

Macro Roundup Article

Headline: [The Fed Is Getting Less Sanguine About Inflation. Here's Why](#)

Article Link: <https://theovershoot.co/p/the-fed-is-getting-less-sanguine>

Author(s)	Matt Klein
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Tweet: [@M_C_Klein argues that inflation is unlikely to decline until nominal wage growth slows, which it has not to this point.](#)

Summary: There does seem to be a connection between the acceleration in wage growth over the past year or so and the acceleration in the inflation rate of services other than housing, electricity, and gas. One could reasonably quibble that “services excluding housing and energy services” is 32% health care prices charged by providers to insurers (including Medicare and Medicaid), 13% imputed financial and insurance services, plus 9% “social assistance” (excluding child care) and non-profits. None of those prices are necessarily linked to wages. But these problematic categories do not explain why inflation has accelerated. In fact, excluding those categories, along with other non-market PCE, makes core services inflation looks substantially worse, as can be seen in the difference between the green line and the orange line in the chart above.

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Primary Topic: Inflation

Topics: GDP, Inflation, Op-Ed/Blog Post, Sell-by Date, Theory

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