



## Inflation: Transparent, or More Than Meets the Eye? 2/6/22

The Federal Reserve is trying to get its hands around inflation. But how do you get your hands around something you don't see or in this case measure. Measured (visible) inflation is reasonably easy to calculate. However, there is a growing form of less visible inflation that requires a better understanding since it might stay with us long after the Federal Reserve is successful in bringing back their targeted inflation towards the 2% level.

Some have referred this form of invisible inflation as “Shrinkflation”. It's when to avoid an actual increase in the price of a product you reduce its content. Cereal companies have reduced the number of ounces in their cereal boxes and chocolate bars have seen reductions in size. It has been creatively referred to as getting “less snap, crack, and pop” or “I Shrank the Incredible Chocolate Bar.”

Given the large run up in materials, transportation, and labor costs, some of which might be sticky, we could see more and more companies responding in this form.