

How Inflation in The U.S. Can Differ from Other Countries - Inflation Overview

Inflation is felt differently by consumers, businesses, and governments across the world depending on the driving factors behind inflation. Three nations that excellently reflect this include Japan, Argentina, and the United States.

First is the inflation exhibited in Japan. The Japanese government has a much more hands-on approach to inflation throughout the various fields in the nation, allowing them to better control the country's inflation. Japan has more controlled labor costs relating to programs its government has recently established. One program helps retrain retired employees for part-time jobs while another program brings foreign workers into the country. In 2021, Japan saw annual deflation of -0.2%, and 2.5% inflation in 2022. This annual inflation rate was the highest seen since 2014, further showing how inflation has been kept under control.

In Argentina, political chaos and financial volatility tend to drive inflation. Argentina has an extremely volatile currency, and exchange rates within the nation can vary significantly. Argentina, unlike Japan, has very little control over its currency, and markets maintain a lack of confidence in the Argentinian government. Instability has manifested into inflation surpassing 109% in April, the greatest inflation since 1991.

The U.S. has unique inflation that is different from both Japan and Argentina. The U.S. has higher labor costs and imposes excise taxes on products such as batteries, cigarettes, gasoline, and tires. Even though the U.S. exhibits higher inflation, there continues to be immense trust in the American government, and the U.S. dollar, which is the currency of choice for nearly all trade globally.

Sources: Bank of Japan, Labor Dept., IMF; Special Data Dissemination Standard

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