



The consumer price index continued its slowdown in 2015: energy was the main factor

By Bradley Akin

Overall price change remained modest in 2015, as the U.S. All-Items Consumer Price Index (CPI) posted the second-lowest increase in 50 years. As in 2014, inflation was limited by declining energy prices. Although food prices still increased in 2015, they did so at a substantially lower rate than in 2014. By contrast, the index for all items less food and energy increased at a faster rate in 2015, due in part to higher shelter prices.

This **Beyond the Numbers** article examines trends for major CPI components, such as energy, food, and all items less food and energy, in 2015. As an annual account, the article highlights subcomponents that made notable changes or had some effect on the major category.

All items

In 2015, the U.S. All-Items Consumer Price Index increased by 0.7 percent, slightly less than the 0.8-percent rise recorded in 2014. This 0.7-percent December-to-December change was the smallest since 2008 and the second-smallest increase since the same 0.7-percent increase was posted in 1961.¹ The index has risen at a 1.9-percent average annual rate over the past 10 years. (See table 1.)

Table 1. Annual price change for selected Consumer Price Index (CPI) categories, December to December 2013–14, 2014–15, and 2005–15

Category	December 2013– December 2014	December 2014– December 2015	December 2005– December 2015 (annualized)
All items	0.8	0.7	1.9
Food	3.4	0.8	2.5
Food at home	3.7	-0.4	2.3
Cereals and bakery products	0.5	1.0	2.7
Meats, poultry, fish, and eggs	9.2	-2.2	3.2
Dairy and related products	5.3	-3.9	1.9
Fruits and vegetables	3.2	0.6	1.7
Nonalcoholic beverages	0.7	0.3	1.4
Other food at home	1.5	1.0	2.2
Food away from home	3.0	2.6	2.8
Energy	-10.6	-12.6	0.2
Fuel oil	-19.1	-31.4	-1.2
Gasoline	-21.0	-19.7	-0.4
Electricity	3.1	-1.2	2.8
Natural gas	5.8	-14.9	-4.9
All items less food and energy	1.6	2.1	1.9
Shelter	2.9	3.2	2.3
Rent	3.4	3.7	2.8
Owners' equivalent rent	2.6	3.1	2.2
Household furniture and operations	-0.9	-0.1	-0.3
Apparel	-2.0	-0.9	0.4
New vehicles	0.5	0.2	0.6
Used cars and trucks	-4.2	0.4	0.2
Airline fare	-4.7	-3.0	1.8
Medical care	3.0	2.6	3.2
Recreation	0.0	0.7	0.5
College tuition and fees	3.4	3.5	5.0
Tobacco and smoking products	3.0	3.6	6.3
Alcoholic beverages	1.3	0.5	2.0
Personal care	1.3	1.4	1.7

Source: U.S. Bureau of Labor Statistics.

A marked decline in the energy index, which fell 12.6 percent in 2015, was the main factor in the all-items rate of change remaining low. In 2015, the food index grew 0.8 percent, a smaller increase than in the previous year. The index for all items less food and energy rose 2.1 percent, a slight acceleration from 2014.

Energy

The energy index, which fell sharply in 2014, did so again in 2015, as international and domestic oil prices remained low. The 12.6-percent December-to-December decline was the largest since 2008. All of the major component energy indexes declined in 2015. Gasoline prices fell 19.7 percent over the year, and the average price of a gallon of gasoline declined to \$2.13 in December, the lowest average price since it was \$2.11 in April 2009. The fuel oil index exhibited the largest decline, falling 31.4 percent in 2015, after a 19.1-percent decline in 2014. Energy services indexes also declined in 2015. The natural gas index fell 14.9 percent, after a 5.8-percent increase in 2014—that index's first increase in 6 years. The index for electricity dropped 1.2 percent in 2015, its first decline since 2012. After all these declines are taken into account, the energy index has risen at just a 0.2-percent average annual rate over the last 10 years, a timeframe during which the gasoline index declined at a 0.4-percent annual rate. Because of the volatility of these energy series, however, the peaks and troughs will have a skewing impact on trends, especially in the short run.

Food

In 2015, the index for food increased 0.8 percent, a deceleration from the 3.4-percent rise observed in 2014. The 0.8-percent figure is the smallest change in the food index since a decline in 2009. Over the last 10 years, the food index has grown at a 2.5-percent average annual rate. The index for food at home, which essentially measures grocery store prices, fell 0.4 percent in 2015, only the third time (along with 1976 and 2009) in the last 50 years that this index has declined. The price for food at home increased at an average annual rate of 2.3 percent over the last decade.

Prices for 4 of the 6 major grocery index categories increased in 2015, none, however, by more than 1 percent. The meat, poultry, fish, and eggs index decreased by 2.2 percent in 2015, after increasing by 9.2 percent in 2014. Similarly, the dairy and related products index fell by 3.9 percent in 2015, following a rise of 5.3 percent in 2014. The index for fruits and vegetables slowed from an increase of 3.2 percent in 2014 to an increase of 0.6 percent in 2015. The indexes for cereal and bakery products (1.0 percent), nonalcoholic beverages (0.3 percent), and other food at home (1.0 percent) increased by 1.0 percent or less in 2015.

The index for food away from home increased 2.6 percent, slightly less than the 3.0-percent rise recorded in 2014. In the last 10 years, the price for food away from home has increased at an average annual rate of 2.8 percent.

All items less food and energy

The index for all items less food and energy rose 2.1 percent in 2015, up from a 1.6-percent increase in 2014. The 2.1-percent figure outpaced the 1.9-percent average annual rate registered over the past decade. The index for shelter continued to accelerate, rising by 3.2 percent in 2015, after increases of 2.5 percent in 2013 and 2.9 percent in 2014. The 3.2-percent increase was the largest in the index since 2006.

The rent index grew by 3.7 percent in 2015, while the owner's equivalent rent index increased by 3.1 percent.² The medical care index decelerated, rising only 2.6 percent in 2015 after increasing 3.0 percent in 2014. The index has risen at an average annual rate of 3.2 percent over the past 10 years.

The new-vehicles index rose 0.2 percent in 2015, after a 0.5-percent increase the previous year. The index for alcoholic beverages, which posted a 1.3-percent increase in 2014, slowed to a 0.5-percent rise in 2015. The personal care index showed an increase of 1.4 percent, slightly more than the 1.3-percent increase recorded in

2014. The index for college tuition and fees grew by 3.5 percent, more than the 3.4-percent increase posted in 2014, but still below the 5.0-percent average annual increase over the past 10 years.

The used cars and trucks index increased slightly in 2015, by 0.4 percent, after a sharp 4.2-percent decline in 2014. The index for apparel continued to fall in 2015, declining by 0.9 percent following a 2.0-percent drop in 2014. The household furnishings and operations index fell slightly, by 0.1 percent, in 2015, after a larger decline of 0.9 percent in 2014. The airline fare index continued to fall in 2015, perhaps because of lower energy prices. Still, the index declined just 3.0 percent, a smaller decrease than the 4.7-percent drop recorded in 2014.

Summary

Despite price growth in some core areas, the U.S. All Items Consumer Price Index decelerated in 2015. This slowdown in price change was driven by the more volatile food and energy categories, especially energy, which saw declining prices. Although Americans are paying more for many goods and services, the total impact of rising prices in 2015 was mitigated by savings on fuel, electricity, and other energy costs.

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NOTES

¹ The smallest increase was a 0.1-percent rise in 2008.

² For a discussion of owner's equivalent rent, see "How the CPI measures price change of *Owner's equivalent rent of primary residence (OER)* and *Rent of primary residence (Rent)*" (U.S. Bureau of Labor Statistics, April 2009), <https://www.bls.gov/cpi/factsheets/owners-equivalent-rent-and-rent.pdf>.

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