

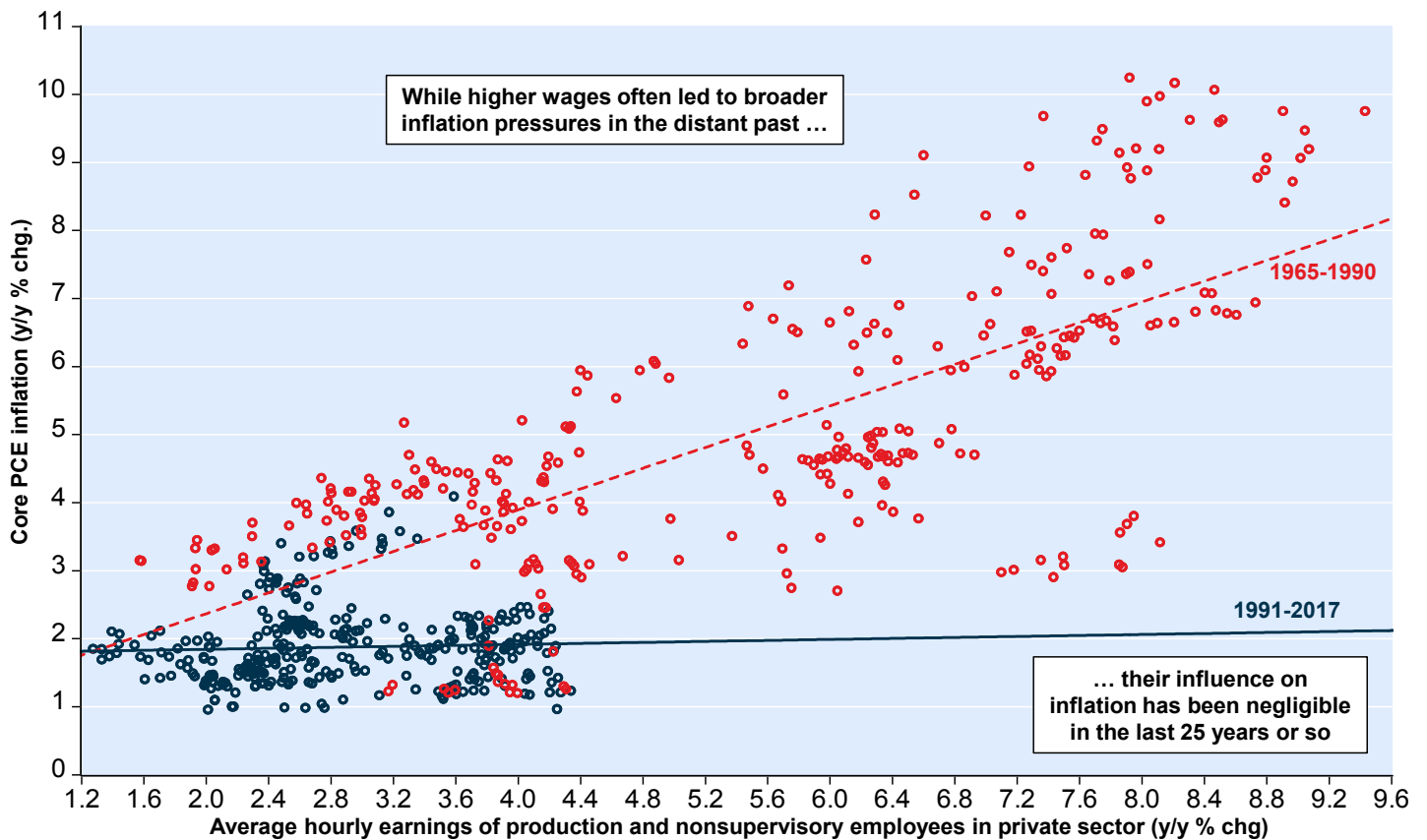
U.S. Watch

January’s larger-than-expected increase of U.S. hourly earnings stirred up concerns about the return of inflation. As the thinking goes, firms will pass on to consumers the higher costs brought by rising wages. But if history is any guide, firms could instead choose to limit price increases to remain competitive amidst global competition, and control overall costs with technology and automation. As today’s *Hot Chart* shows, the pass-through of wage growth to core U.S. inflation was negligible over the last 25 years or so, a period that coincided with an intensification of globalization.

Krishen Rangasamy

U.S.: Will higher wages lead to inflation surge?

Core PCE deflator versus Hourly earnings of production and nonsupervisory employees



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