

# || Inflation Index: Core vs. Headline

- Empirical view: “core” is better predictor of future  $\pi_{t+\tau}$ 
  - exclude energy since it is mean reverting
- NK view: Core excludes less sticky prices
  - exclude energy since prices are flexibel
- I Theory view: price changes cause wealth effect desirable or not?
  - exclude energy (in Europe) since it causes wealth transfer to middle east/Russia

(Is oil price drop and lowflation bad for Eurozone?)