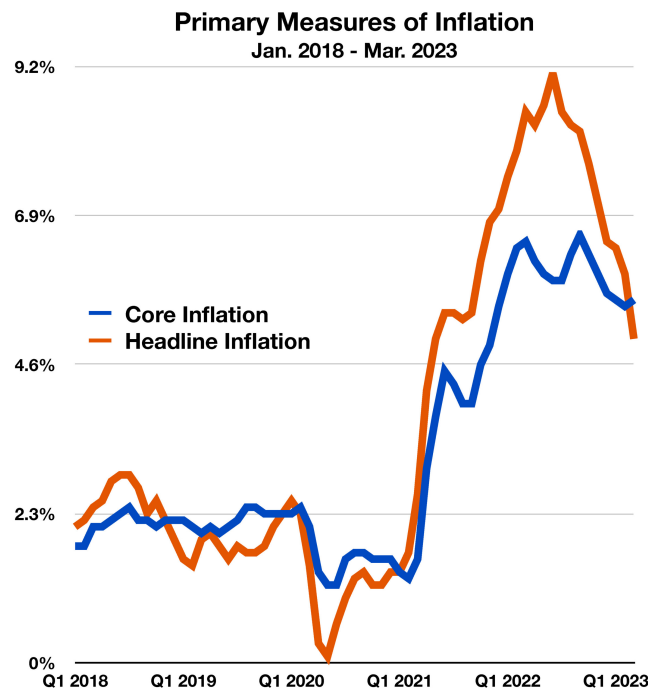**Why Headline Inflation & Core Inflation Differ - Inflation Overview**

Following historically high inflation throughout 2022, we have now had nine consecutive months of decreases in the Consumer Price Index (CPI), which has driven inflation to its lowest level since May 2021. Inflation in March measured at 5.0%, 1% lower than the month prior and over 4% lower than the highs in 2022. Headline inflation is a broad measure that closely represents the basket of goods and services consumed by most households. Core inflation is the change in the costs of goods and services but does not include those from the food and energy sectors.

Across 2022, volatility in gasoline, food, and housing all played crucial roles in the costs of daily expenses. This drove inflation as high as 9.1% in 2022, a 40-year high last seen in 1981. At its current level, headline inflation is 3.2% greater than core inflation, which does not consider the effects of the more volatile food and energy costs. However, while the headline inflation rate has significantly decreased since 2022, core inflation has proven quite resilient. In March 2023, when headline inflation was 5.0%, core inflation remained at 5.6%, close to its previous highs. March 2023 was also the first occurrence of core inflation being higher than headline inflation since December 2020.

Sources: Bureau of Labor Statistics, Federal Reserve Bank of the U.S.

Primary Measures of Inflation
Jan. 2018 - Mar. 2023