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SPEAKING OF...

A few weeks ago, my family and I celebrated our oldest child's birthday. To prepare, I went through his baby book and pulled some photos starting from when he was a newborn. In the book I also found some mementos we've saved, including the little hat he wore at the hospital.

Another thing I found was a card someone gave us that lists how much things cost in 2008, the year he was born. According to the card, the average price of a loaf of white sandwich bread in the US at the time was $1.37. When my son saw the card, he asked, "How much does bread cost today?" According to the Bureau of Labor Statistics, the average price for a one-pound loaf of white bread in the US in August 2021 was $1.47. Not that different.

“How much was bread when *you* were born?” he continued.

I was afraid to look, but I did anyway: 36 cents (!). In addition to giving me a jab about being born in the twentieth century, he asked why the price was so different now. “Because of inflation,” I said.

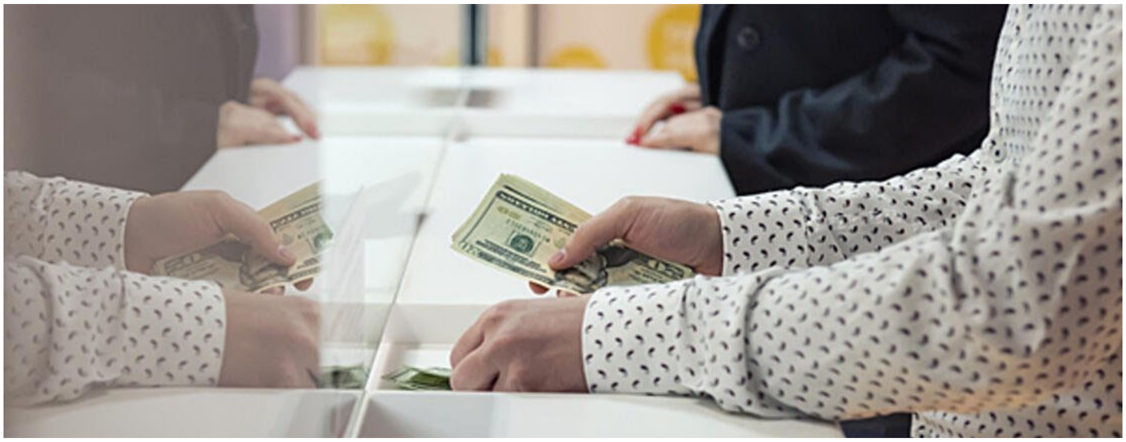
“What’s inflation again?”

Good question.

In short, inflation is “when the prices of many of the things we buy rise at the same time and then continue to rise.” That’s according to the “Inflation 101” section from the Cleveland Fed’s Center for Inflation Research website. It’s clear, on social media and during a recent event, that my son’s not the only one with questions about inflation right now. So the Cleveland Fed has compiled five questions we’ve received—including “Higher inflation: Temporary or here to stay?”—and two of our Bank’s inflation experts answered them. Check out their answers.

Do you have questions about inflation? If so, send them our way.

OUR COMMUNITIES



What We're Hearing and Seeing

The COVID-19 pandemic continues to present challenges to consumers, businesses, and the banking industry. Overall, commercial banks in the United States and the region the Cleveland Fed serves are in healthy condition; loan quality continues to improve as unprecedented government stimulus enabled many borrowers to meet or defer loan obligations during the pandemic. This is observed in data submitted by banks to the Federal Reserve. In fact, the problem loan rate for banks in the region—the percentage of loans that are either seriously delinquent or considered uncollectible—compares far favorably to its 20-year historical average and continues to improve. Further, the rate at which commercial banks had to write off loans as uncollectible in the second quarter of 2021 declined to its lowest level in the past 20 years.

Despite these positive trends, uncertainties caused by the pandemic are creating unique challenges for banks' ability to generate both loan demand and revenue. Economic unpredictability shaped spending habits, with consumers saving more and utilizing stimulus payments in favor of credit cards or home equity loans for everyday purchases and home improvements. This has resulted in record levels of deposits and weaker loan growth. Additionally, measures taken by the Federal Reserve to stimulate the economy have led to a historically low interest rate environment. The combination of these trends is causing core profit margins to fall to historically low levels.

The banking industry is critical to the stability of the financial system, and strong profitability ensures that banks can maintain and build a financial cushion that can be used to finance additional loans to consumers. When traditional methods of strengthening profitability are challenged, banks may engage in new or riskier activities to generate higher returns, raising potential safety and soundness concerns. This is of particular importance to the Federal Reserve as safe banking practices are necessary to ensure that banks can continue to lend to consumers and businesses.

In fact, institutions have indicated through quarterly surveys conducted by the Federal Reserve that terms for borrowers in most loan categories are relaxing. Although this could just be a sign of improvements in economic conditions, it could also be an indication of increased tolerance for risk to generate additional income.

Although the banking industry is in solid condition, trickle-down effects of the pandemic continue to inhibit earnings potential. The Federal Reserve, in conjunction with other banking regulators, will continue to monitor for risks in the banking sector. —Rob Rudary and Matt Hartman, banking analysts

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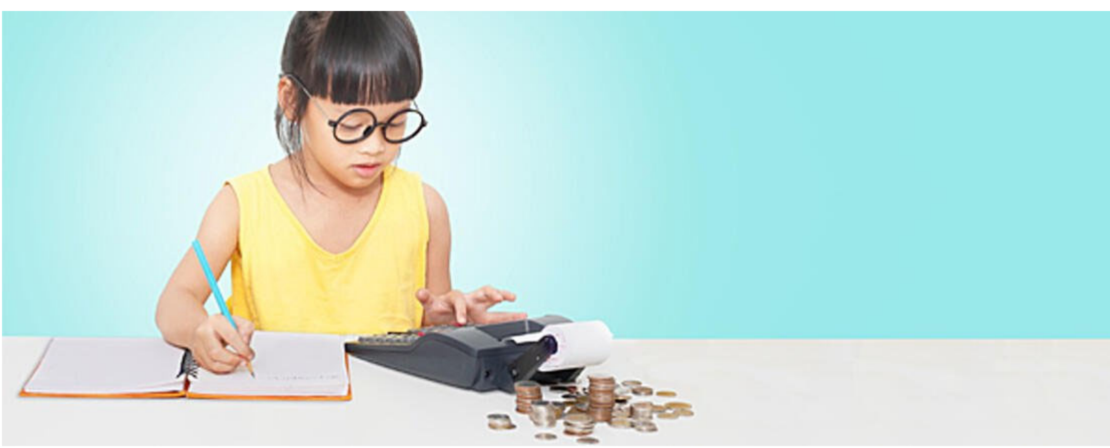

Outreach

Class is in session!

Help your favorite educators brighten the financial future of K–12 students by suggesting these free online financial literacy programs from the Cleveland Fed. [Check out the opportunities](#).

A focus on continuous improvement

Rachid Abdallah, CEO of Jedson Engineering and chair of one of the Bank's branch boards that advise the Cleveland Fed, built his career by thinking in an "aspirational and constructive way." Find out what this background means for our Bank.

Navigating human nature

Cleveland Fed board member Alfonso Cornejo has experience traversing all parts of industry and human nature, which helps his work in creating business opportunities and supporting local communities. Get the full story on his contributions.

Workforce

A digital road to employment

Access to broadband has proven integral to building both the economy and a path to jobs. A recent blog looks at the connection between employment and broadband access.

People and Households

Recent hometown trends

Economic activity grew solidly, but supply chain disruptions and labor shortages limited many businesses' ability to meet demand. Read what Fed contacts say about how the regional economy is doing.

Economic Inclusion

Place matters

Too often, where one is from limits how far one can go and what one can do. Our president's latest *Reflections* considers solutions.

Resiliency rewind

Speakers at the Policy Summit 2021 closing keynote, including Cleveland Fed president Loretta J. Mester, examined the policies involved with building economic resiliency in local communities. Explore videos and the keynote transcript.

OUR NATION

Economic Inclusion

Black and white families often live in separate, unequal neighborhoods no matter their income or wealth

“Why do you care about segregation still today, and why do you think others should care?” asked the host of a recent Program on Economic Inclusion FedTalk. Watch his guests respond.

Small Business

Small-business owners: Your help wanted

For-profit small-business owners can help policymakers, service providers, and lenders better understand business experiences. Respond to this survey.

Banking

Monetary policy and the future of the United States

We’re living in unprecedented times and economic uncertainty. Check out how Cleveland Fed President Loretta J. Mester suggests we can “bounce back.”

Inflation

Higher inflation: Temporary or here to stay?

Read what researchers have to say in response to questions asked online and during a recent inflation event. Check out the Q&A.

Housing

Lessons learned about vacant and abandoned properties

Understanding strategies used in the wake of the Great Recession to assess and manage vacancy and abandonment can help us now and in the eventual aftermath of the COVID-19 crisis. Read the collection.

ASK THE EXPERT

Question: *What impact do you aim to make on Americans with your research on the racial wealth gap and through the Bank's broader Program on Economic Inclusion?*

Dionissi: I've studied racial inequality for more than a decade. But some combination of COVID-19, George Floyd's murder, and other events that have transpired during the last year and a half have caused people to be more reflective and introspective. They're trying to understand the world that we've inherited and how we expand economic opportunity.

Part of the Federal Reserve's role is maximum employment. Everyone who would like to should be able to participate in the economy. That's beneficial to everyone. When somebody figures out a better way to produce a good, for instance, we're all better off for it. Traditionally it's been a strength of the US economy that so many people can participate, and now we're in this moment when more people are trying to welcome those who've been left out. The Cleveland Fed's Program on Economic Inclusion is trying to think through what the obstacles are to inclusion and some of the possible solutions.

Read the entire Q&A, in which Dionissi Aliprantis, director of the Program on Economic Inclusion, shares how he anticipated one thing only to find another in his recent research on the racial wealth gap, along with his hopes for the Cleveland Fed's new program.

ON THE CALENDAR

On your own time

Policy Summit 2021: Pathways to Economic Resilience in Our Communities

(The live event is over, but the sessions and presentations are still yours to see.)

Register and watch

October 21

Toward an Inclusive Recovery: Understanding and Empowering Women's Economic Participation *(virtual seminar)*

Register

Between now and October 29

Is your work related to economic inclusion?

Take this survey

November 8

Gender and the Economy Conference *(virtual event)*

Register

November 17

Toward an Inclusive Recovery: Increasing the Housing Security of Vulnerable Renters through Rental Assistance *(virtual seminar)*

Register

November 17–19

Financial Stability Conference: Planning for Surprises, Learning from Crises *(virtual event)*

Register

Between now and November 19

Small-business owners, share your perspectives. (Here's how we use responses.)

Take this survey

FROM AROUND THE FEDERAL RESERVE SYSTEM

Overcoming the “she-cession” while empowering women

During this seminar, a panel of experts will explore ways to ensure that pandemic economic recovery efforts both include and support women. Register today for this free event on October 21.

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