

NEWS BRIEF

Provided by: ToughComp

Inflation Increases to 9.1% in June, Reaching a 40-year High

The Bureau of Labor Statistics announced that the U.S. consumer price index (CPI) rose 9.1% year over year in June 2022. This is the highest level since December 1981, surpassing last month's record 8.6% reading and even economists' predictions of an 8.8% CPI increase in June. Americans paid sharply higher prices for various goods in June as inflation kept its hold on the economy.

The increases were felt across all categories but notably impacted gasoline, shelter and food. Gasoline prices were up nearly 60% over the year in June; the American Automobile Association reported the national average at the pump was \$5.01 per gallon. In general, energy prices rose (by 41.6% year over year). Electricity prices rose 13.7%, and natural gas prices increased 38.4% year over year in June.

Prices for food at home increased 12.2% over the year, significantly driven by cereals, dairy and meats. Food away from home trailed slightly behind at 7.7% in June.

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“Though CPI’s spike is led by energy and food prices, which are largely global problems, prices continue to mount for domestic goods and services, from shelter to autos to apparel.”

- Robert Frick, corporate economist at Navy
Federal Credit Union

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What's Next?

Due to the latest CPI, there is increased pressure on the Federal Reserve (Fed) to carry out a second hike in interest rates. By sharply raising borrowing costs, the Fed hopes to cool spending and growth enough to curb inflation while avoiding a recession. The Fed is expected to raise its benchmark interest rate by at least 75 basis points at its next meeting at the end of the month.

There is some reason to think the July inflation numbers will cool, but time will tell. To deal with this uncertainty, it's best to focus on what individuals can control: their budgets. The cost of necessary goods will likely continue to rise, which could mean fitting larger grocery bills and transportation costs into a budget.

Discussing financial and investment goals with a financial advisor can be helpful. If you have additional questions or need resources for financial assistance, speak to your employer.