

# U.S. Data Review

- Headline CPI: no change in September; energy prices fall; food prices inch higher
- Core CPI: modest increase after upward pressure in the prior three months

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## CPI

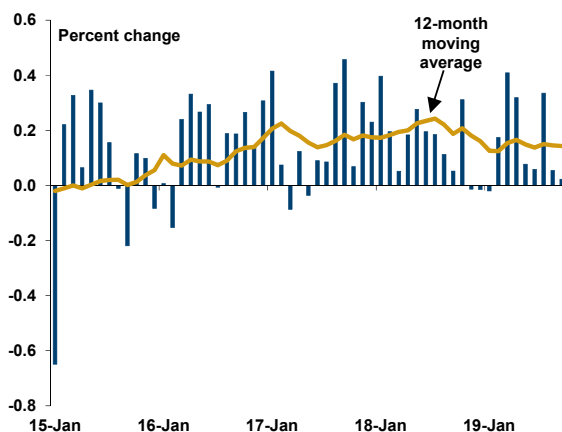
The headline CPI registered no change in September, softer than the consensus expectation of a pickup of 0.1 percent. The restrained reading was influenced by a drop of 1.4 percent in energy prices and an uptick of 0.1 percent in food prices (chart, left). The core component also was softer than expected, with the increase of 0.1 percent trailing the consensus expectation of an advance of 0.2 percent and slowing from increases of 0.3 percent in the prior three months (chart, right). The September change in core prices left a year-over-year increase of 2.4 percent, unchanged from the August reading which was the fastest pace of the expansion thus far (although September was fractionally slower with less rounding: 2.358 percent versus 2.386 percent in August).

The modest increase in the core CPI provided an easing in upward pressure from the June-to-August period. Part of the recent surge likely reflected payback for soft readings earlier in the year (four of the first five months of the year posted increases of 0.1 percent), but we also suspected that upside pressure in some categories represented high-side volatility and was likely to be temporary. For example, prices of used cars and trucks, which usually follow their own cycle and are tied to the supply of vehicles coming off lease, had posted average increases of 1.2 percent per month in the prior three months. They fell 1.6 percent in September, reversing a portion of those increases. In addition, prices of computers resumed their downward trend (-0.9 percent) after surprising surges of 2.8 percent in July and 1.2 percent in August.

Key areas of the CPI provided few surprises in September. Rent of primary residence rose 0.4 percent, but the firm reading followed a below-trend increase of 0.2 percent in August and the longer-term trend centered around 0.3 percent remained intact. In addition, owners' equivalent rent of primary residence remained on trend with an increase of 0.3 percent. On the soft side, medical care commodities showed a hint of upward pressure in the prior two months, but a drop of 0.6 percent in September offset all of the recent increases.

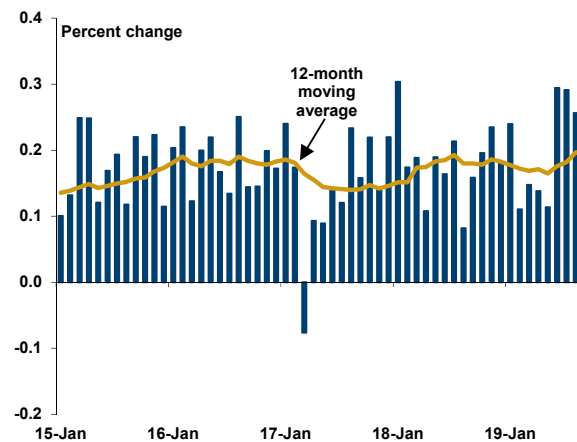
On balance, we view the underlying average in core inflation to be approximately 0.2 percent per month, with results thus far this year fluctuating around this average in a monthly band of increases ranging from 0.1 to 0.3 percent.

### Headline CPI



Source: Bureau of Labor Statistics via Haver Analytics

### Core CPI



Source: Bureau of Labor Statistics via Haver Analytics

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