

## ECONOMIC ALERT

### U.S. CONSUMER PRICE INDEX - MAY 2017

Released Wednesday, June 14, 2017

**Consumer Price Index (CPI):** -0.1% month-over-month (Cons: 0.0%); +1.9% year-over-year

**Core CPI:** +0.1% month-over-month (Cons: +0.2%); +1.7% year-over-year

#### **Quick Take:**

U.S. headline CPI fell 0.1% month-over-month, which was lower than expectations for unchanged month-over-month growth. Headline CPI was up 1.9% year-over-year as of May. Core CPI was up 0.1% in May, also lower than economists' estimates, and core CPI year-over-year growth decelerated to 1.7%.

Year-over-year headline CPI growth has fallen for three consecutive months after peaking in February at 2.7%. Decreased energy prices have contributed to the recent drop in overall prices. Year-over-year core CPI growth has fallen for four consecutive months and has received attention more recently for running below 2%. The pricing war in the providers of wireless phone services has been a headwind to core inflation; however, we believe that telecom price moves are likely be temporary noise relative to the underlying inflation trend.

#### **Notable Data:**

Decreased oil prices continued to weigh on headline inflation as the energy index fell 2.7% in May, which was driven by a 6.4% drop in the gasoline index. Energy prices are up 5.4% year-over-year however, due to strong growth in late-2016. Food prices slightly offset decreased energy prices with 0.2% growth in May, which is the fifth consecutive month of food price growth. Food prices are now up 0.9% year-over-year having rebounded from a deflationary state in 2016.

For core inflation, wireless telephone services have also been a significant drag on year-over-year core CPI growth as wireless telephone service prices are down 12.5% year-over-year, which detracted 0.2 percentage points from year-over-year core inflation. Lower prices in this area are primarily due to a price war between major telecom companies. Used car prices have also been falling steadily over the past five months. The 4.3% year-over-year decline in used car prices detracted 0.1 percentage point from year-over-year core CPI growth.