



Economics Group

Sam Bullard, Senior Economist
sam.bullard@wellsfargo.com • (704) 410-3280
Sarah House, Economist
sarah.house@wellsfargo.com • (704) 410-3282

Import Prices Sink Again in January

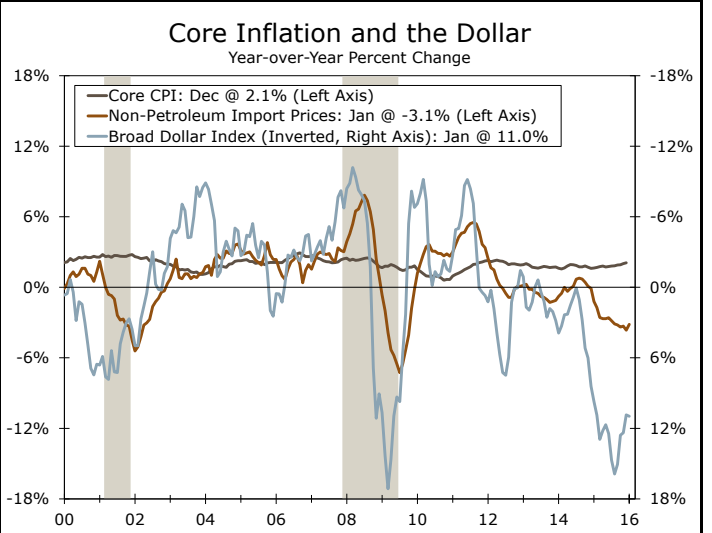
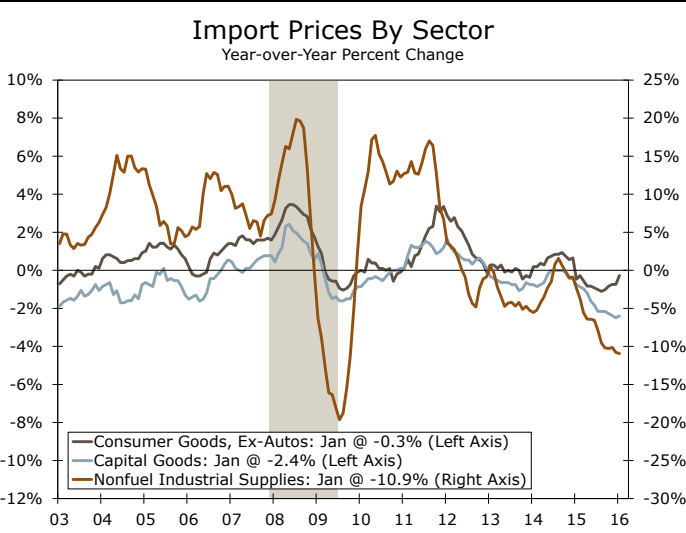
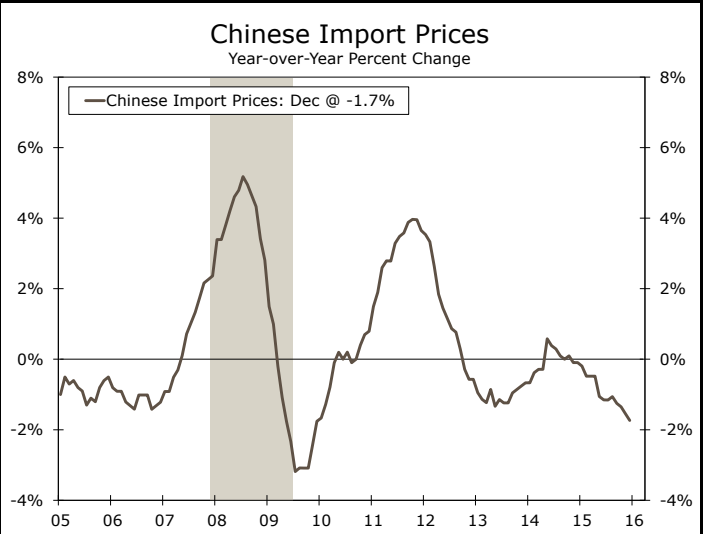
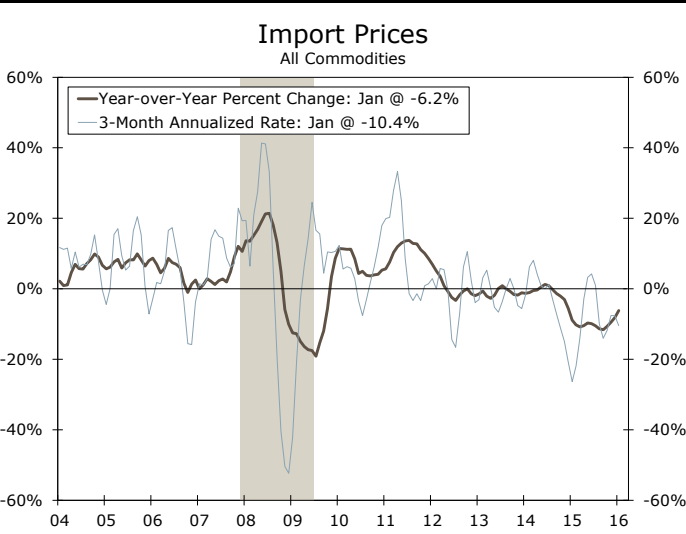
Weak demand abroad, the dollar's strength and falling commodity prices continued to drag import prices lower in January. The pace of decline is moderating, however, while the impact on core inflation is still small.

Still Taking on Water, Just Not as Fast

- Import prices fell 1.1 percent in January on another sizeable drop in petroleum products. Recent declines have been more modest compared to this time last year, however, leading the year-over-year rate of decline to moderate to 6.2 percent.
- Nonfuel import prices fell 0.2 percent last month, as a 1.5 percent decline in nonfuel industrial supplies more than offset small upticks in prices for consumer goods and autos.

Dollar's Broad Strength Evident in Import Prices

- Import prices continued to edge lower from nearly all major trading partners last month, including China, Japan and the European Union, as the dollar's broad strength persisted.
- With the dollar likely to strengthen a bit more this year and oil prices continuing to plunge lower, import prices are expected to fall further in coming months. The drag on core CPI, however, should remain small as goods are only 25 percent of the core.



Source: U.S. Department of Labor and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

Diane Schumaker-Krieg	Global Head of Research, Economics & Strategy	(704) 410-1801 (212) 214-5070	diane.schumaker@wellsfargo.com
John E. Silvia, Ph.D.	Chief Economist	(704) 410-3275	john.silvia@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Jay H. Bryson, Ph.D.	Global Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Currency Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Eugenio J. Alemán, Ph.D.	Senior Economist	(704) 410-3273	eugenio.j.aleman@wellsfargo.com
Anika R. Khan	Senior Economist	(704) 410-3271	anika.khan@wellsfargo.com
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloria@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Erik Nelson	Economic Analyst	(704) 410-3267	erik.f.nelson@wellsfargo.com
Alex Moehring	Economic Analyst	(704) 410-3247	alex.v.moehring@wellsfargo.com
Misa Batcheller	Economic Analyst	(704) 410-3060	misa.n.batcheller@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Julianne Causey	Economic Analyst	(704) 410-3281	julianne.causey@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com

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