

Macro Roundup Article

Headline: [Supply-Side Expansion Has Driven the Decline in Inflation](#)

Article Link: <https://rooseveltinstitute.org/publications/supply-side-expansion-has-driven-the-decline-in-inflation/#:~:text=The%20majority%20of%20disinflation%20has,a%20sign%20of%20expanding%20supply>

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Tweet: Disinflation has been driven by expanded supply, not decreased demand. @mtkonczal finds of 123 core PCE items 73% of goods and 66% of services see "prices falling with quantities increasing," consistent with expanded supply.

Summary: Note that this is a deceleration of the rate of increase. So if an item had 5% price growth and 1% quantity growth at the end of 2022, and then it had a 3% price growth and 2% quantity growth ending July 2023, it would show up as (-2,+1), or on the bottom right quadrant. It would be categorized as supply-increasing in this exercise, as the rate of price increases fell while the rate of quantity increases picked up. At the moment, the inflation story is exactly what a "soft landing" would have predicted. A combination of resolving supply shocks and a subtle decrease in demand has driven inflation down dramatically, with no cost to the level of employment. Related: [The Relationship between Consumption Growth and Inflation and What We've Learned About Inflation and The Unresolved Tension Between Prices and Incomes](#)

Primary Topic: Inflation

Topics: GDP, Inflation, Monetary Policy, Op-Ed/Blog Post

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