

Economic Analysis

Import prices in March post first rise since June

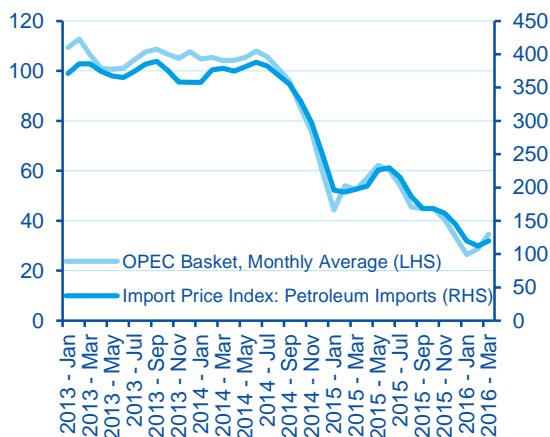
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- **Import prices increased 0.2% MoM due to higher fuel prices, but still less than expected**
- **Nonagricultural export prices increased for the first time in ten months**
- **Rising oil prices and the weaker U.S. dollar effect should move prices up going forward**

U.S. import prices increased in March for the first time in nine months, driven largely by higher fuel prices. The average oil price in March was 20% higher than in February (Chart 1), though the petroleum imports price index increased only 6.5% MoM. We expect further gains in the petroleum import price index in April given the ongoing gains in oil, continuing to exert upward pressure on import prices overall.

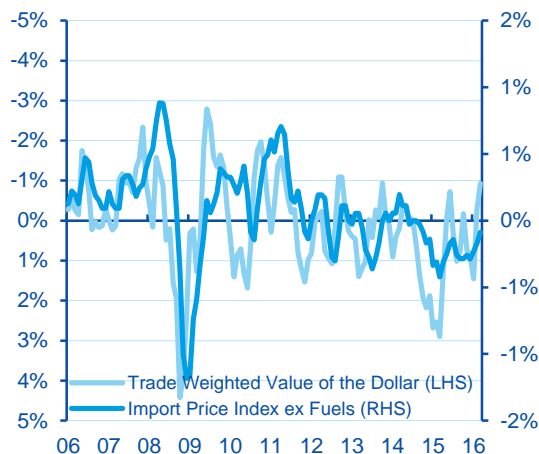
The price index for nonfuel imports declined 0.1% MoM due to lower prices for foods, feeds, and beverages, capital goods, and consumer goods excluding autos. The change in the index for nonfuel imports is inversely correlated with and lags the change in the U.S. dollar exchange rate (Chart 2). As the U.S. dollar has been weakening since the end of January, it is likely that nonfuel import prices will increase at some point in the coming months, something that has not happened since the index advanced 0.1 percent in July 2014.

Chart 1
Oil Prices and Import Prices
\$ and Index



Source: Bloomberg, BLS and BBVA Research

Chart 2
Exchange Rate and Import Prices ex Fuels
% MoM 3-month MA (LHS Inverted)



Source: FRB, BLS and BBVA Research

Export prices remained flat in March following nine consecutive months of decline. Nonagricultural commodity prices increased 0.26%, the first time in ten months, reflecting the weakening U.S. dollar, while agricultural commodity prices declined 2.5% due to lower prices for fruit, soybeans, corn, and nuts. On a YoY basis, agricultural prices dropped 11.1% due to a combination of a stronger dollar in 2015 and surpluses in multiple crops.

Overall, March's import and export price data provide indications that their slide has ended and that they are stabilizing. We expect this to continue due to the ongoing (albeit gradual) increase in oil prices. The possibly lower U.S. dollar exchange rate against major currencies compared to March should result in further improvement in the April report. February's core CPI and PCE figures pointed to upward inflationary trends, and the higher oil prices in March and the import and export price data for March support such movements going forward.

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