

# Consumer prices soar again and push U.S. rate of inflation to 31-year high

## ECONOMIC REPORT

The numbers: The cost of living rose sharply again in October as Americans paid more for staples such as gas and groceries, pushing the rate of inflation to a nearly 31-year high and adding financial pressure on U.S. households.

The consumer price index jumped 0.9% last month, the government said Wednesday. Economists polled by The Wall Street Journal had forecast a 0.6% increase.

The pace of inflation over the past year marched to 6.2% in October from 5.4% in the prior month. That's more than triple the Federal Reserve's 2% target and is the highest rate since November 1990.

The latest in a string of high inflation readings is likely to put more pressure on the Fed and could even hasten its plans to phase out stimulus for the economy. The central bank has taken unprecedented steps to keep interest rates ultra low.

The White House has also grown worried. "Inflation hurts Americans pocketbooks, and reversing this trend is a top priority for me," President Biden said in a statement Republicans have blamed his policies for contributing to the surge in inflation.

Another closely watched measure of inflation that omits volatile food and energy costs rose 0.6% last month. This so-called core rate is closely followed by economists as a more accurate measure of underlying inflation.

The 12-month increase in the core rate climbed to 4.6% from 4% and hit a 30-year peak.

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Big picture: High inflation is set to persist into early 2022 because of ongoing shortages of labor and supplies that are unlikely to ease soon.

Companies such as UPS, Kraft and Krispy Kreme have to pay more for wages and materials and they still can't produce enough goods and services to meet demand. Many are raising prices to offset the higher costs to themselves.

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The latest surge in the consumer prices is sure to raise fresh worries at the Fed.

Chairman Jerome Powell and other senior Fed leaders say inflation should subside next year and return close to their 2% target, but they acknowledge price pressures have been much stronger than they anticipated. They say they are watching prices closely and are prepared to respond if high inflation persists.

The surge in prices for rent, gas, groceries, cars and many other goods and services has put a big dent in consumer confidence and could even threaten the economic recovery unless inflation relents.

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"I am acutely aware that this period of rising prices is painful for many Americans," Philadelphia Federal Reserve President Patrick Harker said on Monday.

Key details: The cost of gasoline rose 6.1% in October, the latest in a series of price increases. Americans are paying a lot more to fill up than they did a year ago.

The cost of gas has leveled off lately, however, and is likely to help ease inflationary pressures in November.

The cost of food climbed almost 1% last month. Grocery prices have climbed 5.3% in the past year, making it harder for families to prepare dinner or to afford to go

out to eat.

The cost of rent shot up 0.4%. The increases in the past two months mark the biggest back-to-back gains since 1987. Shelter is the largest expense for most families.

Prices also rose sharply for new and used vehicles, medical care, transportation and electricity, among other things.

While the increase in inflation was limited to just a handful of categories earlier in the year, price increases have spread more broadly to many other goods and services.

The few categories to show a decline in prices last month were alcoholic beverages and airline fares. Plane ticket prices had risen sharply in September and eased up last month.

What they are saying? "U.S. inflation is both broadening and quickening," said senior economist Sal Guatieri of BMO Capital Markets. "Inflation is spreading to more items as supply can't keep up with sturdy underlying demand that's stoked by stimulative policies, forcing more companies to pass along rising costs."

"This print will leave more doubts in the Fed's mind about how long they can let this inflation run," said economist Katherine Judge of CIBC Economics.

Market reaction: The Dow Jones Industrial Average and S&P 500 opened lower in Wednesday trades after hitting record highs in the past week.

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