News Brief

January Inflation Higher Than Expected

The U.S. Bureau of Labor Statistics reported that the consumer price index (CPI) rose 3.1% year over year in January, a deceleration from 3.4% in December. The January reading was higher than expected; economists surveyed by Dow Jones had forecast an annual increase of 2.9%.

Shelter costs, including rent, accounted for more than two-thirds of the rise in the CPI, increasing 0.6% in January. Due in part to winter storms, food prices rose 0.4%, the most in a year. Grocery food costs also increased 0.4%—the largest gain since January 2023. This jump was shaped by more expensive sugar, sweets, fats, oils, fruits and vegetables.

The "core" CPI, which strips out the unpredictable food and energy components, was unchanged from December at an annual rate of 3.9%. This reading once again fell short of economists' expectations of 3.7%.

> **"Inflation is generally moving in the right direction. But it's important to remember that a lower inflation rate does not mean that prices of most things are falling—rather, it simply means that prices are rising more slowly. Consumers are still feeling the pinch of higher prices for the things they buy most often."**
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> - *Lisa Sturtevant, chief economist, Bright MLS*

The labor market posted surprisingly strong figures in January. The U.S. Department of Labor reported that the U.S. economy added 353,000 jobs in January, far exceeding the Dow Jones estimate of 185,000. Additionally, annual wage growth improved, and the unemployment rate held at 3.7%.

What's Next?

Disinflation progress remains slow and is still well above the 2% target of the Federal Reserve (Fed). Although inflation is slowing, it's probably not fast enough to encourage Fed officials to start easing the rates soon. Furthermore, Fed officials expect inflation to get closer to their 2% annual target because they think shelter prices will decelerate during 2024. January's much-anticipated report was disappointing for those who expected inflation to edge lower, allowing the Fed to begin easing rates.

Individuals should continue to monitor the economy and associated inflation trends, adjusting their financial habits accordingly. Employees should check with their managers for financial and mental wellness benefits and related resources.

We will keep you updated with any notable changes.