

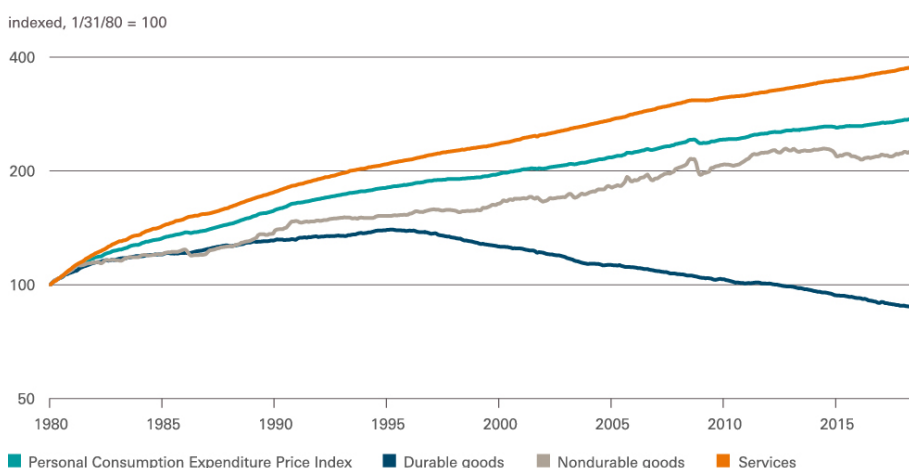
Chart of the week

Everything is getting more expensive. Not quite. Durable goods have been getting cheaper in the United States for more than two decades.

Slowly, but steadily, inflation rates in many parts of the world are creeping up. In the case of the United States, they already have reached levels just shy of 3%. A closer look at the composition of U.S. inflation offers some interesting insights, as our "Chart of the Week" shows.

Prices keep increasing at a steady pace in the service sector, and, with some volatility, also in non-durable goods. Prices for durable goods, however, underwent an interesting development: having risen in the 1980s and early 1990s, they suddenly reversed course and, on average, keep declining since the mid-1990s. Several factors come to mind which might help explain this trend: Globalization might contribute to the decline, as well as technological progress. However, what is even more remarkable is the fact that – despite falling prices – goods producers still manage to hold up their profit margins. That gives a good indication about the solid rise in productivity of this sector.

However, further reversals should not be ruled out. China's deflationary shock on durable goods, for example, is likely to have already passed its peak. At the same time, technological progress in the form of artificial intelligence could slow down price increases in the service sector. Don't expect inflation to become a boring subject any time soon.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH as of 8/2/18

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Glossary

Durable goods

Durable goods are long-lasting and do not have to be purchased frequently.

Inflation

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

Non-durable goods

Non-durable goods are consumed often and have to be purchased frequently, such as food or energy.

Volatility

Volatility is the degree of variation of a trading-price series over time. It can be used as a measure of an asset's risk.

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