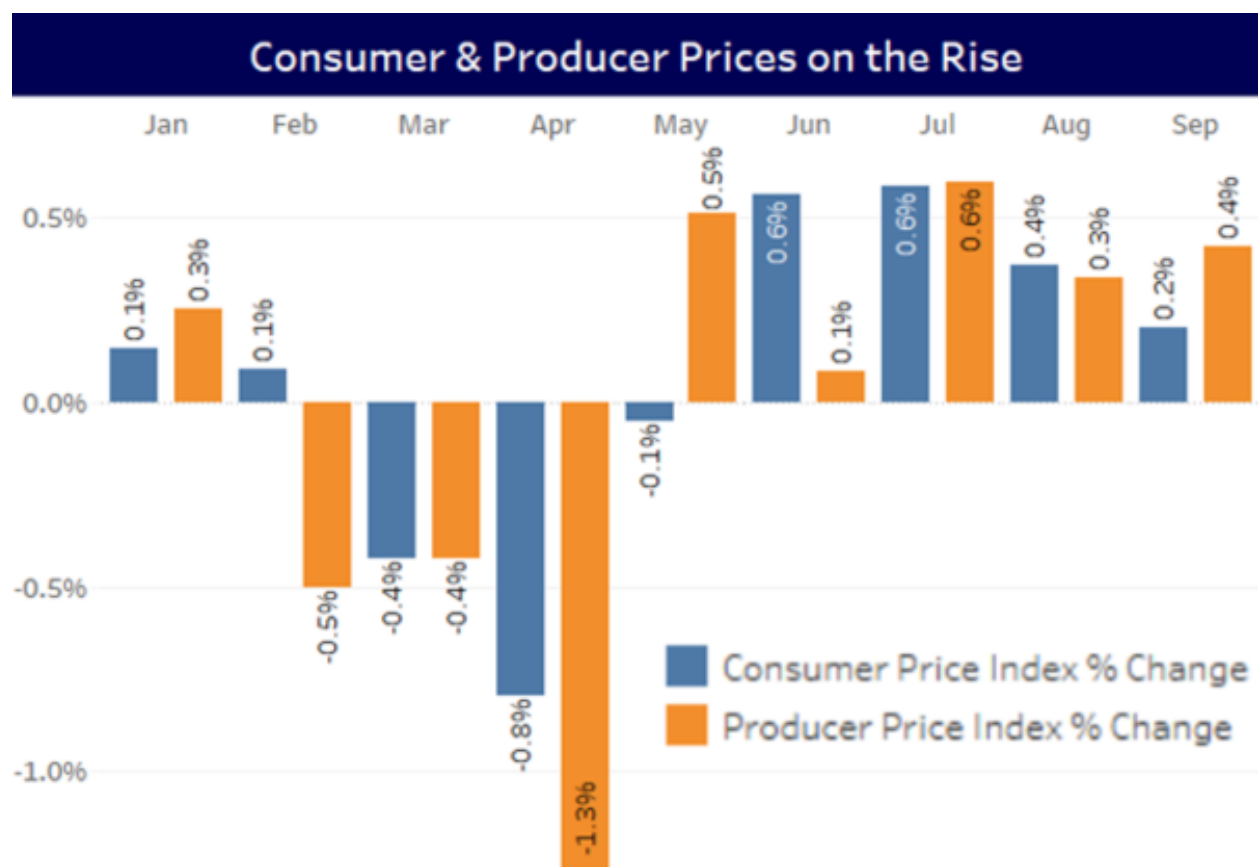


Consumer Prices Rise in September

Inflation is slowly coming back. In the current situation, this is good news, because it means a resumption of economic activity. The Bureau of Labor Statistics (BLS) reported this week that consumer prices (CPI) rose 0.2% in September and producer prices (PPI) rose 0.4%.

September marks the fourth consecutive month that both price indexes rose. They had both fallen steeply in March and April. Producer prices also fell in February and consumer prices fell in May.

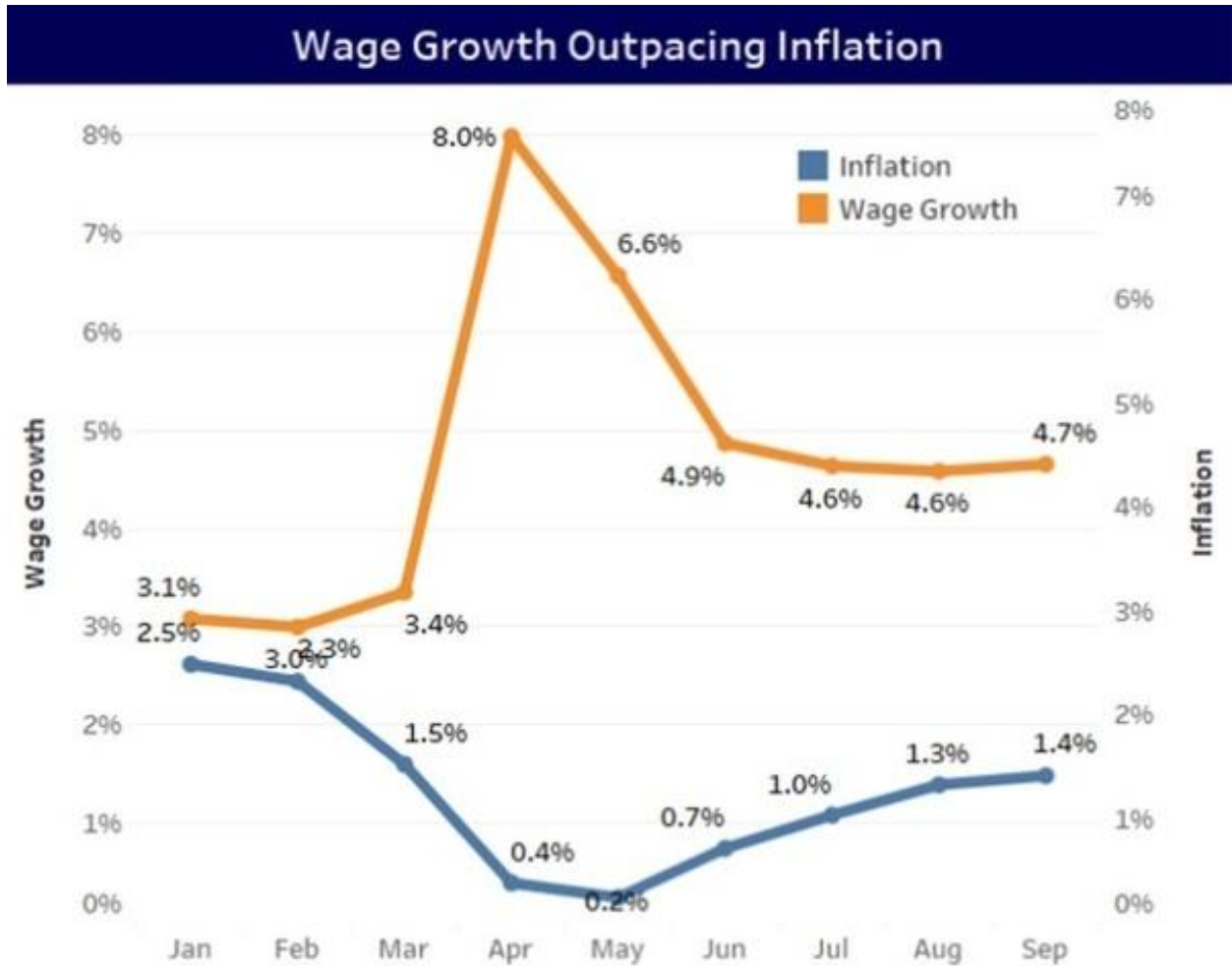


The COVID-19 pandemic and subsequent economic fallout caused deflationary pressure earlier this year. At the time, a drop in prices was one of the Federal Reserve's primary concerns. Falling prices are as destructive to businesses as too-high inflation. The Fed acted aggressively by increasing liquidity in financial markets to head off further deflation in March and April. Since then, a resumption of economic activity has pushed prices higher.

Even though it's rising, inflation remains low overall. The Fed wants it to run at about 2% on an annual basis. Right now, consumer prices are growing 1.4% annually. One of the reasons the Fed

will continue to keep interest rates low and extend its other liquidity programs is because inflation will likely continue to be low as the economy continues to be impacted by COVID-19.

The upside of low inflation is that it boosts workers' real buying power when their wages are growing. Wages, despite the virus-stricken economy, are growing. They rose 4.7% on an annual basis in September. Therefore, the real buying power of workers grew at a robust 3.4% last month. That is a faster rate than before the pandemic.



—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce