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CPI declines for 12th straight month

Protein drops ease a bit; analyst sees inflation returning in 2H 2017

Jon Springer | Dec 15, 2016

Although protein deflation eased a bit, the Consumer Price Index for food-at-home — a proxy for grocery-level inflation — suffered its 12th consecutive year-over-year monthly decline in November, the Bureau of Labor Statistics said Thursday.

The index for food-at-home during the month declined by 0.1% from September, marking the seventh straight month-to-month drop in retail prices. As compared to November of last year, grocery prices

were down by 2.2%, the Bureau said.

Although still deflationary, the 6% year-over-year decline in prices for meats, poultry fish and eggs was not as severe as October's 6.4% decline, and dairy — which was deflationary for the 20th consecutive month — was unchanged from October at a 1.7% decline. However deflation in fruits and vegetables was slightly worse at 1.5% vs. 0.8% in October, the Bureau said.

While grocery retailers continue to grapple with the effects of falling prices their counterparts in the restaurant industry continue to slowly increase prices. The CPI for food away from home was up by 0.1% in November. Restaurant prices are up by 2.3% from a year ago.

In a research note issued Thursday, Deutsche Bank analyst Shane Higgins said the figures indicate grocery retailers are grappling with the worst of the current deflationary cycle now but added that Producer Price Index figures released earlier this week suggest conditions could improve by spring of 2017 and that inflation could return by the second half of the year. PPI figures — which indicate prices on the supplier level — although still down on a year-over-year basis, were not as severe in November. CPI figures historically tend to correlate with PPI on a five-month lag, he said.

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