The Daily Dish

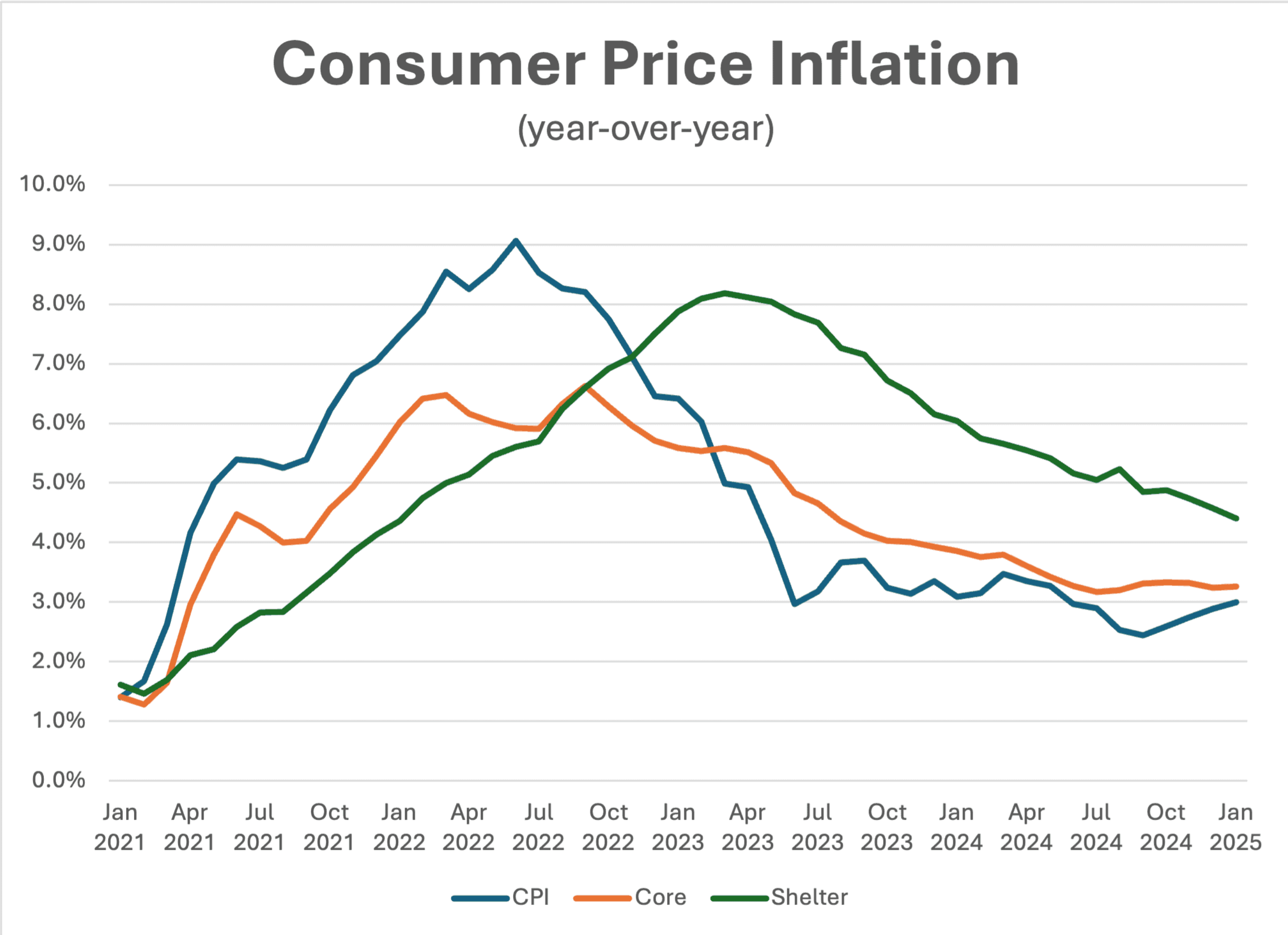
January Inflation Report

DOUGLAS HOLTZ-EAKIN | FEBRUARY 13, 2025

Yesterday the Bureau of Labor Statistics released a disappointing January report on the Consumer Price Index (CPI). Top-line, year-over-year CPI inflation edged up from 2.9 to 3.0 percent. Similarly, core (non-food, non-energy) inflation rose from 3.2 percent in December to 3.3 percent, even though the troublesome shelter inflation edged down from 4.6 percent to 4.4 percent.

That’s the good news. For the month of January, food price inflation was 7.1 percent, energy inflation was 25.3 percent, and shelter inflation was 5.8 percent. (These are non-seasonally adjusted annual rates.) The bundle of food, energy, and shelter (FES) constitutes one-half of the CPI because it is half of the average family’s budget. FES inflation was 8.5 percent.

The graph (below) gives some context for these disappointing results. The Federal Reserve has made great progress in bringing inflation down from its highs in 2022 and 2023. It has not, however, gotten inflation back to the 2-percent target. Indeed, progress has essentially stalled since mid-2024.



Doubtless there will be a lot of speculation regarding the sources of the January uptick. Was it an annual task of updating prices at the start of the year? Did some firms raise prices in anticipation of the impact of tariffs? Or was it unique factors such as avian flu and egg prices?

With only a single data point, there is no way to settle that debate. The only thing one can be sure of is that this strengthens the Fed's resolve to hold rates at their current level until more inflation progress is made and simultaneously strengthens the president's resolve to call on the Fed to cut them.