

Economics Group

Sarah House, Economist
sarah.house@wellsfargo.com • (704) 410-3282

Businesses Seeing Higher Import Costs to Start the Year

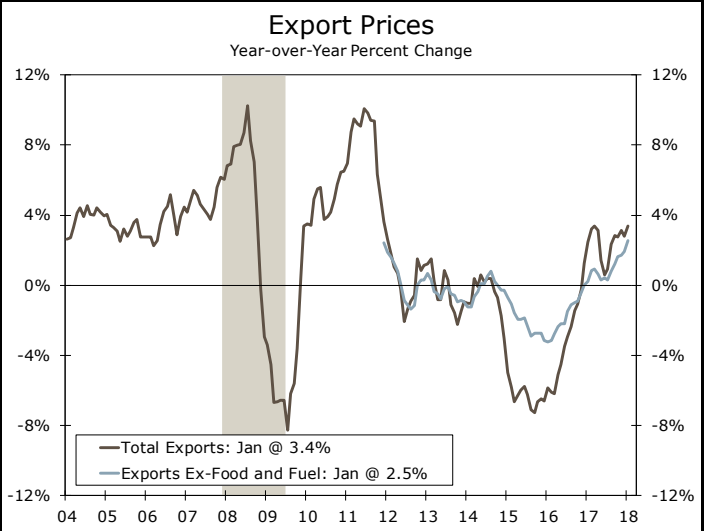
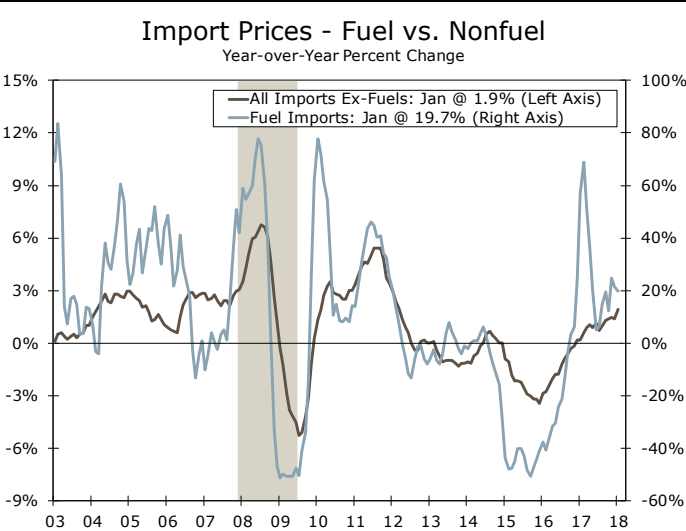
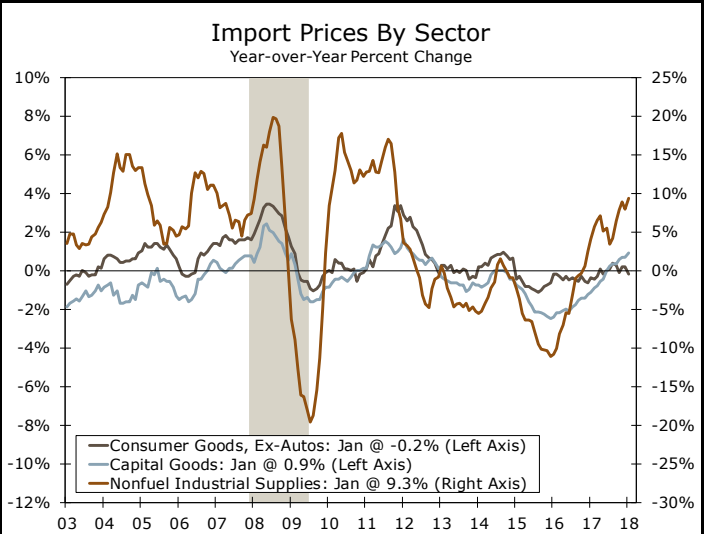
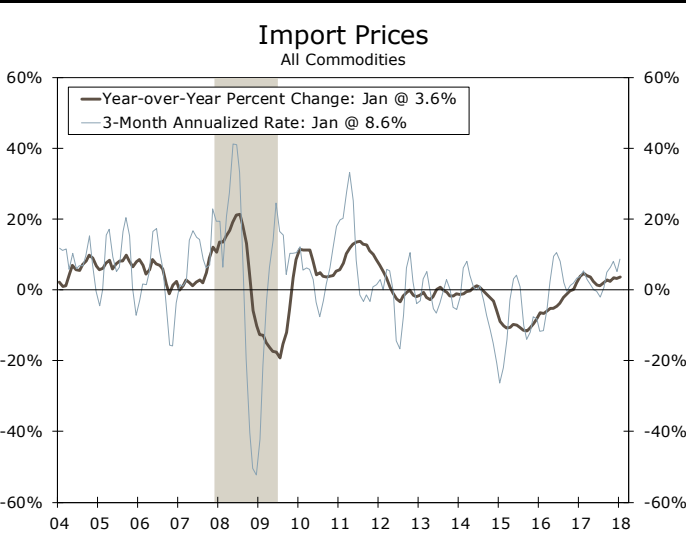
Import prices jumpstarted the year with a 1.0 percent gain. Strength in the industrial side of the economy and weaker dollar are providing a lift to nonfuel import prices, while consumer import prices are little changed.

Not Just Energy Costs Pulling Import Prices Higher

- Import price inflation roared back in January, with prices increasing 1.0 percent. Fuel prices rose 4.7 percent as petroleum prices rose and natural gas prices jumped more than 20 percent for a third consecutive month (up 16.2 percent from a year ago).
- Ex-fuel, prices rose a stronger-than-expected 0.4 percent. Over the past year, nonfuel prices are up 1.9 percent on higher costs for industrial supplies, capital goods and autos.

Consumer Import Price Inflation More Subdued

- The cost of imported consumer goods was flat in January and remains down over the past year. This should help to keep a lid on overall consumer price inflation even as the dollar is expected to weaken further and support import price inflation more broadly.
- Stronger global growth and the weaker dollar have allowed exporters to gain some pricing power. Non-food and fuel exports rose 0.5 percent, bringing the year-ago gain to 2.5 percent.



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

Wells Fargo Securities 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
Azhar Iqbal	Econometrician	(704) 410-3270	azhar.iqbal@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Eric Viloría, CFA	Currency Strategist	(212) 214-5637	eric.viloría@wellsfargo.com
Sarah House	Economist	(704) 410-3282	sarah.house@wellsfargo.com
Michael A. Brown	Economist	(704) 410-3278	michael.a.brown@wellsfargo.com
Jamie Feik	Economist	(704) 410-3291	jamie.feik@wellsfargo.com
Erik Nelson	Currency Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economic Analyst	(704) 410-3156	michael.d.pugliese@wellsfargo.com
Harry Pershing	Economic Analyst	(704) 410-3034	harry.pershing@wellsfargo.com
Hank Carmichael	Economic Analyst	(704) 410-3059	john.h.carmichael@wellsfargo.com
Ariana Vaisey	Economic Analyst	(704) 410-1309	ariana.b.vaisey@wellsfargo.com
Abigail Kinnaman	Economic Analyst	(704) 410-1570	abigail.kinnaman@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Donna LaFleur	Executive Assistant	(704) 410-3279	donna.lafleur@wellsfargo.com
Dawne Howes	Administrative Assistant	(704) 410-3272	dawne.howes@wellsfargo.com

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