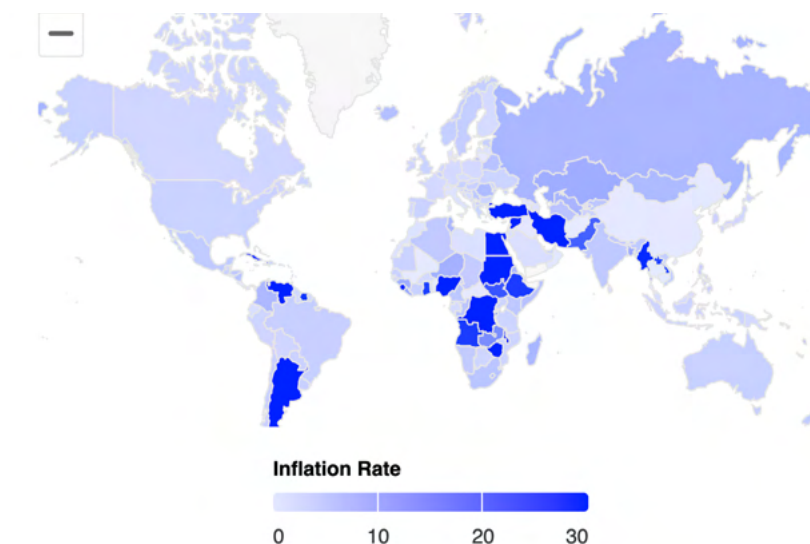


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INFLATION ABROAD

The U.S. inflation rate of roughly 3.5% a year has been sounding alarms, in part because it is somewhere around twice the target rate that the U.S. Fed economists want to engineer. That means the potential for more rate hikes.

But how alarming is a 3.5% inflation rate when compared with other global economies? The graphic shows the hot spots where inflation is dramatically higher than the rest of the world, and it shows that the U.S. is firmly in the moderate range. The inflation rate in Argentina would be truly alarming: 288% a year. Turkey is currently experiencing a 68.5% annual inflation rate, which is only slightly worse



than Sudan's 66% rate and Venezuela's 67% statistic. In Egypt, inflation is running right at 33%, Iran's rate is just over 35%.

At the other end of the spectrum, inflation is nearly zero in China, and at or below 1% in Italy and Switzerland. Countries at or near the U.S.

level are the United Kingdom (3.2%), Spain (3.3%), Australia (3.6%) and South Korea (3.1%). Most European countries are in the 2-2.5 percent range.

Sources:

<https://tradingeconomics.com/country-list/inflation-rate>

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THE ETERNAL RACE BETWEEN WAGES AND INFLATION

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You might think that hourly wages and worker compensation closely tracks the inflation rate, but as you can see from the graphic, the two are in a constant tug-of-war; wages sometimes rise faster than inflation, and often they lag. Over the last year, wages have been winning this particular race; hourly wages are up 4.5% from this time last year, while the inflation rate, again over the past year, has come in at 3.4%. In March, the last month where we have statistics, the difference was 4.7% annualized (wages) vs. 3.5% annualized (inflation).

However, this is catchup; between 2021 and mid-2023, inflation was dramatically higher than the growth of worker income. Some economists believe that wages still have some catching up to do before they moderate to something closer to the inflation rate.

The statistics are also somewhat hard to read, since different

Monthly year-over-year change, January 2010 to January 2024; CPI through December 2023



Data: Bureau of Labor Statistics; Chart: Axios Visuals

states have different minimum wage levels. A worker earning the minimum wage in California takes home \$15.50 an hour, while in Oklahoma, the wage might be as low as \$2 an hour. And perhaps a more accurate gauge of how much workers should be paid is productivity; if the minimum hourly wage in the U.S. had kept up with

productivity, it would be \$22.88 an hour today, leaving inflation in the dust.

Sources:

<https://www.axios.com/2024/02/05/wages-outpacing-inflation>

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