



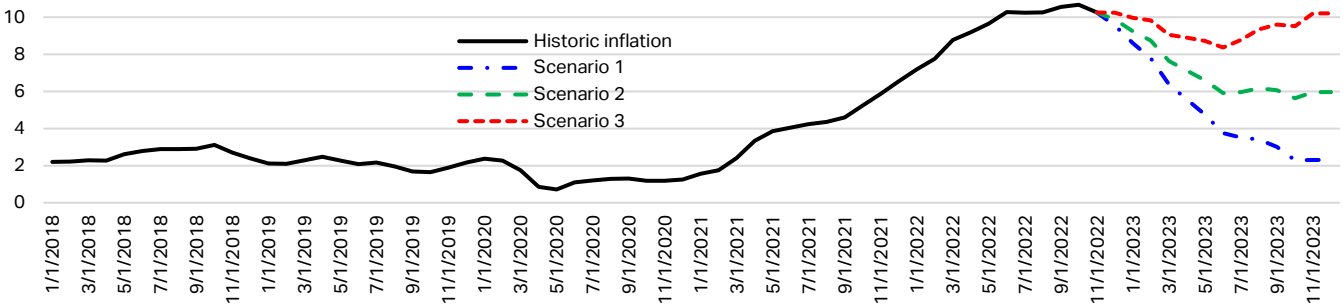
# IATA Economics' Chart of the Week

13 January 2023

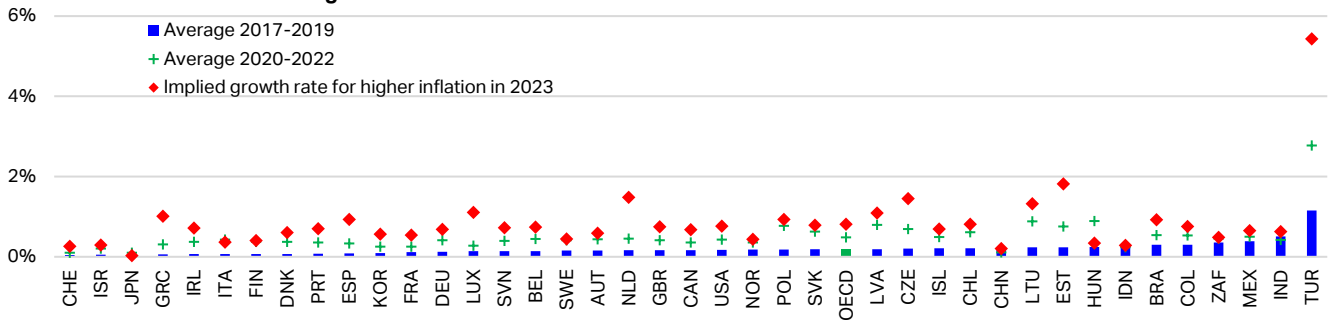
## Inflation likely peaked in 2022 in OECD countries

**Panel A. Inflation in 2023 under different scenarios**

12 yoy inflation rate, percent



**Panel B. Month-on-month CPI growth rate**



Sources: OECD Statistics, and IATA Economics' calculations.

- The year-on-year (YoY) inflation rate in OECD countries rose to more than 10% in the second half of 2022 (see Panel A), a level not seen since 1988. This means that between June and November, consumers in the world's major economies paid 10% more for goods and services than during the same period in 2021, thus curtailing purchasing power and putting downward pressure on demand.
- However, inflation has most likely peaked in the OECD economies in 2022, thanks to the base effect. To demonstrate, we extended the black line of the YoY inflation rate for the OECD in Panel A, applying constant month-on-month (MoM) growth rates of Consumer Price Index (CPI) under three different scenarios. In scenario 1 (blue line), the monthly growth rate is 0.2%, which equates to the average rate seen during the three years preceding the pandemic (2017-2019). In scenario 2 (green line), the monthly growth rate is set at 0.5%, equal to the average rate after the onset of the pandemic (2020-2022). Under both scenarios, we see how at these monthly rates, the YoY rate declines in 2023. In scenario 3, we calculated the minimum monthly growth rate of CPI in order for YoY inflation to remain at close to the 2022 level, and find that CPI needs to grow at a monthly rate of at least 0.8% for such an outcome to occur.
- We can see just how unlikely this is for the OECD member countries and a few additional economies in Panel B. The per-country average MoM growth rates in CPI observed during 2017-2019 are shown in blue, the 2020-2022 average is indicated by the green plus-sign, and the red diamonds are where the MoM rate would need to be for YoY inflation to remain as high as in 2022. In sum, it would take an exceptional event to prevent inflation from falling in 2023. And, it would take the monthly increases to drop to 0.2% for the OECD to reach a 2% YoY inflation rate in 2023.
- Incidentally, we note that the US December inflation rate fell by 0.1% MoM in December 2022, bringing the YoY rate to 6.5%, mostly thanks to a monthly drop in energy prices of 4.5%.

IATA Economics

**Terms and Conditions** for the use of this IATA Economics Report and its contents can be found here: [www.iata.org/economics-terms](https://www.iata.org/economics-terms)

By using this IATA Economics Report and its contents in any manner, you agree that the IATA Economics Report Terms and Conditions apply to you and agree to abide by them. If you do not accept these Terms and Conditions, do not use this report.

[www.iata.org/economics](https://www.iata.org/economics)