Global consumer price surge hits workers

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Over the last week leading businesses, banks and financial analysts have released estimates predicting that global consumer prices, whether toilet paper, electronics, or food, have and will continue to rise substantially in 2021.

Already in the United States, the Consumer Price Index, a measure of average prices, increased by 0.6 percent in March, the largest monthly increase since August 2012. In the UK, prices increased by 0.7 percent in the same month.

At the Berkshire Hathaway annual shareholder meeting this past weekend, billionaire Warren Buffett said, “We are seeing substantial inflation. We are raising prices. People are raising prices to us, and it’s being accepted.” He described the economy as “red hot.”

A list of major global brands has already announced major price increases:

• Kimberly-Clark, which owns Kleenex and a host of other bathroom and hygiene products, said it would increase prices on all major products in North America due to “significant” cost inflation, increasing prices 5 to 10 percent.

• Procter & Gamble, which owns dozens of leading household brands, including Tide, Gillette, Crest, Pampers, Dawn, Swiffer, Ivory, IAMS and Head & Shoulders, will increase prices in personal care products 5 to 10 percent to “offset significant commodity cost inflation.”

• General Mills’ chief financial officer (CFO) of the global food processor told analysts on a call that it was facing “increased supply-chain and freight costs ‘in this higher-demand environment,’” according to the *New York Times*.

• Whirpool’s CFO told Yahoo Finance that it was increasing the cost of its products by 5 to 12 percent in response to rising steel costs. Steel prices are up about 75 percent since March 2020.

• Kraft Heinz’s CEO Miguel Patricio told Reuters that there would be increases to food products such as salad dressings, sweets, mac & cheese, and other wheat-containing products, as well as mayonnaise.

• Unilever, a major global food manufacturer, owner of Lipton, said there would be a high, single-digit percentage increase in costs.

These cost increases will disproportionately impact the working class, who spend a larger portion of their income on food and basic consumer goods. In the US, for example, the bottom quintile of the population spends 36 percent of its income on food, whereas the average household spends 13 percent on food.

Already, workers throughout the world face a grim job market, where wages and employment levels remain below pre-pandemic levels. Bloomberg has estimated that some 150 million “middle class” global workers, making between $10 and $20 a day, have been pushed back below that wage group. The International Labor Organization estimated in January that an equivalent of 255 million full-time jobs were lost due to the pandemic. In this context of extreme economic difficulty, rising prices will severely impact the livelihoods of workers.

The price increase in consumer goods is the result of a combination of factors. Above all, however, is the soaring cost of the underlying commodities, which go into global production chains.

• Food prices increased for their 10th consecutive month in March, reaching levels not seen since July

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2014. Sugar, oil and grains have been leading the increase.

• Oil prices have rebounded to their pre-pandemic high, reaching levels not seen since 2018. At the pump, average US prices have gone from $1.75 a gallon to almost $3.00 today.

• The Metal and Minerals Price Index (encompassing many important industrial metals) is up 60 percent from one year ago, with many metals, such as copper, at or near record highs.

• Lumber futures have surged to record highs, increasing by more than 500 percent over the last year, far above pre-pandemic levels.

• UBS predicts that commodities will, as a whole, rise by 10 percent over the coming year.

These fundamental commodities, like oil, food and metals, affect the prices of a wide variety of consumer items and services. Rising lumber prices have added $36,000 to the cost of building a new home. Likewise, the rising price of metals, like copper and steel, affect a wide variety of consumer goods, including telecommunications, cars, motors and construction. Rising oil prices drive up all prices by increasing the cost of transportation.

Prices have increased partially because of disruptions in supply chains due to COVID-19. Issues such as labor shortages, shipping bottlenecks and supply-demand mismatches due to changed COVID-19 consumption patterns have all impacted global supply chains. For example, many farms based on seasonal migrating labor faced shortages due to border closures. Outside of major ports in California, dozens of container ships await unloading in a giant bottleneck holding back goods from the US market.

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