



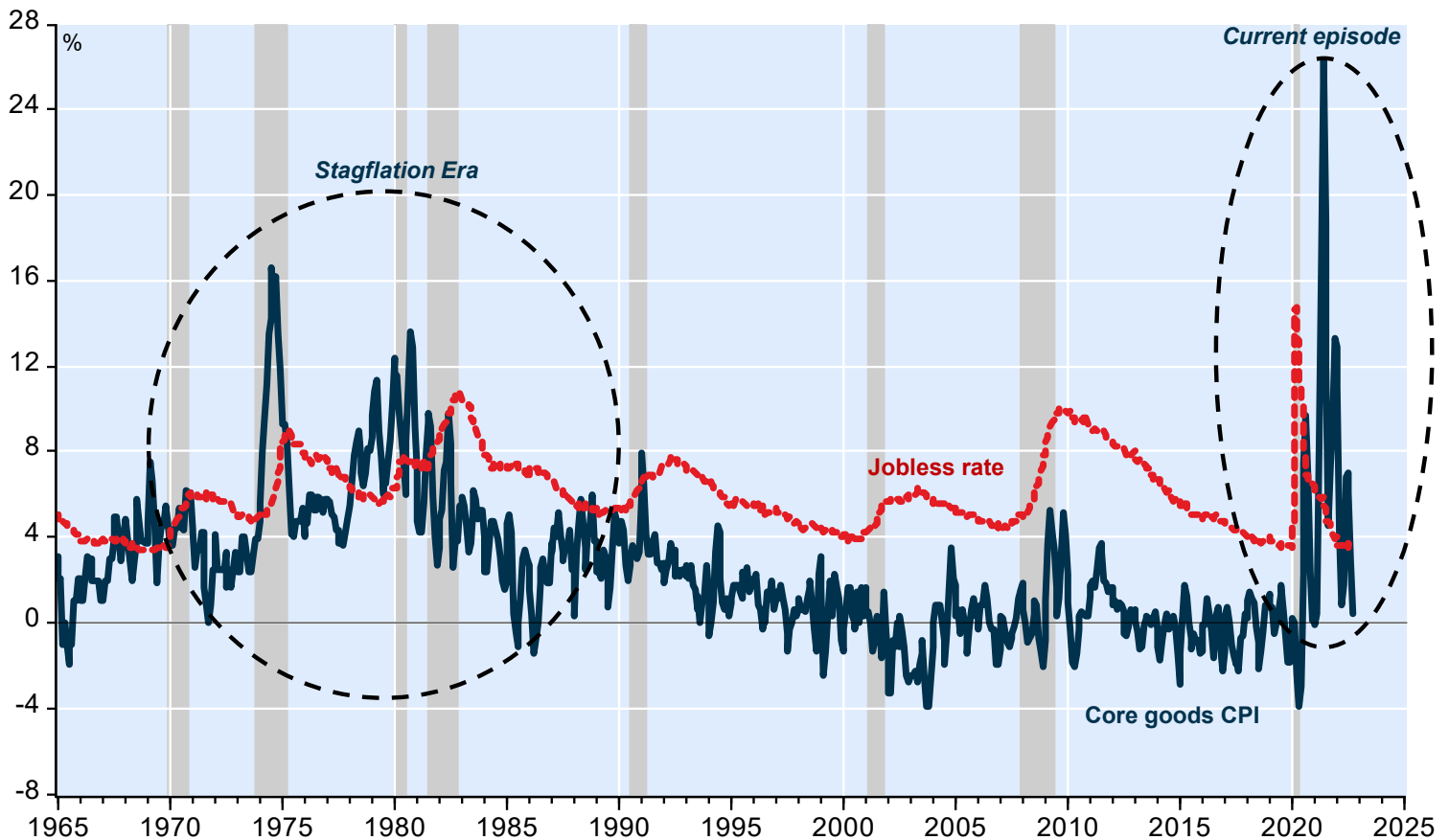
U.S. Watch

By Stéfane Marion

Recent developments in the U.S. offer hope that the Federal Reserve may soon declare a ceasefire and pause its tightening campaign. Year on year, headline inflation clocked in at 7.7% in October, down from 8.2% the prior month and two ticks below the median economist forecast. While these figures remain unacceptably high, there are signs of a more significant turnaround, particularly in the consumer goods segment where price cuts are now being made. After a stable reading in September the core goods CPI fell 0.4% in October. As a result, three-month annualized inflation, which was a record 26.3% in June 2021, was only 0.4% in October 2022. As today's Hot Chart shows, this improvement is much faster than in the stagflation era when it took more than a decade of high unemployment to bring inflation down to current levels. A wave of major corporate layoffs, accompanied by forced deleveraging, could still be avoided to get inflation back to normal.

U.S.: Goods inflation falling much faster than in the stagflation era

Three-month annualized change in the core goods CPI vs unemployment rate



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