Macro Roundup Article

Headline: Immaculate Disinflation Hopes Dashed?

Article Link: https://theovershoot.co/p/immaculate-disinflation-hopes-dashed

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Tweet: .@M_C_Klein argues that 7% annualized growth in nominal employee pay, up from 4.5% before the pandemic, implies that inflation “will probably persist around 4-5% a year.”

Summary: Aggregate weekly payrolls has been rising about 7% annually since the beginning of this year, with minimal variation. That’s up from about 4.5% a year before the pandemic. Wages can rise 1-3 percentage points faster or slower than consumer prices for a variety of reasons—including but not limited to compositional and definitional differences—but larger gaps between the growth rates of wages and prices basically don’t exist outside of WWII and Korean War rationing, the late 1990s productivity boom, and the first year of the pandemic. The only time U.S. wages rose at least 4 percentage points faster than prices for at least two years in a row was 1941-1943.

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Primary Topic: Inflation

Topics: GDP, Inflation, Monetary Policy, Op-Ed/Blog Post, Quote, Sell-by Date

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