



US consumer prices expected to rise again, says economist

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February 9th 2022

WASHINGTON (TND) — Economists forecast the Consumer Price Index is expected to have increased by 7.3% in January over last year, all while the latest jobs report was significantly better than expected with 467,000 new jobs added.

“The big things to look out for I think are going to be rents; they take up a big chunk of CPI, and they are a strong indicator of more long-lasting inflation versus transitory,” said Scott Lincicome, senior fellow at the Cato Institute, to The National Desk’s Jan Jeffcoat. “A lot of the inflation has been in goods and energy and food. If we start seeing the price of services increase as the economy reopens even more, then again, we have bigger issues with this not being a momentary bout of inflation, but being something that the Fed is going to have to take even more seriously.”

January’s surprising jobs report could put even more pressure on the Feds, according to Lincicome.

“The good news is it's a great big number that we got. And not only that, there were 700,000 jobs added to the previous two reports, so really massive upward revisions,” said Lincicome. “That's really good news except for the Fed, when you look at the numbers on the policy uncertainty, those big revisions make it really hard if you're the Fed to figure out what the heck is going on in the economy.”

Another major factor? Wages.

“Hourly earning is up a lot, 0.7% In just a month and up almost 6% from a year ago. And that's great news for workers, but it also gives more inflationary pressures,” said Lincicome. “You pay more for stuff, you demand higher wages, and then they charge higher prices and so on. So the Fed is going to have to deal with that and try to figure out if maybe they need to be even more aggressive to avoid that wage-price spiral.”

With inflation rising, consumer prices are outpacing wage hikes, according to Lincicome.

“There are a lot of folks that are really, actually worse off today than they were a year ago, even though they have maybe a little more coming in their paycheck,” said Lincicome. “Fixed income, people aren't getting raises, you know, older people, retired people. That's I think the worst-hit area for this because they're still dealing with 2020 payscale and they're dealing with 2022 prices.”