



Basis Points – November 11, 2021

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Above the Fold

Inflation Now at 30-Year High

The latest data from the Labor Department showed that the consumer price index (CPI) increased at its fastest annual pace since 1990, which was just ahead of a recession. Price increases were also near these levels in July 2008 as America entered into the Great Recession. For October, the prices of goods and services rose at a 6.2% annual rate, which was the fifth-straight month the index topped 5%. The so-called core price index, which strips out more volatile (but extremely critical) food and energy prices, increased 4.6% from the same period last year. The core increase was also the biggest jump since 1991.

Pundits continue to put the blame squarely on supply chain disruptions, which are likely to worsen as holiday season shopping, travel, and consumer demand increases. But consumers are cutting back their spending to save on rapidly rising prices of stuff. Consumer spending increased a mere 1.6% in the third quarter, dramatically less than the 12% year over year increase we saw in Q2. Spending on services, however, was up nearly 8% last quarter.

With the prices of just about everything rising, consumers are scaling back some of their usual expenditures. Some are chopping features on their mobile devices or entertainment, while others are reducing the number of times they dine out in a month or what brands of food they purchase. The cure for higher prices may be the higher prices themselves, but if inflation remains stubbornly high and consumers continue to reduce spending, stagflation becomes a real concern.

Three Things

1. *GE to Change Its Identity Forever* – What was once the largest and most valuable conglomerate in America will split itself into three, separate publicly traded companies. General Electric CEO Larry Culp announced earlier this week that his company will be broken up into separate units focused on healthcare, energy and most importantly, aviation. The company has been divesting out of other businesses for years, and the move now challenges the future of the conglomerate model.
2. *Zillow Unloads 2,000 Homes With 16,000 More to Go* – Zillow struck a deal to sell 2,000 homes across 20 U.S. markets to NYC-based Pretium Partners for market value; Pretium plans to rent the homes out to families in those respective areas. Zillow had previously stated that its shuttered home-buying business left it with 9,800 homes in current inventory to sell, plus another 8,200 that it was in the process of acquiring. The company expects to lose between 5% and 7% on those transactions.
3. *Apple Loses App Store Stronghold* – Judge Yvonne Rogers ordered Apple to comply with a previously stayed order that will allow app creators to add links and buttons to allow for external purchases directly in the apps themselves. In other words, Apple stands to lose a great deal of income from in-app purchases as they won't be required to go through its store. The decision stems from the original lawsuit filed by Fortnite creator, Epic Games.

Did You Know?

Real Inflation Is Even More Severe in America

The consumer price index is a basket of goods and services whose prices are averaged, computed, adjusted and tracked over time. Since its inception, some experts have been critical of the index, claiming that it does not accurately reflect the real price changes consumers are experiencing. Over the summer (between May and June), [Forbes Advisor](#) tracked month over month price changes in a few categories. In just 30 days, you can see the dramatic changes in some sectors ... and remember that similar monthly inflation rates have continued throughout October.

- Used cars and trucks: 10.5% increase
- Fuel oil: 2.5% increase
- Meats, poultry, fish and eggs: 2.9% increase (specific products have seen large gains, such as uncooked beef steaks, which rose 6.0% in price since May)
- Car and truck rentals: 5.2% increase
- Airline fares: 2.7% increase
- Dishes and flatware: 1.9% increase
- Women's apparel: 1.6% increase

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