

# Supply Chains and the Rise of Inflation

November 10, 2021



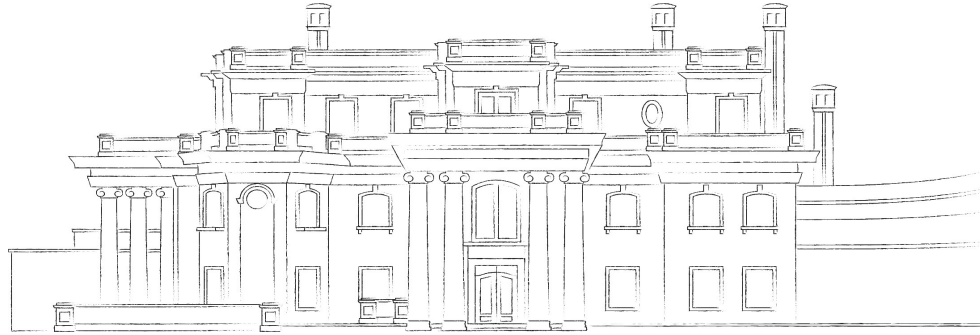
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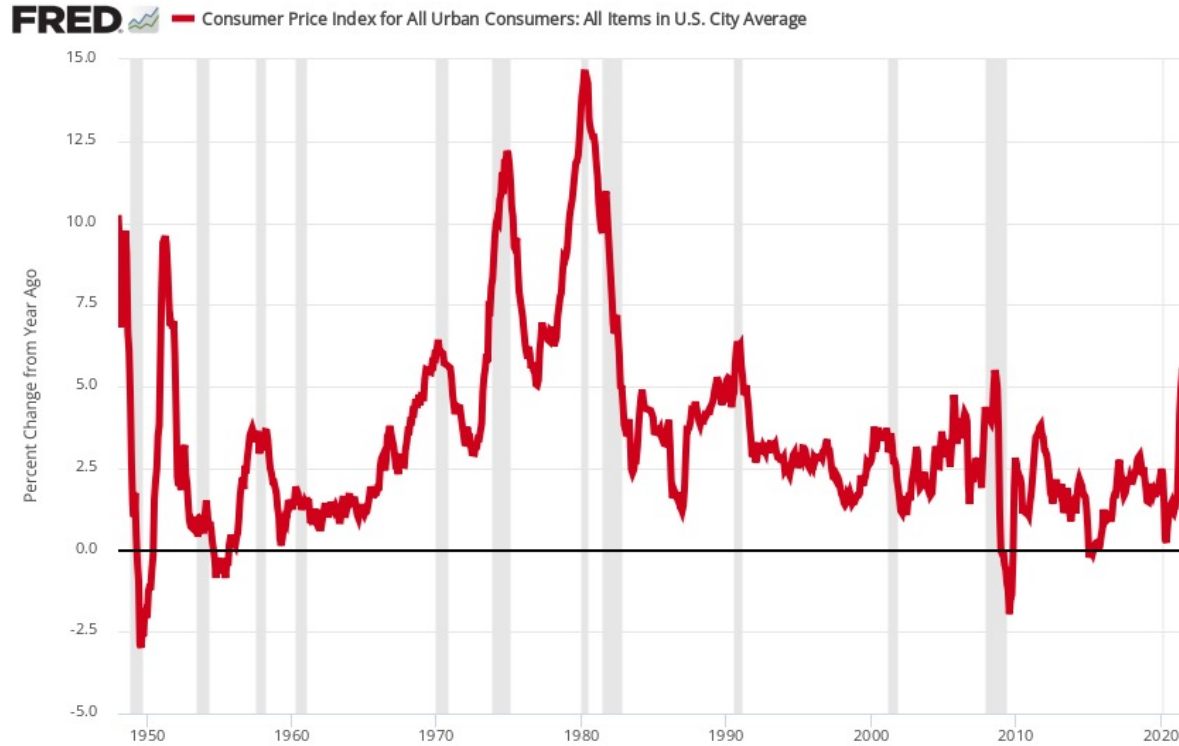
## ***About the Kem C. Gardner Policy Institute***

**Our Mission:** *Develop and share economic, demographic, and public policy research that sheds light and helps people make informed decisions.*

**Our Vision:** *Be Utah's preeminent public policy institute and a vital gathering place for policy leadership and thoughtful discourse that helps our community prosper.*

# Headline Inflation Higher Than Past Decade, Near 30+ Year Highs

12-Month Percent Change, U.S. Consumer Price Index



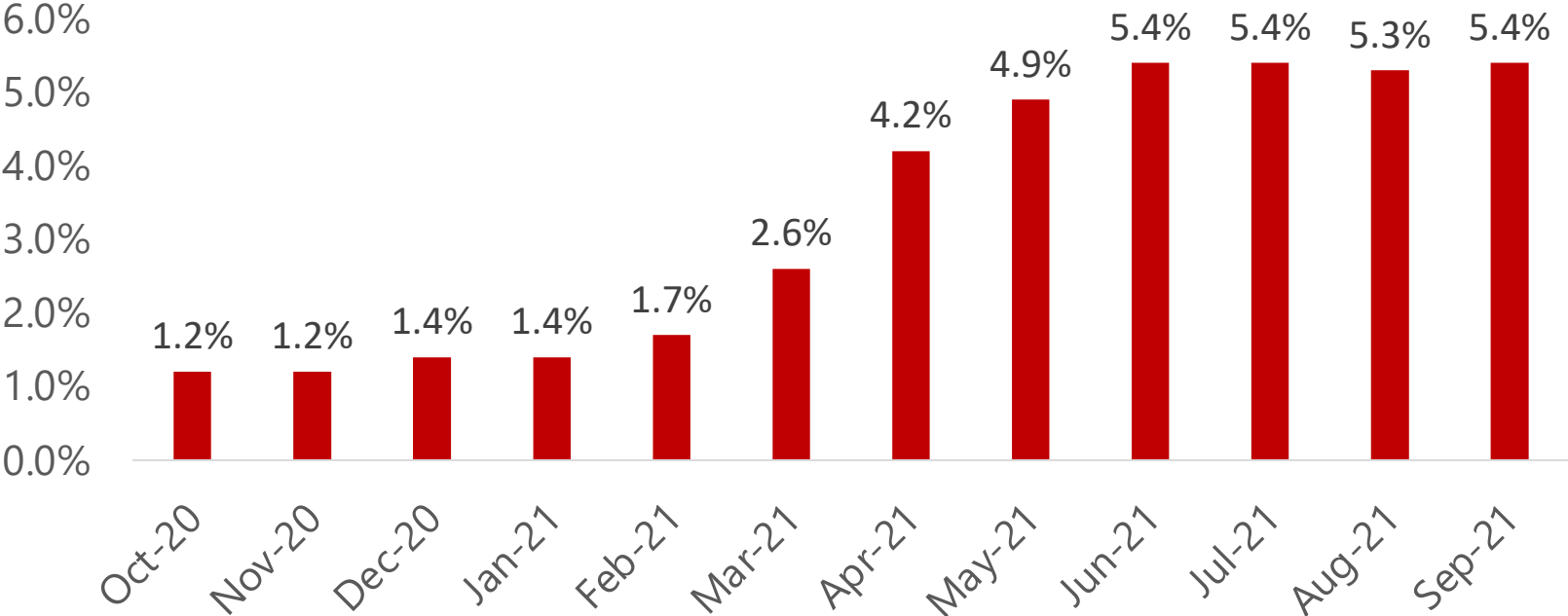
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

[myf.fred/g/IH10](https://myf.fred.stlouisfed.org/g/IH10)

# Headline Inflation Climbs and Levels

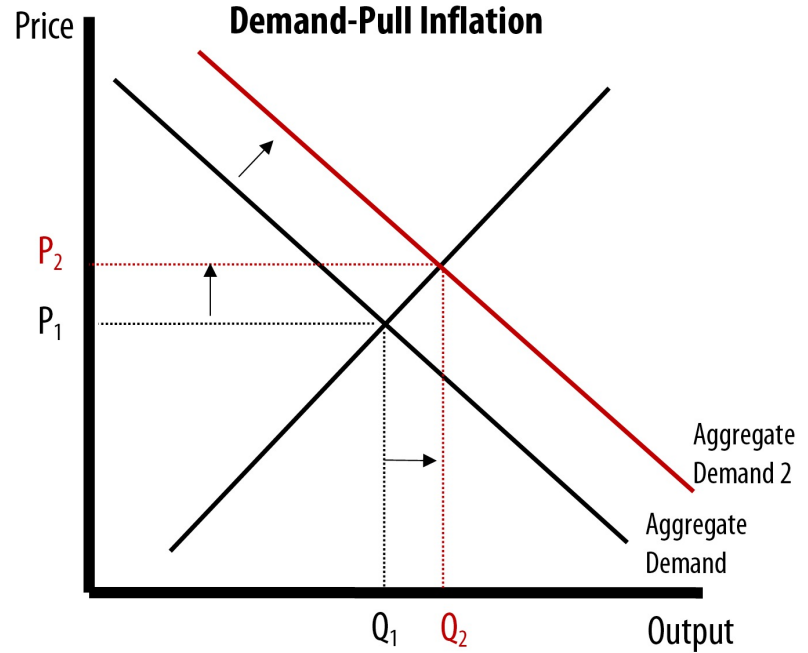
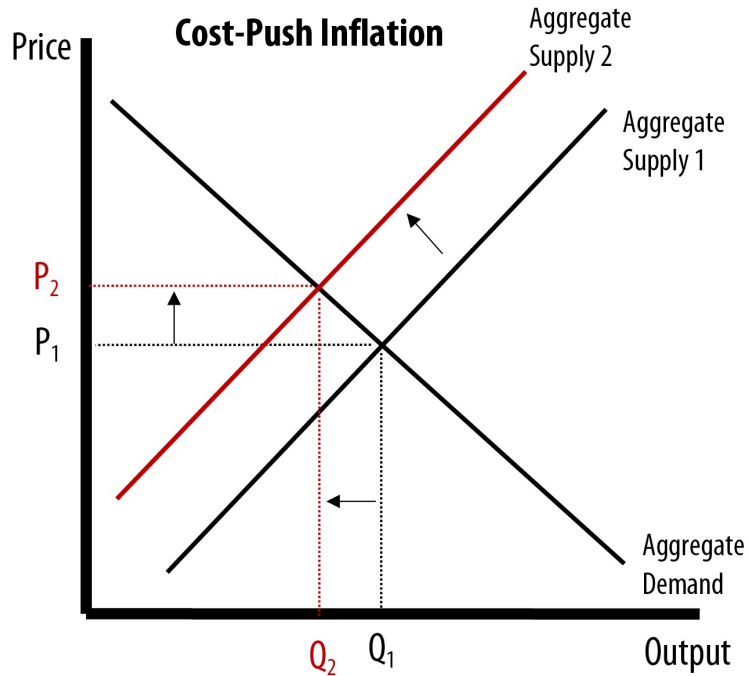
*12-Month Percent Change, U.S. Consumer Price Index*



Source: Bureau of Labor Statistics

# Inflation 101

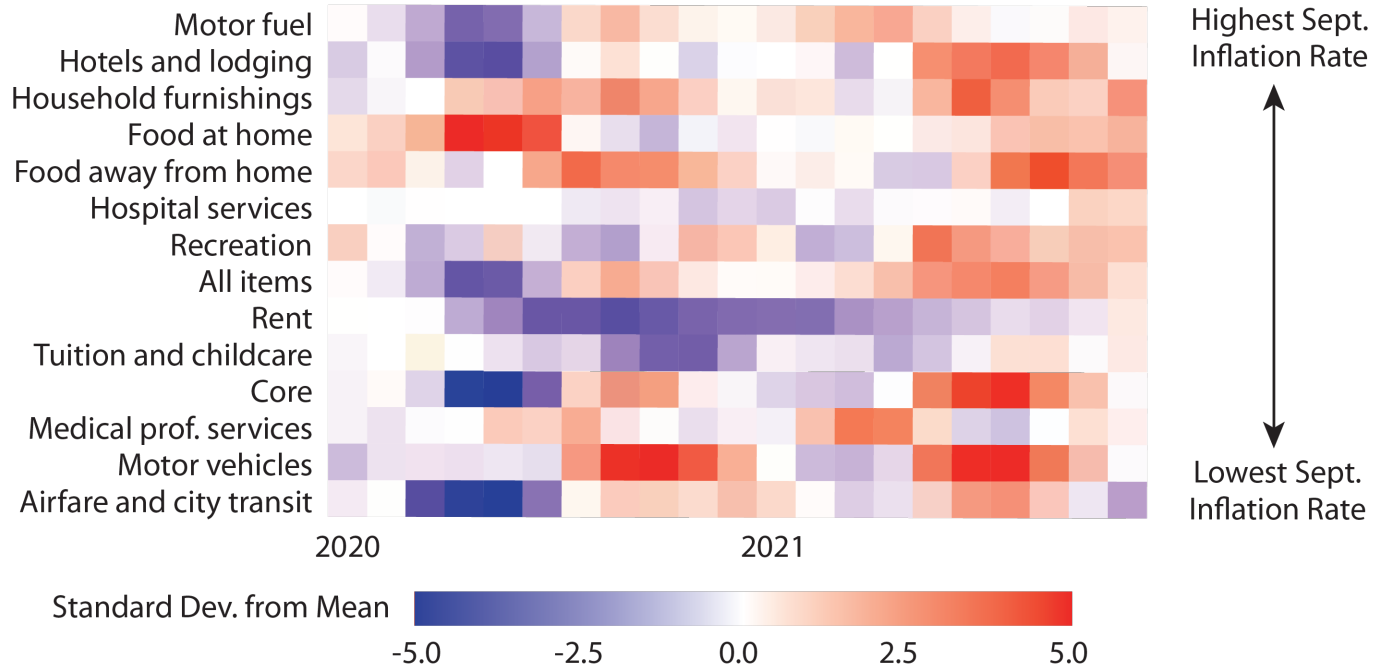
*The U.S. is experiencing cost-push and demand-pull inflation*



Source: Kem C. Gardner Policy Institute

# Inflation Running Hot

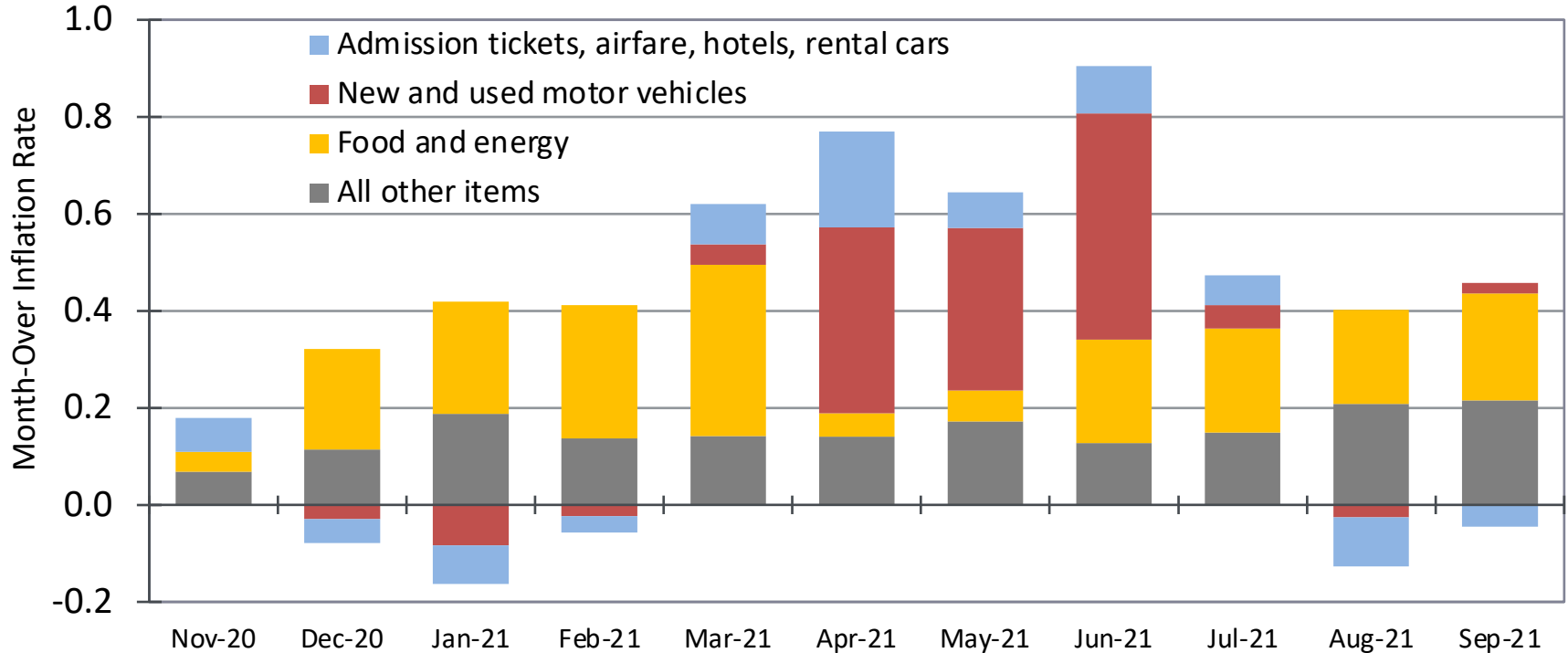
Standard deviations from 5-yr moving average, Consumer Price Index



Source: BLS, Moody's Analytics

# Breaking Down Inflation

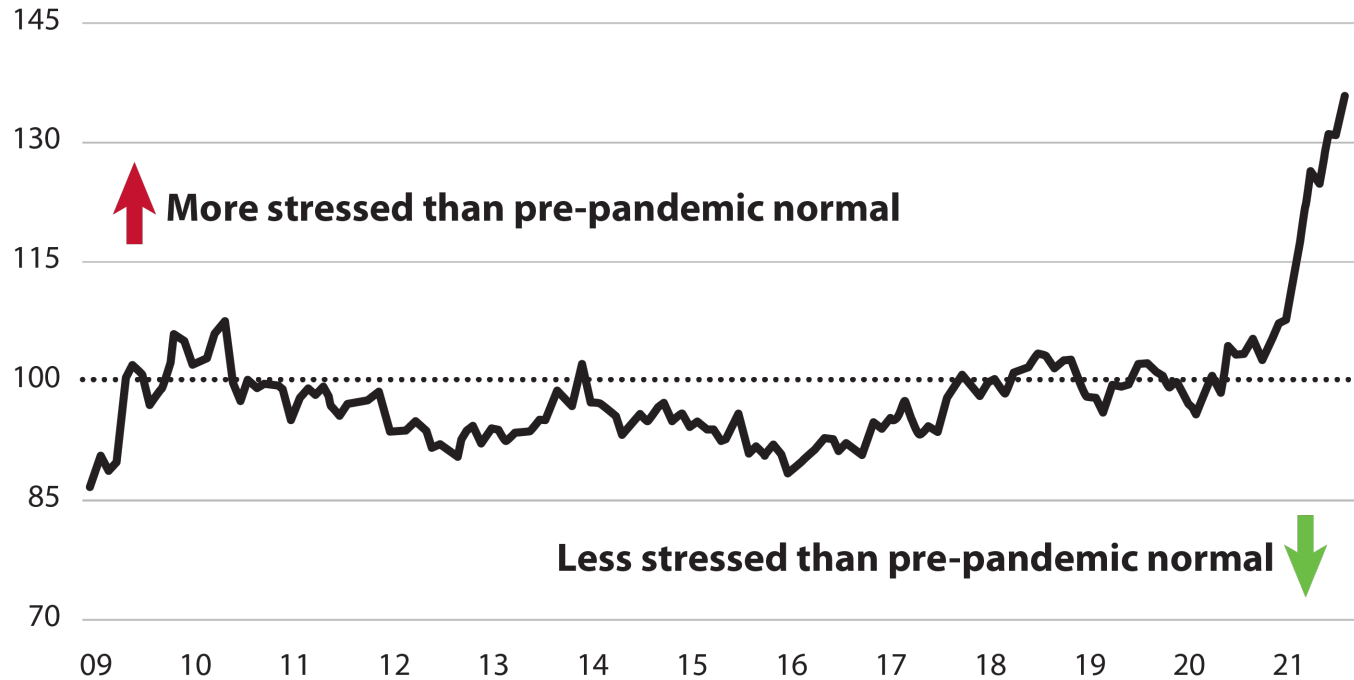
*U.S. Consumer Price Index Components, by Month*



Source: BLS, Moody's Analytics

# Supply Chain Bottleneck

*U.S. Supply Chain Stress Index, 2019 Q4=100*

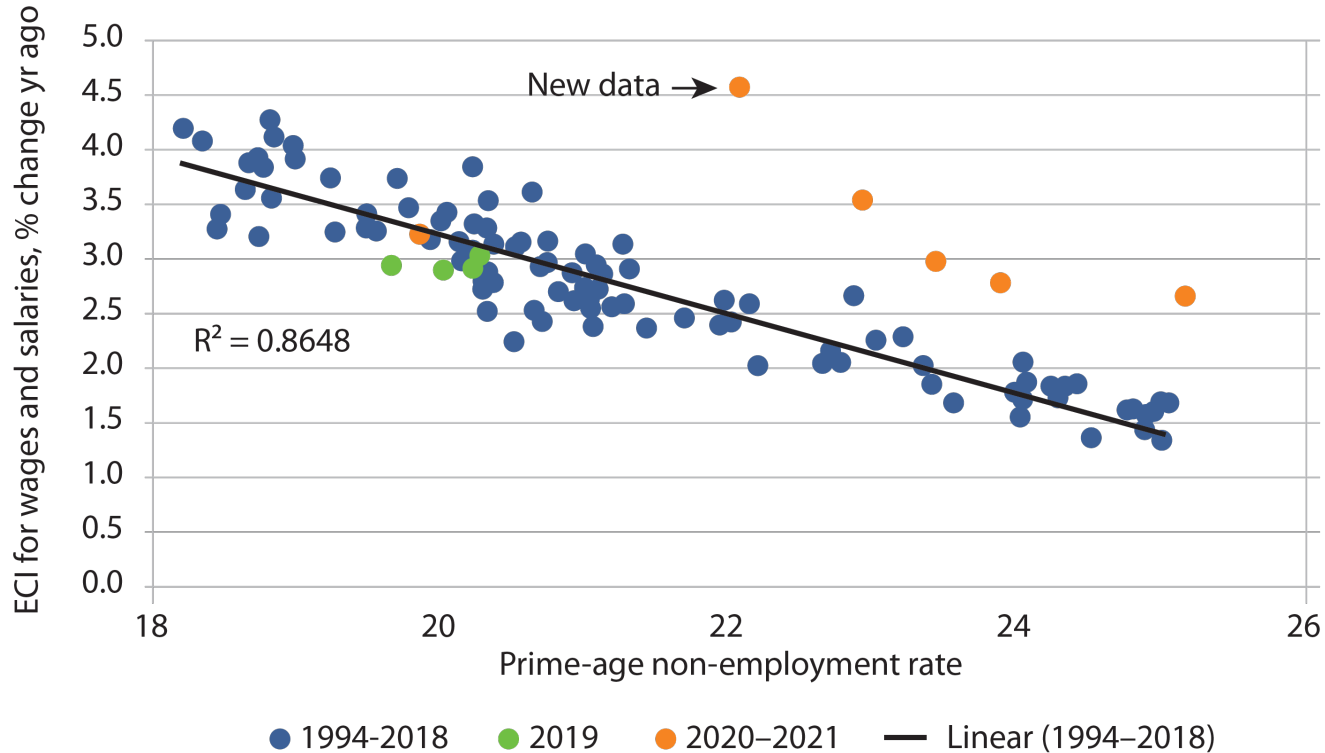


Source: Moody's Analytics



# Pandemic Recession Disruption

Wage Growth and Prime-age Non-employment Rate, quarterly 1994Q1-2021Q3



Note: ECI is Employment Cost Index

Source: BLS and Moody's Analytics

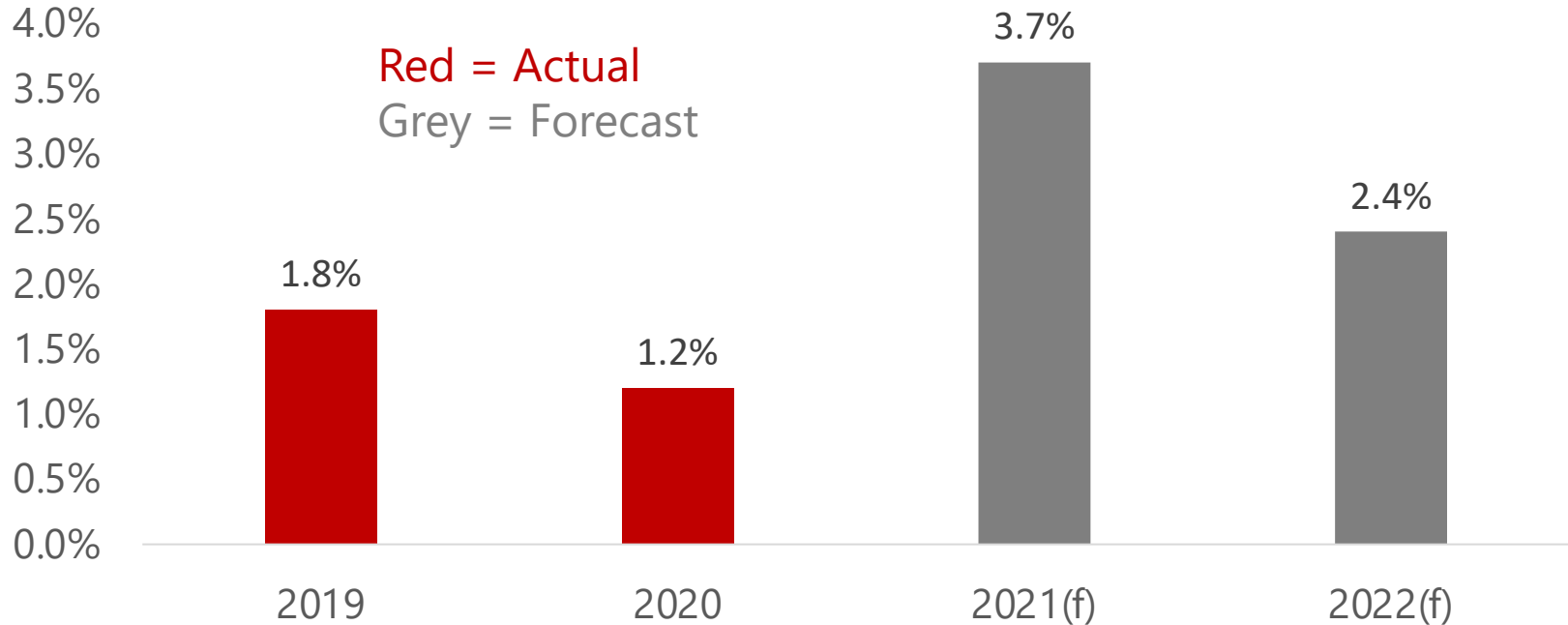
# When Will the Supply Side Wake Up?

Until the supply side of the economy wakes up and catches up with the fast-reviving demand side coming out of the pandemic, the economic statistics will undoubtedly hold more surprises...But there is money to be made. And, if history is any guide, when businesses can make a healthy profit, they will solve the problems. Quickly.

Mark Zandi, Moody's Analytics

# Inflation Forecast

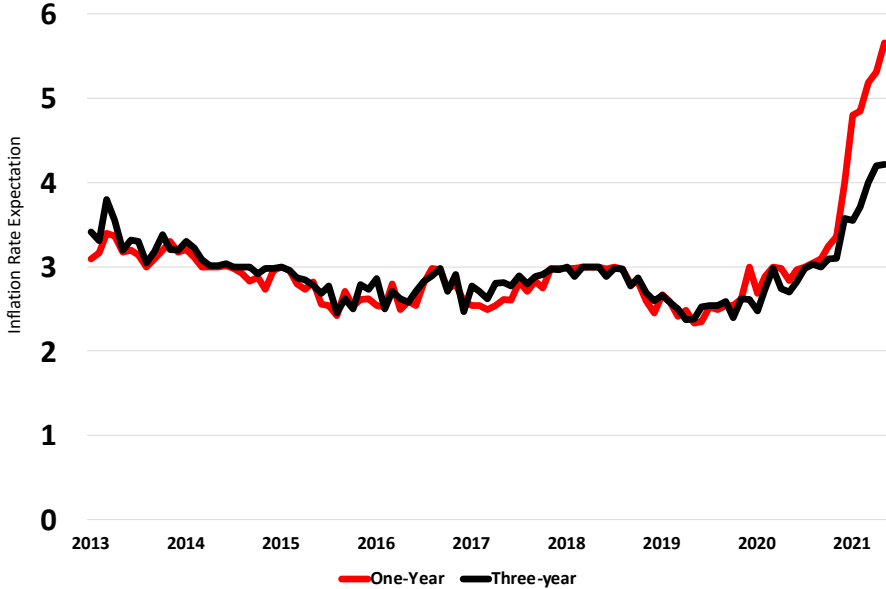
*Annual Percent Change, U.S. Consumer Price Index*



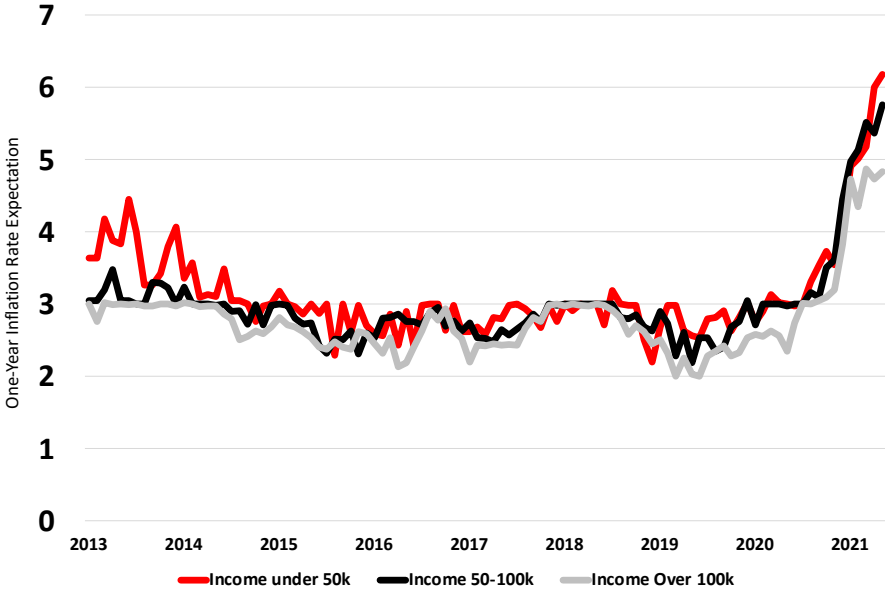
Source: Revenue Assumptions Working Group July Forecast

# Are Inflation Expectations Becoming Unmoored?

### Inflation Expectations



### Inflation Expectations by Income Level



Source: Federal Reserve Bank of New York