

Making Sense

Want the latest updates? [Sign up](#) for the latest market insights in your inbox.

January's Consumer Price Index:

Inflation Rate Remains Above 3%, Surprising Consensus

In Brief:

Takeaways from January's consumer price index:

- Headline inflation (year-over-year): **3.1%**
- Core inflation (year-over-year): **3.9%**

What does it mean for you?

- Inflation remains stubbornly elevated.
- Today's report casts doubt on a near term rate cut.

What to watch:

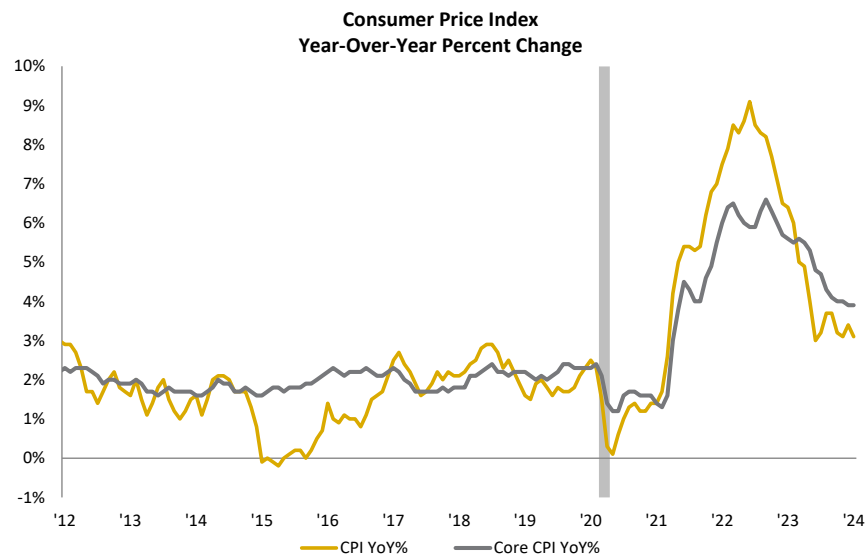
- The Fed's next rate decision on March 20th, along with their Summary of Economic Projections.
- The Fed will continue to monitor economic data as well as developing geopolitical events.
- Stay informed and submit your questions at [FirstCitizens.com/Wealth/Market-Outlook](https://www.firstcitizens.com/Wealth/Market-Outlook).

Today's consumer price index release placed year-over-year inflation at 3.1%, above consensus expectations of 2.9%, albeit an improvement from 3.4% in the prior report. Worryingly, core CPI, which excludes the impact of food and energy, was unchanged at 3.9%. Month-over-month, headline CPI rose 0.3% (above 0.2% in December) while core rose 0.4%, above the 0.3% gain in the prior month.

So, what is driving higher-than-expected consumer inflation? In one word: housing. The total cost of shelter accelerated to a 0.6% month-over-month increase from a 0.4% gain in the prior two months. Owner's equivalent rent also accelerated, rising 0.6%. Shelter accounts for a massive 36% of CPI—thus a reacceleration pulls overall inflation higher. In better news, the cost of apparel fell 0.7% versus December, while the cost of used cars declined 3.4%. New car prices were flat, while airline fares rose 0.9%

The FOMC's press release following January's meeting stated "the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent."ⁱ In the press conference following the release, Fed Chair Powell reemphasized that the Committee remains data dependent and indicated that a March rate cut was very unlikely. **Today's data makes the Fed's job harder as inflation remains stubbornly elevated. We continue to expect the Fed to cut the federal funds rate later this year, but today's report casts doubt on the first cut being in the near term.**

Figure 1: Consumer Price Index



Source: BLS, Bloomberg

Capital Management Group | First Citizens Bank | 8510 Colonnade Center Drive | Raleigh, NC 27615

Phillip Neuhart | SVP, Director of Market and Economic Research

phillip.neuhart@firstcitizens.com | 919.716.2403

Brent Ciliano, CFA | SVP, Chief Investment Officer

brent.ciliano@firstcitizens.com | 919.716.2650

The views expressed are those of the author(s) at the time of writing and are subject to change without notice. First Citizens does not assume any liability for losses that may result from the information in this piece. This is intended for general educational and informational purposes only and should not be viewed as investment advice or recommendation for a security, investment product or personal investment advice.

Your investments in securities, annuities and insurance are not insured by the FDIC or any other federal government agency and may lose value. They are not a deposit or other obligation of, or guaranteed by any bank or bank affiliate and are subject to investment risks, including possible loss of the principal amount invested. Past performance does not guarantee future results.

First Citizens Wealth Management is a registered trademark of First Citizens BancShares, Inc. First Citizens Wealth Management products and services are offered by First-Citizens Bank & Trust Company, First Citizens Investor Services, Inc., Member FINRA/SIPC, an SEC-registered broker-dealer and investment advisor; and First Citizens Asset Management, Inc., an SEC-registered investment advisor.

Brokerage and investment advisory services are offered through First Citizens Investor Services, Inc., Member FINRA/SIPC. First Citizens Asset Management, Inc. provides investment advisory services.

¹ FOMC Press Release January 31, 2024