upper end of the range in the current expansion. However, the measure was unchanged from readings in the prior three months and a touch lighter than the cyclical highs of 2.4 percent in August and September of last year and in July 2018.

Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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