Right now, many Americans are worried about their financial health due to the impact COVID-19 has had on the country. Adding to these concerns were July's consumer prices— excluding food and energy—which rose at the highest rate in nearly 30 years. However, this jump may not be as scary as it looks on the surface.

We'll get a better idea about the trend on inflation when the Consumer Price Index for August 2020 is released on Friday, September 11. But here are some factors to keep in mind.[1]

The 2% rule
According to the Bureau of Labor Statistics, core inflation is 1.6% year-over-year on an unadjusted basis. Some investors may view this as alarming given that this is the largest jump since January 1991. However, considering the Fed's 2% target, this could be a relatively benign number.[2]

Inflation or Disinflation?
Chairman Powell made it known, following the most recent meeting of the Fed, that the board was wary of disinflationary pressures over inflationary ones. True, the Fed often takes a long-view approach, but this may still be positive news. Disinflation occurs when price inflation slows down temporarily. The Fed often uses this term when describing periods of slowing inflation.[3]

Mixed Opinions
Regardless, many professionals are divided over what this jump in price means. For some, it signals the American economy took a step toward recovery. For others, they believe inflation is already here and that July's numbers are a warning shot across the bow.[4]

Despite recent headlines, many believe more data is needed before this can be called anything other than a data point. However, if you're concerned about the trend in inflation, it's never a bad idea to contact your financial professional to learn more about inflationary pressures or to chat about the upcoming CPI numbers due to be released in September.

1. Bureau of Labor Statistics, August 12, 2020
2. CNBC.com, August 12, 2020
3. CNBC.com, August 12, 2020

4. CNBC.com, August 12, 2020

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