

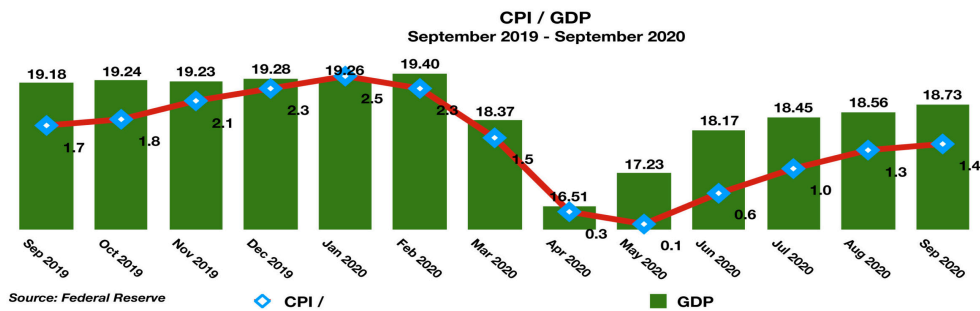
The Reemergence of Stagflation - Economic Trends

Recent government data that tracks inflation, known as the Consumer Price Index (CPI), has been rising steadily since the onset of the pandemic in March. Economists believe that the rise can be construed as either a rebounding economy or as a general rise in overall prices. The concern is that the current economic environment continues to display signs of dismal expansion and stagnant employment growth. Simultaneously higher prices for food, clothes, healthcare, and toilet paper validate broad inflationary pressures, creating a stagflation scenario.

The dynamics of stagflation can diminish a person's income as the cost of essential services and goods rise, while no wage increases occur. The textbook inflation years of the late 70s were different from what is occurring now, as there is no wage inflation today like there was in the 70s. As a result, a growing number of workers today are experiencing higher prices but with the same or less income.

Recent data released by the Bureau of Economic Analysis (BEA) reveals that consumer prices, producer prices as well as import prices have all been rising over the past few weeks. Some believe that a weakening U.S. dollar is a culprit of the recent rise in inflation, which drives the cost of imports higher.

Sources: Bureau of Economic Analysis



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