Written by **David Kelly** on July 13, 2022

Inflation Exceeds Expectations at 9.1% for June


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The dramatically rising price of almost everything is affecting Americans more today than ever before. Today's report confirmed this, with the Consumer Price Index (CPI) bringing more bad news: Inflation in June rose 9.1% over last June, the highest annual rate in nearly 41 years, and rose 1.3% over one month prior. Both numbers were higher than the experts predicted and despite recent Federal Reserve interest rate hikes aimed at slowing inflation.

Rising energy prices accounted for half the total inflation, with the gasoline index rising an incredible 11.2%. The White House downplayed today's report. "The headline June CPI print will not reflect the current reality," said a senior administration official.

President Biden claimed the report doesn't reflect dropping gas prices: "Today's report is a reminder that inflation is too high – fighting inflation is my top economic priority. And while the numbers today are not acceptable, they are also outdated. In the past 30 days, the average price of gas has dropped by 40 cents a gallon."

Then Biden played his "blame the greedy oil industry" card regarding gas prices by adding, "That's breathing room for American families, but oil prices have come down $20/barrel while gas at the pump has only come down 40 cents. Oil and gas companies must pass these lower costs on to consumers"

To survive you need food and shelter. Food price increases brought the average weekly grocery spending to $148 per week, which is a major increase from the $113.50 per week prior to the start of the pandemic, according to data from FMI, the Food Industry Association.

Then we have the average price of an existing home recently crossing over the $400,000 threshold for the first time. In January, the average 30-year fixed-rate mortgage was 3.11%, according to Freddie Mac. Now, that same mortgage has increased to 5.3%, 2.4 percentage points higher than it was a year ago. The Fed has signaled that it may do another big rate hike later this month, supposedly to slow spending and drive down prices to slow inflation. The trade-off for dampening prices, however, is that it also slows the economy and can result in the jobs market taking a hit, causing the country to tumble into a recession, a prospect that has become more likely over the past few months.

The economy contracted at a 1.6% annual rate in the first quarter, and the Atlanta Fed's "GDPNow" tracker predicts that GDP growth will decrease for a second straight quarter, which would likely indicate that the country is in a recession.

But there was a bit of hope for the future of the economy. The so-called core prices, which exclude more volatile items like food (up 10.4%) and energy (up 41.6%), were up "only" 5.9% in June, which was slightly lower than May's 6% rate. If gas and diesel prices continue to ease, that could cool inflation. Plus, some major retailers are signaling discounted prices, which could mean there's a light at the end of the tunnel.

No matter how you review today's report, the news isn't good for Americans or, for that matter, Biden and his supporters. Today's inflation is reminiscent of the high inflation and interest rates that took Carter out of office in 1980. The major culprit of rising prices is, of course, an increase in the money supply. But Biden's poor decision-making, rampant spending, war on fossil fuels, and support of the radical Left's agenda have contributed enormously and can't be ignored. Voters are likely to make their voices heard by the Democrats loud and clear come November.