

## Macro Roundup Article

**Headline:** [Inflation Is Not "Reaccelerating", But It Isn't Obviously Heading Back to 2%, Either](#)

**Article Link:** <https://theovershoot.co/p/inflation-is-not-reaccelerating-but>

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**Tweet:** [. @M\\_C\\_Klein argues that nominal annual income growth at 6-7% is inconsistent with the Fed's 2% target, and forecasts annual trend inflation in the 3-3.5% range based on current income and output growth.](#)

**Summary:** The underlying inflationary trend is a function of income growth vs. output growth, and aggregate income is still rising a couple of percentage points faster than before the pandemic. If nominal incomes are rising 6-7% a year—even after job market churn has normalized—then spending is going to be rising by a comparable amount. And while trend output may have accelerated from ~2% to ~3% a year, it probably has not accelerated to 4-5% a year, which would imply that inflation will also tend to be somewhat faster than before. Officials do not necessarily need to do anything about this. The current combination of robust growth, high employment, relatively tame inflation, and mid-single-digit yields on safe assets represents the best set of macroeconomic and financial outcomes for the U.S. in decades. But this also means that there is little reason for monetary policymakers to lower interest rates, despite what (some of) their models may be telling them.

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**Primary Topic:** Inflation

**Topics:** Business Cycle, Inflation, Monetary Policy, Op-Ed/Blog Post, Weekly

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