

Inflation is Going to Get Worse Before It Gets Better

June 19, 2022 - This past week, the FED raised interest rates by 75 basis points. It's the largest interest rate increase in many years and a sign of how bad inflation is under the current administration. But all indicators are that things are going to get worse. While the official government number for inflation right now is 8.6%, the most recent producer price index (PPI) came in at 10.8%. That means that companies are having to pay 10.8 % more for their materials than they did at this time last year. And most of that cost is going to be passed onto consumers at some point.

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The FED has indicated that it is likely going to raise interest rates by as much as 2.25% more by the end of this year. That's going to translate into higher purchase prices, higher credit card bills for anyone carrying a balance, higher mortgage rates, etc... In short, the cost of everything is going to go up.

At the same time, there will be job losses. A number of companies have already begun to announce layoffs and hiring freezes, and that's a trend that will accelerate as we move into a recession.

These moves by the FED will address one of the primary causes of inflation. There is currently too much money in circulation because of excessive spending on the part of the federal government. Interest rate increases will curtail the ability of people and companies to borrow, reducing overall spending and in a normal economy, reduce inflation over time. But this isn't a normal economy. And the FED is acting with one hand tied behind it's back, courtesy of the Biden administration.

The second major factor driving inflation right now is the cost of fuel. If you want to drive inflation down immediately, then you need to drive the price of petroleum down. But the president is doing just the opposite. On his first day in office, he cancelled the permit for the Keystone XL Pipeline. Since then he has at one time or another placed a moratorium on drilling permits for federal lands, increased the red-tape required for drilling permits and slow-walked permit applications. He's stopped the permitting process for Alaska's ANWR area and made it nearly impossible for oil companies to get drilling permits in the Gulf of Mexico.

Prior to becoming president, Biden said that it was a goal of his to bankrupt the fossil fuel industry. Ironically, many of these companies are experiencing record profits right now because his policies have driven oil futures into the stratosphere. Either way, the administration is proving that it doesn't understand commodities markets or have the backs of average Americans who are just trying to make ends meet.

And with the PPI at 10.8% right now, it's pretty clear that the inflation rate will be in double digits within the next couple of months.

by Jim Malmberg

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