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Inflation

Years of inflation impacted prices

Translate

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The New York Times

When economists talk about "inflation," they are referring to the rate at which prices go up. By that measure, inflation has improved a lot, falling to 3.4% in August, from a peak of 9% in 2022, as measured by the consumer price index.

But to everyday Americans, what often matters more is the accumulation of inflation over time — how much prices have gone up over a period of years. Many Americans still remember when steak cost \$8 a pound and get sticker shock when they see the new, much higher price.

If inflation returns to normal, which economists typically define as around 2% a year, that sticker shock should gradually fade. Over time, consumers will learn to accept the higher prices, in the same way most people no longer expect a Coke to cost a nickel. But economic research suggests that process can take years.

And inflation has not yet returned to normal. It got pretty close last year, falling to 2.3% in April 2025. But then President Donald Trump imposed sweeping tariffs on U.S. trading partners, which pushed up the cost of many imported goods. Just as those effects were starting to fade, he went to war with Iran, leading to a jump in energy prices.

Gasoline prices hit \$4 a gallon in most of the country this spring and have mostly stayed there since. Diesel prices recently hit a record of \$6 a gallon.

Consumers can't avoid paying for groceries, and most can't skip filling up the gas tank either. So those categories take a particular toll on both their finances and their psyches.

But it isn't unusual for gas and food prices to bounce around. What has made the recent period unusual is how much prices are going up for everything else. Take furniture, for example. Before the pandemic, furniture was actually getting cheaper over time, in part because of the widespread availability of low-cost imports. But prices jumped during the pandemic, as homebound Americans raced to order standing desks for their home offices, recliners for their living rooms and patio furniture for their socially distanced outdoor gatherings.

After the pandemic, furniture prices began to fall again. But then Trump's tariffs hit, pushing up prices once again.

Prices for furniture and many other products, like apparel, haven't risen as much in recent years as higher-profile categories like food have. A handful of items, like appliances, have gotten cheaper.

But nearly every category costs more than it would have had prepandemic trends continued. And many categories are still rising faster than they were before the pandemic.

Discussions of inflation often focus on the price of physical goods, like food and furniture. But Americans spend most of their money on services, a broad category that includes everything from rent to restaurant meals.

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Services prices, unlike goods prices, were rising relatively rapidly even before the pandemic. Long before affordability became a political buzzword, many Americans were worried about the rising cost of housing, childcare, education and health insurance.

In some categories, like car repair and dining out (what the Bureau of Labor Statistics calls “food away from home”), prices have taken off in recent years. In others, like car insurance, prices aren’t above their longer-run trend, but only because that trend was already on such a steep upward trajectory.

Then there is housing, by far the largest monthly expense for most Americans.

Rents skyrocketed during the pandemic as people sought more space for their socially distanced, work-from-home lives. Growth has slowed since then, and rents have even fallen in some markets. But housing remains unaffordable for many families, particularly in the most expensive cities. (Homeowners have fared better, in part because many of them locked in low mortgage rates before inflation began to take off. Rising home prices, which are good news for existing owners but bad news for would-be buyers, aren’t included directly in inflation statistics.)

Surveys suggest most Americans don’t believe their pay has kept up with rising prices. The data tells a more complicated story.

Inflation far outpaced wage gains, on average, during the peak period of inflation in 2021 and 2022. By mid-2023, however, inflation had begun to cool, even as wage growth remained relatively strong. By the end of 2024 or 2025, depending on exactly the measure used, workers had pretty much made up their lost ground.

But those numbers are averages. Recent research found that many people, especially older workers and those who weren’t able to change jobs in search of better pay, saw their earnings decline in inflation-adjusted terms. And even those who did keep up with inflation ended up worse off than they would have been if prepandemic trends had continued.