

ATASCOSA COUNTY JUDGES REPORT

There is a lot of noise made today about inflation. The last announced inflation rate for August (as reported in September) was 8.3%. The rate is annualized each month; therefore, the actual is 1/12 of that amount. This rate is terrible, no matter how it is parsed. But the reporting needs to be in context. Annualized rates for June (9.1%), July (8.5%), and August (8.3%) are dropping – even in small increments – and that is good. Even better is that it is not going up. It is creeping down. These numbers are from Michael Taylor’s column in the SA Express- News on October 2, 2022.

As Mr. Taylor points out, considering all possibilities, several factors in this equation will not go down. First, it appears in the near term that rents are going up and will stay up. Because real estate values show huge gains, rent factors will show commensurate gains, especially hurting low-income persons who do not own their homes. Pay across the nation is going up. We can expect grocery increases to moderate somewhat. Still, the cost of transportation, trucking, rail, and all other transportation costs built into groceries will most likely not go back down much, if at all. The cost of money is rising and can be expected to stay up (note the Fed increases in the interest rate). One area people are not addressing that is out of our control is the cost of utilities (electric and natural gas) in Texas. The rate increase due to the “freeze” in Texas during February 2021 has been poorly handled by the Texas Public Utilities Commission and “ERCOT.” The last session of the legislature did little to fix the problems. I am afraid we consumers are stuck with the tab. That does cause inflation but is separate and apart from what the “experts” are touting as the cause.

So, in conclusion, “inflation” appears to have plateaued. Many organizations give 5 to 8% pay increases to assist their employees but pass that on with increased consumer goods prices. Many employers are simply raising their pay to attract workers. Social Security retirees are seeing their payments increase by being pegged to inflation. Last year’s upward adjustment was 5.9%. This year’s adjustment, to be announced this month, is expected to be 8 to 10%.

The best investment is to own your own home. Just for example, (Mr. Taylor’s) a house worth \$250,000 today will be nominally worth \$554,912 after ten years of 8.3% inflation. “Meanwhile, your fixed-rate mortgage is much less onerous. In inflation-adjusted terms, a \$200,000 mortgage ten years from now is equivalent to a \$90,104 mortgage today. In the midst of high inflation, you win by paying on fixed-rate debt (Mr. Taylor).”

Thanks for listening. May God bless us all. And, God, thank you for the rain. Please bring more! Amen.