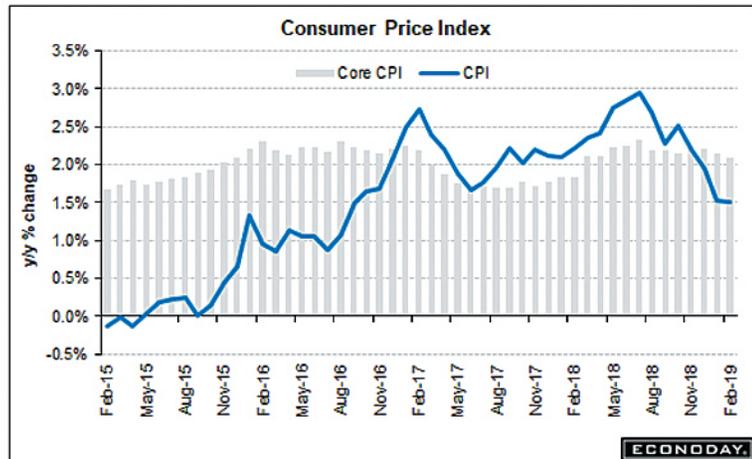


# Economic VOICE

## Why No Inflation?



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By Harlan Green / Special to VOICE

**THERE IS ALMOST NO INFLATION, AND THE MARKETS LOVE IT,** as both stocks and bonds are rallying on the news. The Consumer Price Index rose just 1.5 percent in February, and its core without more volatile food and energy prices was up just 2.1 percent. The Fed has even stopped raising their short term rates in an attempt to boost inflation higher, but no dice. It won't move up at all, but is

falling.

So where's the inflation that should normally be rising close to the three percent that prevailed through most of 2017 as the graph shows? After that, the Republican tax cuts gave artificial stimulus to economic growth, so much so that Q2 2017 GDP soared to a 4.2 percent growth rate.

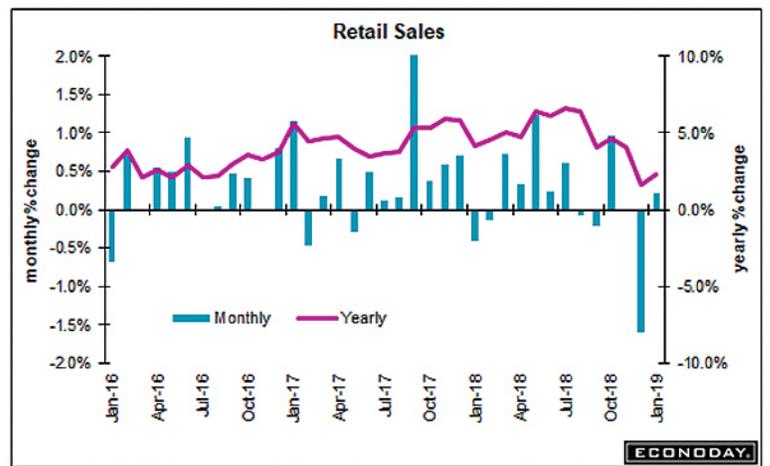
But corporations and rich folk who benefited most from the cuts, pocketed it, so growth slowed to 2.6 percent in Q4 and

is predicted to be less than one percent in the first quarter of 2019. All that largesse wasn't invested in much that was productive – what economists call capital expenditures; and corporations did not pass on the benefits to their employees in either higher wages or benefits.

Growth fell because it didn't affect the other 99 percent of income earners, in other words, those whose incomes are slowly increasing, but not fast enough to push up their spending. In fact, retail sales are miserable at present, rising just 0.2 percent in January, after declining a minus 1.6 percent in December, which puzzled many economists.

Stocks plunged in December as well, until the Fed reversed course and decided to be “patient” before raising their short term rates further, which had pushed the Prime lending rate to 5.5 percent, on which credit card and installment debt base their rates. Consumers then apparently decided to park their shopping carts rather than splurge during the holidays.

“But when excluding autos, where sales were very weak in January, the latest month shows a very strong 0.9 percent gain that hits the top of Econoday's



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consensus range,” said Econoday. “The report's two core readings – less autos and gas and the control group – also show outstanding gains, of 1.2 and 1.1 percent respectively that reverse tremendous weakness in December at revised losses at 1.6 percent and 2.3 percent.”

So what do we make of what is looming disinflation, the economic term for falling inflation, that the Fed fears most of all because it signals consumers are buying less? It means consumers that make up two-thirds of economic activity are saving more, with their personal savings more than double since the last recession. Could it mean consumers also

fear another downturn? Even another serious recession?

Maybe the shock of the Great Recession hasn't worn off, since most consumers have yet to benefit from the now ten year recovery.

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**Harlan Green** has been the 16-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker. To reach Harlan call (805)452-7696 or email [editor@populareconomics.com](mailto:editor@populareconomics.com)

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	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
'11	80	94	146	119	135	140	147	156	160	128	126	170
'12	114	113	183	170	225	215	217	213	173	218	190	275
'13	141	146	189	197	265	209	217	216	181	178	138	167
'14	142	132	141	186	207	174	196	179	171	160	137	170
'15	142	113	235	202	226	210	207	217	155	149	124	150
'16	126	118	153	166	220	195	174	214	187	161	158	159
'17	142	132	164	149	189	257	193	224	178	173	172	170
'18	101	121	172	179	234	211	165	225	184	171	145	163
'19	129	141										

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