

ECONOMIC NEWS

United States: Highest Inflation in Nearly 40 Years!

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HIGHLIGHTS

- ▶ The U.S. consumer price index (CPI) rose 0.8% in November, after going up 0.9% in October and 0.4% in September.
- ▶ Energy prices climbed 3.5% in November, after advancing 4.8% in October. Food prices increased 0.7% on the heels of two straight 0.9% gains.
- ▶ Excluding food and energy, the core CPI gained 0.5% in November, following increases of 0.6% in October and 0.2% in September.
- ▶ The annual variation in the total CPI accelerated from 6.2% in October to 6.8% in November. This is the strongest inflation since June 1982. Core inflation went from 4.6% to 4.9%, its highest point since June 1991.

COMMENTS

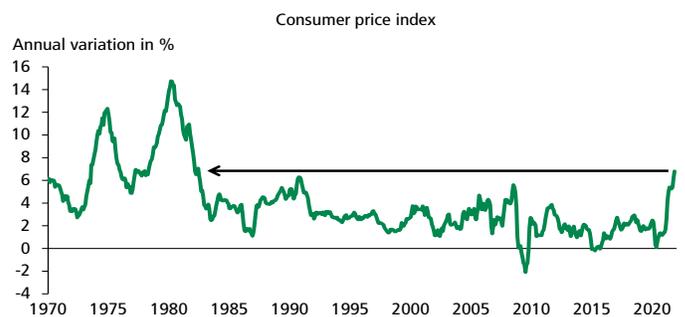
Inflation continues to run hot in the United States. The small lull recorded in August and September gave it a chance to catch its breath before accelerating further, with price increases worthy of the 1980s.

The pressures on the November CPI are essentially the same as what we've seen since the spring. Energy and food are still playing a major role, as is the auto sector. Used car prices climbed 2.5% in November, while new cars and auto rental both went up 1.1%. However, sectors that had been calmer woke up in November. After declining in September and October, airfares jumped 4.7%. Clothing prices rose (+1.3%) after declining or stagnating for months. Appliances went up 2.4% after dropping 0.9% in October. This is in addition to deeper pressures, such as housing prices, in which the components associated with rent (or the owner equivalent) are now recording annual variations above 3%.

Inflation can be expected to remain high and even go up further in the coming months. The impacts of comparing with last year's prices will help keep inflation high, particularly the core index,

GRAPH

Inflation is the highest it has been in 39 years



Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

which excludes food and energy. On the other hand, gas prices have started to moderate in the United States. There's also room to hope that the main bottlenecks impacting the global and U.S. economies will gradually ease in 2022.

IMPLICATIONS

Inflation's sustained rise means that Federal Reserve officials will likely announce that they will accelerate the reduction of their securities purchases at next week's meeting. This means they will arrive at the next phase more quickly, which is the start of the key rate hike expected in the second quarter of 2022.