

Macro Roundup Article

Headline: [Creating Shortages](#)

Article Link: <https://fedguy.com/creating-shortages/>

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Tweet: [. @FedGuy12](#) notes “the last mile of inflation has largely come down to shelter inflation” and argues that higher rates are counterproductive, reducing new supply.

Summary: The last mile of inflation has largely come down to shelter inflation, which remains stubbornly higher than pre-pandemic. The reduced construction of housing appears to be due to higher financing costs, which look to remain structurally higher. From a supply perspective, the rapid rate hiking cycle quickly led to tightening of bank lending standards as banks anticipated higher default risk from a slowing economy. Bank loans to finance construction came to a standstill and have even slightly declined. Homebuilders report difficulty in getting financing for projects, though the largest home builders appear to be less affected. From a demand perspective, multi-decade high mortgage rates have reduced the ability of buyers to pay higher prices. Prospective buyers thus stay in the rental market and contribute to upward pressure on rents.

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Primary Topic: Inflation

Topics: GDP, Housing, Inflation, Op-Ed/Blog Post

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