BEYOND THE NUMBERS

BLS

March 2015 | Vol. 4 / No. 5

PRICES AND SPENDING

# Falling gasoline prices lead to lowest inflation since 2008

*By Stephen B. Reed*

Overall price change was modest in 2014, with the U.S. All Items Consumer Price Index posting its smallest increase since 2008. This was primarily the result of gasoline prices, which fell sharply over the latter part of the year. However, shelter and food price indexes accelerated in 2014. In this **Beyond** the **Numbers** article, we will look at price trends for major CPI components in 2014.

## All items

The U.S. all items index rose 0.8 percent in 2014, following a 1.5-percent increase in 2013. The 0.8-percent December-to-December change was the smallest since the 0.1-percent rise in 2008, and the second smallest

increase in the last 50 years. The index has risen at a 2.1-percent annual rate over the last 10 years. (See table 1.)

A sharp decline in the gasoline index, which fell 21.0 percent in 2014, was the main factor in the deceleration in the all-items rate of change. The food index accelerated in 2014, rising 3.4 percent, while the index for all items less food and energy rose 1.6 percent, nearly the same rate as in 2013.

# Energy

The energy index, which rose slightly in both 2012 and 2013, fell sharply in 2014; its 10.6-percent decline was the largest since 2008. The gasoline index was the main factor. Though gasoline prices generally rose over the first half of the year, they fell dramatically over the last several months of 2014 to lead to the 21.0-percent decline. The CPI average price for gasoline peaked in June at $3.75 a gallon and ended the year at $2.62 a gallon, the lowest figure since May 2009. The fuel oil index also declined sharply, falling 19.1 percent after a 1.8-percent decrease in 2013. These declines correspond to declines in international petroleum prices. However, indexes for energy services increased in 2014. The index for natural gas, which fell slightly in 2013, rose 5.8 percent in 2014, ending a streak of 5 years of declines. The electricity index rose 3.1 percent in 2014, similar to its 3.2-percent advance in 2013. Despite the decline in 2014, the energy index has risen at a 3.2-percent annual rate over the past 10 years, with gasoline rising at a 3.4-percent rate.

**Table 1. Annual price change for selected CPI categories, December to December 2012–2013, 2013–2014, and 2004–2014.**

| Category | Dec. 2013–Dec. 2014 | Dec. 2012–Dec. 2013 | Dec. 2004–Dec. 2014 (per year) |
|---|---|---|---|
| All items | 0.8 | 1.5 | 2.1 |
| Food | 3.4 | 1.1 | 2.7 |
| Food at home | 3.7 | 0.4 | 2.5 |
| Cereals and bakery products | 0.5 | 0.5 | 2.7 |
| Meats, poultry, fish, and eggs | 9.2 | 2.9 | 3.6 |
| Dairy and related products | 5.3 | -0.5 | 2.5 |
| Fruits and vegetables | 3.2 | -0.1 | 1.7 |
| Nonalcoholic beverages | 0.7 | -1.4 | 1.7 |
| Other food at home | 1.5 | -0.4 | 2.4 |
| Food away from home | 3.0 | 2.1 | 2.9 |
| Energy | -10.6 | 0.5 | 3.2 |
| Fuel oil | -19.1 | -1.8 | 5.1 |
| Gasoline | -21.0 | -1.0 | 3.4 |
| Electricity | 3.1 | 3.2 | 4.0 |
| Natural gas | 5.8 | -0.1 | -0.8 |
| All items less food and energy | 1.6 | 1.7 | 1.9 |
| Shelter | 2.9 | 2.5 | 2.2 |
| Rent | 3.4 | 2.9 | 2.8 |
| Owners' equivalent rent | 2.6 | 2.5 | 2.2 |
| Household furniture and operations | -1.4 | -0.9 | -0.3 |
| Apparel | -2.0 | 0.6 | 0.4 |
| New vehicles | 0.5 | 0.4 | 0.5 |

See footnotes at end of table.

**Table 1. Annual price change for selected CPI categories, December to December 2012–2013, 2013–2014, and 2004–2014.**

| Category | Dec. 2013–Dec. 2014 | Dec. 2012–Dec. 2013 | Dec. 2004–Dec. 2014 (per year) |
|---|---|---|---|
| Used cars and trucks | -4.2 | 2.0 | 0.3 |
| Airline fare | -4.7 | -1.4 | 2.7 |
| Medical care | 3.0 | 2.0 | 3.4 |
| Recreation | 0.0 | 0.4 | 0.6 |
| College tuition and fees | 3.4 | 3.9 | 5.3 |
| Tobacco and smoking products | 3.0 | 3.2 | 6.6 |
| Alcoholic beverages | 1.3 | 1.8 | 2.1 |
| Personal care | 1.3 | 1.4 | 1.8 |

Source: U.S. Bureau of Labor Statistics.

# Food

The index for food rose 3.4 percent in 2014, a substantial acceleration from its 2013 increase of 1.1 percent. The index for food at home (grocery store prices) rose 3.7 percent in 2014 after rising only 0.4 percent in 2013. It has increased at a 2.5-percent annual rate over the past 10 years. All six major grocery store food group indexes increased in 2014 after only two of them increased in 2013. The index for meats, poultry, fish, and eggs, which rose 2.9 percent in 2013, increased 9.2 percent, its largest December–December increase since 2003. The index for beef and veal rose 18.7 percent in 2014, as beef supplies were low, partly because of drought. The eggs index rose 10.7 percent. The index for dairy and related products rose 5.3 percent in 2014, while the index for fruits and vegetables advanced 3.2 percent; both had declined in 2013. Also turning up after declining in 2013 was the index for other food at home (which rose 1.5 percent as the index for sugar and sweets advanced 1.1 percent) and the index for nonalcoholic beverages (up 0.7 percent). The only major grocery store food group index not to accelerate was cereals and bakery products, which repeated its 2013 increase of 0.5 percent. The index for food away from home rose 3.0 percent in 2014 after increasing 2.1 percent in 2013. Over the last 10 years, the food index has risen at an average annual rate of 2.7 percent.

# All items less food and energy

The index for all items less food and energy rose 1.6 percent in 2014, a slight deceleration from its 1.7 percent increase in 2013, and below its 1.9 percent annual rate over the past 10 years. The shelter index accelerated in 2014, increasing 2.9 percent after advancing 2.5 percent in 2013. This was its largest increase since 2007. The rent index rose 3.4 percent, and the index for owners' equivalent rent increased 2.6 percent. The medical care index also accelerated, rising 3.0 percent after a 2.0-percent increase in 2013. The new vehicles index rose 0.5 percent in 2014 after a 0.4-percent advance the previous year. The index for alcoholic beverages, which increased 1.8 percent in 2013, rose 1.3 percent in 2014. The personal care index also decelerated, rising 1.3 percent in 2014 following a 1.4-percent increase in 2013. The index for college tuition and fees rose 3.4 percent in 2014, the smallest December–December increase in the history of the index, dating to 1977. The recreation index was unchanged in 2014 after rising slightly in 2013. The telephone services index, unchanged in 2013, fell 2.1 percent in 2014. The index for used cars and trucks turned down in 2014, falling 4.2 percent after rising 2.0 percent in 2013. Similarly, the apparel index, which rose 0.6 percent in 2013, fell 2.0 percent in 2014. The index

for household furnishings and operations continued to decline in 2014, falling 1.4 percent after a 0.9-percent decrease the previous year. The index for airline fares also continued to fall, declining 4.7 percent after a 1.4-percent decrease the prior year. This decline may be related to falling petroleum prices reducing the cost of jet fuel.

---

This **Beyond** the **Numbers** article was prepared by Stephen B. Reed, economist in the Division of Consumer Prices and Price Indexes, Office of Prices and Living Conditions, Email: reed.steve@bls.gov, Telephone: (202) 691-6966.

Information in this article will be made available to sensory-impaired individuals upon request. Voice phone: (202) 691-5200. Federal Relay Service: 1-800-877-8339. This article is in the public domain and may be reproduced without permission.

## RELATED ARTICLES

More BLS information on price trends is available at the following links:

Measures of gasoline price change

Consumer Price Index: frequently asked questions

Two measures of consumer price change: How are they different?

## SUGGESTED CITATION

Stephen B. Reed, “Falling gasoline prices lead to lowest inflation since 2008 ,” *Beyond the Numbers: Prices and Spending*, vol. 4, no. 5 (U.S. Bureau of Labor Statistics, March 2015), https://www.bls.gov/opub/btn/volume-4/falling-gasoline-prices-lead-to-lowest-inflation-since-2008.htm