

ECONOMIC NEWS

United States: Inflation at Its Highest since 1990!

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HIGHLIGHTS

- ▶ The consumer price index (CPI) rose 0.9% in October, after gaining 0.4% in September and 0.3% in August.
- ▶ Energy prices climbed 4.8% in October, after advancing 1.3% in September. Food prices experienced a second consecutive increase of 0.9% in October.
- ▶ Excluding food and energy, core CPI gained 0.6% in October, after increasing 0.2% in September and 0.1% in August.
- ▶ The annual variation in total CPI rose from 5.4% in September to 6.2% in October. This is the highest inflation since October 1990. Core inflation went from 4.0% to 4.6%, its highest level since August 1991.

COMMENTS

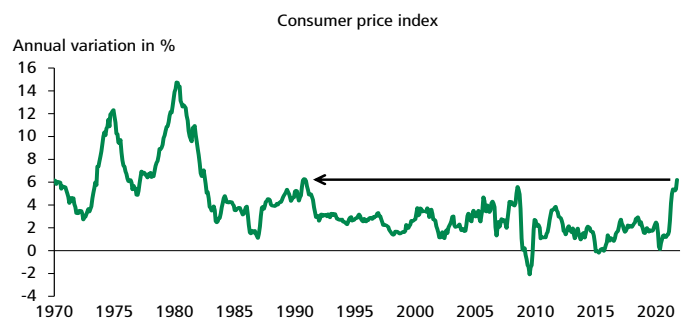
After a two-month lull, inflation picked up again in October. This time, CPI growth was strongly supported by another monthly jump in energy prices, notably fuel oil (+12.3%), natural gas (+6.6%) and gasoline (+6.1%). In addition, food prices are continuing to rise rapidly, especially for meat (+2.5% in October and +14.5% in annual variation).

Prices excluding food and energy, which were also showing signs of easing between July and September, have also accelerated. The automotive sector again made a significant contribution. Excluding it, annual core inflation would be only 2.2% rather than 4.6%. Other goods categories showed little growth, notably clothing (+0.0% in October) and appliances (-0.1%). On the services side, monthly growth (+0.4% in October) remains slightly more modest than that of goods (+1.0%). However, the "housing" category, which accounts for nearly one third of the total CPI basket, is showing a little more bite with an increase of 0.5%, the highest since June.

It is clear that the high inflation in the United States remains primarily caused by the COVID-19 crisis and the many resulting bottlenecks. There is still hope that these disruptions will be

GRAPH

Inflation hit its highest rate in 31 years



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

resolved sooner or later and that consumer prices will eventually ease. However, there could be plenty of pressure for some time, particularly from energy, housing, and the effect of recent wage increases.

IMPLICATIONS

This new surge in prices is a factor that will strengthen the decision of Federal Reserve officials to start reducing their securities purchases. In light of the inflationary situation, some of them may even want to pick up the pace so that they can get to the next stage more quickly, which is the start of key rate hikes.