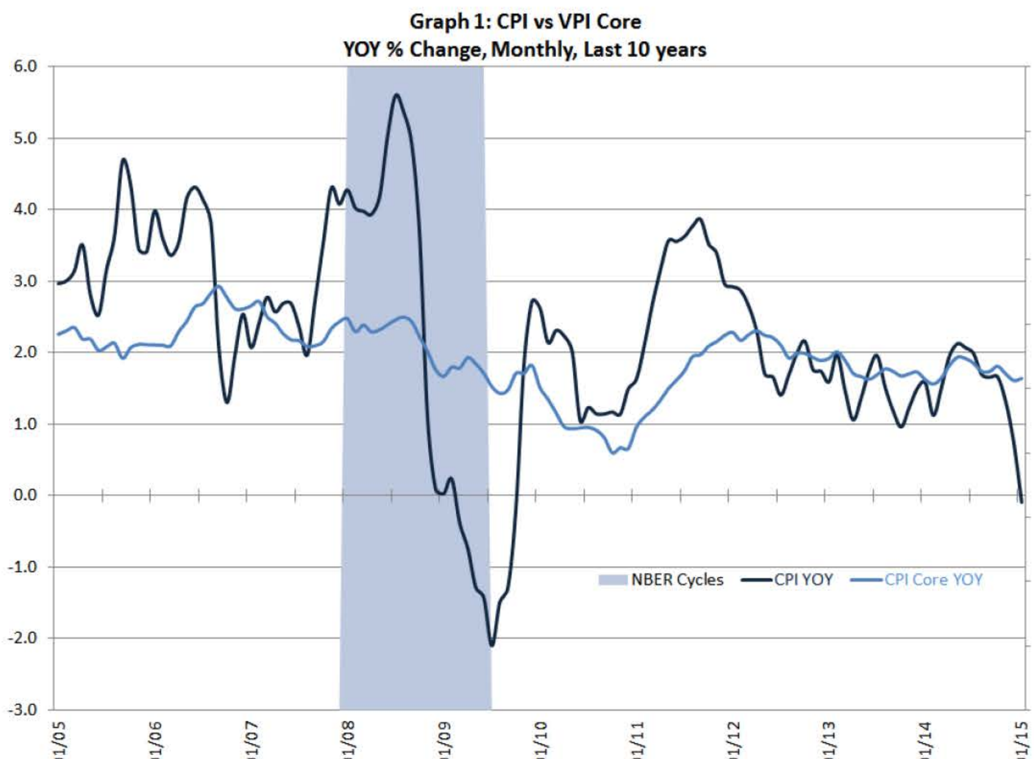
## Energy Declines affect headline inflation

Headline CPI inflation fell by 0.7% (m/m) in January, a slightly larger decline than consensus expectations (i.e-0.6%m/m), following an upward revised -0.3% decline at yearend. This takes January headline inflation growth down to -0.1% (y/y) relative to a year ago, back in negative territory for the first time since the latter part of 2009, subsequent to the end of the recession. A substantial contributor to the January decline was the 9.7% (m/m) fall in energy prices, consistent with the retail gasoline price data from the Department of Energy. Some of January's decline in gasoline prices will likely be partially reversed in the February CPI report (to be released at the end of March), based on the data available at the time this report was written, with the energy component possibly adding approximately +0.1% (m/m). The trajectory of headline and core inflation growth during the last decade is shown in Graph 1 below.




Source: BLS Data and RiskEcon® Analytics

Core inflation (excluding food and energy) rose by +0.2% (m/m) in January, following a similarly upward revised +0.1% (m/m) increase in December. Core inflation growth stands at +1.6% (y/y) relative to a year ago, and this indicator has remained within the range of 1.6% to 2.0% (y/y) since August 2012. As indicated by Federal Reserve Chair Yellen in her