

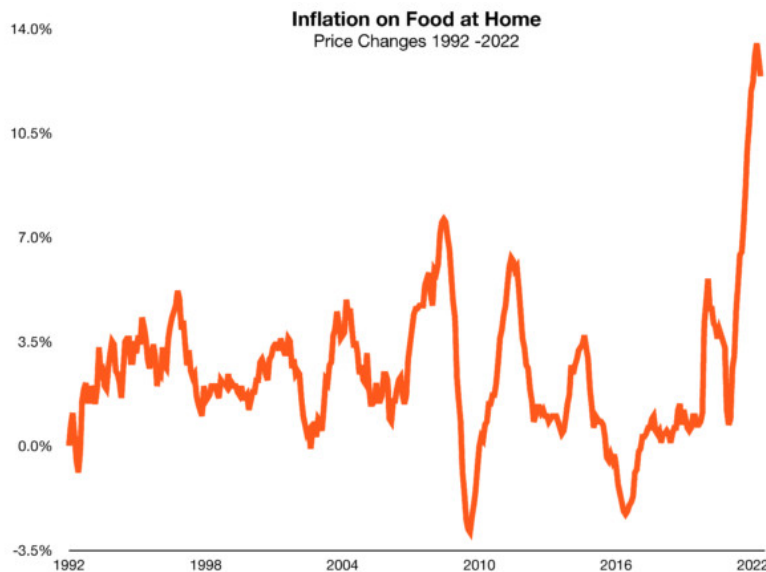
Elevated Food Inflation Continues - Consumer Demand Dynamics

The most recent measure of food inflation is 8.2%, with 2022 inflation at the highest level since inflation in the 1980s, and the category seeing the harshest hikes appears to be food prices. Price jumps at grocery stores directly affect all consumers, pushing many to reconsider what they place in their shopping carts.

Currently, several food categories are at all-time inflation highs, meaning the price spikes from last year to now are the highest ever recorded. At the top of these categories is food at employee sites and schools, which encompasses the likes of cafeteria food at public schools. This category is up 91.4% from a year ago. Other categories also seeing all-time high price jumps are butter and margarine which has spiked by 32.2%, flour which has spiked by 24.2%, soup which has jumped 20.5%, cereal which is up 17.7%, and canned fruits and vegetables which have increased 19%. An additional category seeing tremendous spikes is the price of eggs, which over the past year has risen 30.5%.

These all-time high increases in food were a major factor of inflation measuring higher than expected. All of these common groceries have major effects on the decision-making of consumers. Due to inflation, consumers are increasingly only buying necessities and can be expected to ever further limit their purchases. Consumer spending makes up nearly 70% of GDP, so when consumer spending falls due to high prices, GDP can also be expected to fall.

Sources: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Federal Reserve



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