

## Strengthening U.S. Dollar May Help Curtail Inflation - Consumer Inflation Dynamics

The U.S. dollar has risen over 7% since the beginning of the year driven by increasing interest rates and a flight to safety for international investors.

A stronger dollar can also be a hindrance for certain U.S. companies that have a large portion of their sales overseas. Should the dollar continue on its rising trend, economists and analysts believe that the run up in the dollar will translate into lower earnings for a number of U.S. companies. Foreign investors tend to flock to the U.S. dollar as rates increase, seeking higher returns on idle cash, and during periods of geopolitical turmoil.

A challenge that emerges for U.S. multinationals when the dollar rises is that the price of U.S. exports become more expensive worldwide. As the dollar increases in value versus other currencies, U.S. exported goods become less affordable in the international markets. Conversely, the strengthening dollar has also made imported goods into the United States more affordable, which become less expensive for American consumers as the dollar rises.

Sources: <https://fred.stlouisfed.org/>, Bloomberg, Commerce Department



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