

Simmering Inflation Pressures

An end to the economic slowdown remains elusive. Yet, underlying inflation pressures — though relatively restrained — have started perking up.

Stagflation Lite With U.S. economic growth sluggish and slowing, and inflation low but rising, the Fed is faced with what we might call “stagflation lite.” Given its dual mandate, this presents quite a policy conundrum.

The growth rate cycle (GRC) downturn that began at the end of 2014 remains intact, with U.S. Coincident Index growth dipping to a 28-month low in February

Faced with slowing U.S. and global growth, the Fed is falling behind the inflation

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Chart 1: U.S. Future Inflation Gauge (1992=100) and Core PCE Inflation (%)

