

# NEWS BRIEF

Provided by: ToughComp

## **Inflation Reaches 8.6% in May, Highest Increase in 40 Years**

The Bureau of Labor Statistics (BLS) announced that the U.S. consumer price index (CPI) rose 8.6% year over year in May 2022. This is the highest level since December 1981, pressuring employers to raise wages to keep pace.

The inflation rate increase was broad, with the indexes for shelter, gasoline and food being the most significant contributors. After declining in April, the energy index rose 3.9% over the month. The food index also increased 1.2%.

Notably, gasoline prices jumped 4.1% just in May and have climbed nearly 50% from a year ago. Prices at the pump continue to rise this month. According to American Automobile Association (AAA), the national average price at the pump was \$4.99 on June 10. Gasoline is a daily expenditure for most workers, so hiked inflation has a real-time impact on them.

.....

***“Virtually every sector has higher-than-normal inflation. It’s made its way into every nook and cranny of the economy.”***

- *Ethan Harris, head of global economic research at Bank of America*

.....

The May CPI measure came in higher than consensus expectations that the annual rate would stay unchanged at 8.3%, indicating that signs of inflation

peaking in April were incorrect. For reference, the CPI sat at 8.5% in March.

### **What’s Next?**

Due to the latest CPI, the Federal Reserve (Fed) will likely carry out the fastest series of interest rate hikes in three decades. By sharply raising borrowing costs, the Fed hopes to cool spending and growth enough to curb inflation while avoiding a recession. Reports indicate the Fed will raise its key short-term rate by a half-point—double the size of the usual increase—this week and again in July.

Although wages are generally up as employers strive to meet workers’ demands, they have not matched the increase in inflation yet.

Employers should continue to monitor inflation trends, as it may impact expenditure, supply chains and employees. Reach out to ToughComp for additional resources on navigating economic uncertainty amid sustained high inflation.