

FINANCIAL SERVICES

## Inflation reaches 8.6pc, prompting Wall Street sell-off

June 10, 2022



*The stock market took a hit on Friday as inflation continues on an upward trajectory. Image credit: New York Stock Exchange*

By LUXURY DAILY NEWS SERVICE

Stocks fell significantly on June 10 after a new report from the [U.S. Bureau of Labor Statistics](#) revealed inflation hit a 40-year high.

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According to the highly anticipated report, the Consumer Price Index rose 1 percent in May, after rising 0.3 percent in April, bringing the year-over-year index to a staggering 8.6 percent. The latest increase fuels consumer and economist anxiety, especially after the Federal Reserve's recent move to bump up interest rates was expected to slow momentum, reflected in major stock market losses on Friday.

**An unstable economy**

The latest index increase was broad-based, with the indexes for shelter, gasoline and food being the largest contributors.

After declining in April, the energy index rose 3.9 percent in May with the gasoline index rising 4.1 percent and the other major component indexes also increasing. The food index rose 1.2 percent in May as the food at home index increased 1.4 percent.

According to *The Wall Street Journal*, the Internal Revenue Service (IRS) affected a rare midyear mileage rate change in response to rising gas prices. The new rate for the second half of 2022 will be 62.5 cents per mile, up from 58.5 cents a mile.

The Dow Jones Industrial Index was down 881 points at market close on Friday, Nasdaq was down 414 points and the S&P 500 was down 117 points.



*The IRS increased mileage rates as gas prices continue to rise. Image credit: Unsplash*

The index for all items less food and energy rose 0.6 percent in May, the same increase as in April. While almost all major components increased over the month, the largest contributors were the indexes for shelter, airline fares, used cars and trucks and new vehicles.

The indexes for medical care, household furnishings and operations, recreation and apparel also increased in May. According to the Bureau of Labor Statistics, the 8.6 percent year-over-year increase is the largest 12-month increase since December 1981.

The all items less food and energy index rose 6.0 percent over the last 12 months. The energy index rose 34.6 percent over the last year, the largest 12-month increase since the period ending September 2005.

The food index increased 10.1 percent for the 12-months ending May, the first increase of 10 percent or more since the period ending March 1981.

In early May, The Dow Jones Industrial Average, S&P 500 and Nasdaq dropped 3.11 percent, 3.5 percent and 4.99 percent, respectively, on May 5 signifying the stock market's worst day of 2022. The decline came just one day after the Federal Reserve raised its benchmark interest rates by 50 points ([see story](#)).

Wall Street had hoped an increase in interest rates would help slow inflation without risking recession, but with the markets witnessing colossal losses over the last several weeks, strategists remain nervous.

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