

## How Inflation Might Ease - Consumer Behavior

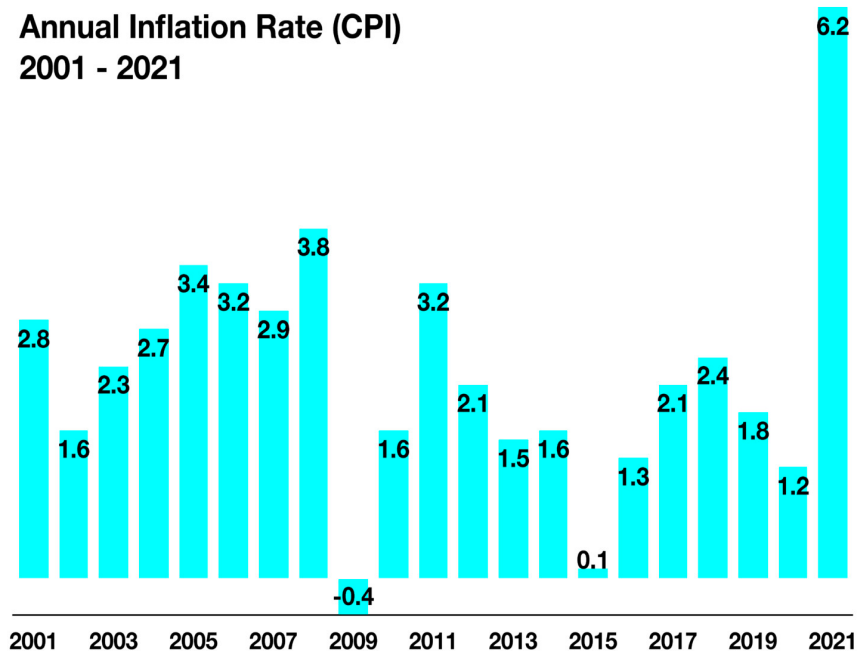
The pandemic pulled forward or accelerated an enormous amount of consumer spending that was pent up for months during lock downs and closures. As a result, demand for automobiles, homes, furniture, and appliances all skyrocketed, driving prices higher and evaporating inventories.

Much of the pulled forward demand is expected to ease especially among consumers and businesses that modified their business models in order to work from home. As the transition for millions has begun to settle and become complete, additional transitions are expected to be limited.

Elevated prices for essentials including food and gasoline will limit how much money consumers have for discretionary items such as movies, furniture, and automobiles. As discretionary income falls, so does consumer demand, alleviating inflationary pressures. Several economists are predicting a pullback in the inflation rate as consumers slow spending behaviors and overall demand eases.

The most recent inflation data revealed an annual inflation rate of 6.2% from October 2020 to October 2021, the steepest increase in 31 years. Economists and market analysts alike believe that inflation may be temporary for certain goods yet more lasting for others as consumers determine where to spend.

Sources: Bureau of Labor Statistics



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