

FINANCIAL SERVICES

Inflation continues to fuel consumer, stock market anxiety

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Chanel is among the luxury brands that have introduced price increases. Image credit: Chanel

By KATIE TAMOLA

As inflation continues to permeate the across the globe and fuel economic anxiety, the luxury industry may see more ripple effects.

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April's consumer price index, a measurement of prices for goods and services, soared to 8.3 percent, past the 8.1 percent expected and approaching the highest level in more than 40 years. Although inflation technically slowed last month, U.S. consumers remain apprehensive, and continued supply chain issues, global tension and other factors are making it difficult to find a light at the end of the tunnel.

"Inflation is not slowing down," said Melissa Armo, owner/CEO at [The Stock Swosh](#), LLC, New York. "Jerome Powell, chair of the Federal Reserve, said last week that he thought inflation had peaked but so far there is no indication of that.

"It could get worse before it gets better," she said. "This could carry well into 2023."

No end in sight

In February, U.S. inflation hit a 40-year record high, with the U.S. consumer price index having increased 7.5 percent, before seasonal adjustment, according to the U.S. Bureau of Labor Statistics, the steepest 12-month increase since 1982 ([see story](#)).

Inflation and prices have continued to soar since then. The U.S. government released updated inflation [data](#) this week, reporting that the consumer price index increased by 8.3 percent in the year through April, a slight decrease from when prices increased by 8.5 percent in March.



Demand for hybrids and EVs is up among affluents as gas prices climb. Image credit: Bentley

According to the [American Automobile Association \(AAA\)](#), the average price of a gallon of gas in the country is \$4.40, as some areas like California are seeing higher prices closer to \$5.80. Soaring gas prices are contributing to the growing demand for electric vehicles as premium and luxury automakers ramp up their electrification efforts ([see story](#)).

U.S. stocks have continued their downward trajectory from April into this month. May 5 signified the stock market's worst day of 2022, when all major indices saw drops of more than 3 percent ([see story](#)).

Russia's invasion of neighboring Ukraine also continues to impact global markets.

According to a Bain & Company webinar, businesses must prepare themselves for the war's long-term implications. Although the countries involved in the war are not major global markets, Russia and Ukraine as well as Russia's ally Belarus are critical sources of food and energy ([see story](#)).

The Federal Reserve has already implemented two interest rate increases and has announced plans to employ more until inflation begins to decline. The recently released data and various challenging realities the U.S. is facing indicate that reaching that goal will be an uphill battle.



Many brands have alluded to price increases in their earnings reports. Image credit: La Mer

"The markets are trending down the entire year of 2022," Ms. Armo said. "There is a chance the market may not make a new high the rest of the calendar year.

"If we do, then it would be later in the year," she said. "Considering how bullish the market has been the last several years, this will be shocking for people and their investments."

Inflation at home

The housing market, which has seen strong price growth and demand throughout the pandemic, is experiencing ramifications from inflation and in some situations, may be contributing to it.

The most popular migration destinations within the U.S. have the highest rates of inflation, according to a recent analysis from Redfin.

During the fourth quarter of 2021, the three metro areas with the highest inflation rates were also among the top 10 migration destinations. Migration patterns are one contributor to climbing costs for consumer goods and services ([see story](#)).

As home prices climb upwards, prospective buyers are considering bumping up their budgets.

According to Bank of America's 2022 Homebuyer Insights Report, 56 percent of prospective homebuyers are hesitant to purchase due to high home prices. Home prices are expected to increase 10 percent by the end of the year even as listing time dwindles amid increased demand and low inventory ([see story](#)).

Just as inflation involves many factors, it is not an easy fix to mitigate its impact.

"As far as how it got this bad, it is not based on any one thing," Ms. Armo said. "It is a combination of things that have attributed to rising prices.

"Rates were too low for too long too much free money and stimulus for too long, not enough people back in the workforce," she said. "Supply chain issues stemming from COVID-19 and not enough people working to produce."

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