



# CENTER FOR FINANCIAL STABILITY

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## Now, Inflation is Clear and Global

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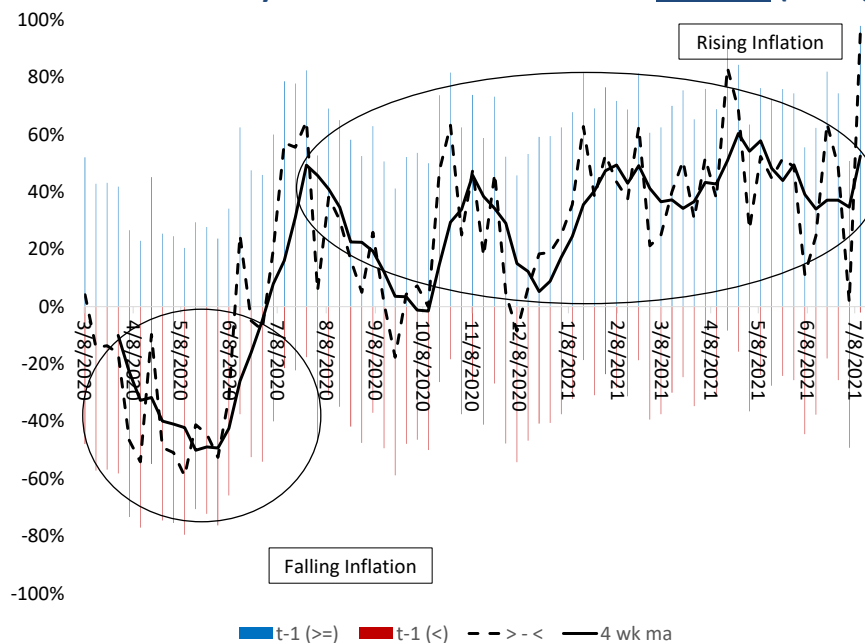
Across the board higher consumer price inflation in the United States removes any ambiguity or doubt regarding the existence of price pressures beyond transitory or base effects.

Overall consumer prices increased by 5.4% on the year ending in June. Core inflation increased by 4.5% over the same period. In fact, in the last 4 months, both overall and core inflation exceeded market expectations and increased relative to the previous month's release.

The phenomenon also extends well beyond simply the United States. It is global.

A diffusion index of every inflation release relative to the prior release for 49 countries shows an upward impulse since the beginning of the year. More pointedly, a diffusion index of reported inflation relative to expectations for the same complex of countries illustrates how actual inflation has been exceeding expected inflation especially since May 2021. (see Figures 1 and 2.)

**Figure 1. Diffusion Index of Every Inflation Release relative to Previous (through 7/11).**



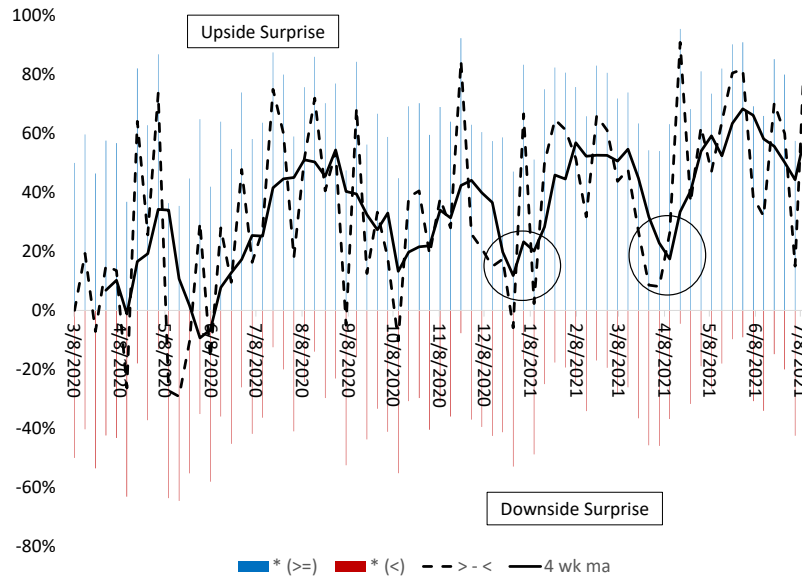
Source: Bloomberg LP and Globalecon LLC.



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Figure 2. Diffusion Index of Every Inflation Release relative to Expectations (through 7/11)



Source: Bloomberg LP and Globalecon LLC.

The Center for Financial Stability (CFS) has been clear about risks and financial stability implications. Our first email on April 22, 2020 noted how the initial impulse in the signal from CFS broad money would be a period of disinflation followed by inflation.

Inflation Fears Offers the Fed a Chance to Modernize with Money

[http://www.centerforfinancialstability.org/research/Modernize\\_Money\\_042621.pdf](http://www.centerforfinancialstability.org/research/Modernize_Money_042621.pdf)

Post-Pandemic Economic Risks

[http://www.centerforfinancialstability.org/research/Post\\_Pandemic\\_Economic\\_Risks\\_050521.pdf](http://www.centerforfinancialstability.org/research/Post_Pandemic_Economic_Risks_050521.pdf)

June CFS Divisia money and financial liability data will be released on August 2 at 9:00 AM ET.

The present global macro backdrop for investors and officials is one of the most challenging and complex in decades. We look forward to any comments you might have.

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