



NOT-Transitory Inflation

July 19, 2022

For much of last year, the economists at the U.S. Federal Reserve Board confidently told the public that the rampant inflation we were experiencing in the U.S. was ‘transitory’.

They were wrong, and increasingly so as time goes on. This won’t surprise anybody who has been shopping lately, but economists were shocked to discover that the inflation rate rose 9.1% annualized in the month of June. You would have to go back to 1981 to find a higher rate. And the usual culprits of the war in Ukraine—food and energy prices—were not the only reason for the cost of living increase. If you took out those two parts of the inflation calculation, the rate was still 5.9% overall. The Federal Reserve’s ‘target’ is 2%.

So far, the U.S. Consumer Price Index measure of inflation is running around 8.6%—that is, it costs roughly 8.6% more to fund a normal lifestyle today than it did at this time last year. This is part of an international trend; the UK is looking at 11% overall price increases, and the Eurozone is experiencing an 8.6% inflation rate. South Korea’s 6% annual inflation rate is the highest in 24 years, and even Japan, which has flirted with deflation for the past 30 years, is seeing prices rise 2.5%.

How long will this last? Nobody knows. The Fed seems committed to driving U.S. inflation down with a series of aggressive interest rate hikes, but with prices rising everywhere else, one wonders how effective this will be. But perhaps we can take comfort that our cost of living increases are markedly lower than what people are experiencing in Turkey (78% year-over-year), Argentina (60.7%) and Sri Lanka (54.6%).

Sources:

<https://www.nytimes.com/live/2022/07/13/business/cpi-report-inflation>

<https://fortune.com/2022/07/09/inflation-rates-around-the-world/>

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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