Double Trouble: Raging Inflation and a Housing Collapse

Under normal circumstances, this would never happen. Normally, you would never have raging inflation and a housing crash at the same time. But thanks to the Federal Reserve, that is precisely what we are now facing. The Fed has created a colossal inflation monster that is going to be exceedingly difficult to tame, and meanwhile the most epic housing bubble in the history of our country is starting to burst. This combination is going to cause immense pain for U.S. consumers in the months ahead, and there is no short-term hope on the horizon.

If you have been to the grocery store lately, you have probably noticed that prices are a lot different than they were just a few short months ago.

Unfortunately, some of our largest corporations are telling us that they are going to continue to pass cost increases along to consumers:

> *Consumers looking for relief from higher prices might have to wait a while.*
>
> *The makers of Coca-Cola beverages, Dove shampoo, Huggies diapers and Big Macs have been raising prices as their costs increase on everything from wood pulp to wages. The executives behind these global brands on Tuesday said they would keep passing along those costs to shoppers, for now. Consumers are continuing to buy even as inflation takes a toll on households, these executives said.*

In a desperate attempt to get the inflation spiral that they created under control, officials at the Federal Reserve keep raising interest rates.

In fact, on Wednesday we witnessed another historic interest rate increase:

> *The Federal Reserve on Wednesday enacted its second consecutive percentage point interest rate increase as it seeks to tamp down runaway inflation without creating a recession.*
>
> *In taking the benchmark overnight borrowing rate up to a range of %-2.5%, the moves in June and July represent the most stringent consecutive action since the Fed began using the overnight funds rate as the principal tool of monetary policy in the early 1990s.*

Fed officials seem to think that they can tame inflation just as Paul Volcker and his minions did in the early 1980s.

But the truth is that the environment is completely different this time around.

In the early 1980s, the money supply was relatively stable.

Today, we are coming off two years in which our leaders behaved very foolishly. Our politicians borrowed and spent trillions of dollars that we did not have, and the Federal Reserve pumped trillions of fresh dollars that they created out of thin air into the financial system.

No matter how high the Fed pushes interest rates, it isn’t going to make all of that new money magically disappear.

In addition, we are dealing with some very serious long-term supply issues that would have been unimaginable in the early 1980s. I expect that those supply issues will intensify over time, and this will especially be true if more military conflicts erupt around the globe.

If officials at the Fed think that they can solve our inflation crisis by just crushing demand, they are simply being delusional.

But raising interest rates will certainly do one thing. It will absolutely eviscerate the housing market, and that is already starting to happen.

On Wednesday, we learned that pending home sales in the U.S. were 20% lower this June than they were last June:

> *Signed contracts to purchase existing homes dropped 20% in June compared with the same month a year ago, the National Association of Realtors said Wednesday.*
>
> *That is the slowest pace since September 2011, with the exception of the first two months of the coronavirus pandemic lockdowns, when sales plunged briefly and then rebounded sharply.*
>
> *On a monthly basis, pending home sales fell a wider-than-expected 8.6% in June. A Dow Jones survey of economists had predicted a 1% drop.*

Those numbers are absolutely horrible, and they were much worse than expected. And everyone agrees that this is happening because the Federal Reserve is raising interest rates.

At this point, things are particularly bad in "Zoomtowns" such as Boise, Idaho:

> *During the pandemic-fueled housing boom, Boise emerged as one of America's hottest "Zoomtowns," communities that experienced a spike in population from an influx of remote workers.*
>
> *Now, the housing boom around Idaho's capital city has ground to a halt. Buyers are balking at record prices and*

> *mortgage rates that last month hit a 13-year high. Sixty-one percent of listings in the Boise metro area had a price cut in June, the highest rate out of 97 metro areas surveyed, according to brokerage Redfin Corp. Home builders who couldn't keep up with demand last year are cutting back on construction.*

If you are trying to sell a house right now, I feel terrible for you. As mortgage rates go even higher, even more potential buyers will be pushed out of the marketplace.

Meanwhile, we are starting to see an alarming surge in foreclosures as the overall economy slows down. Just check out these very alarming figures: "Looking specifically at foreclosure starts, this metric was up 26.6% in June on a monthly basis, but up % year-over-year. Starts also represented the highest share (4%) of serious delinquencies since March 2020, but less than half the rate in the years leading up to the pandemic."

Four hundred forty percent on a year-over-year basis? Are you kidding me?

We haven't seen anything like this since 2008. And we all remember what happened in 2008.

A new housing crash is here, and the Federal Reserve is making things even worse by dramatically hiking interest rates.

What in the world are they thinking? You don't raise interest rates when a recession has already begun. That is completely and utterly insane.

But that is precisely what they are doing.

I am concerned that economic conditions in America could soon very closely resemble my first novel. Economic activity is slowing down everywhere that you look, layoffs are on the rise and the housing market is collapsing. Meanwhile, prices for essentials such as food and energy continue to keep rising.

The people who are going to get hurt the most by all of this are those at the bottom of the economic food chain.

A very dark chapter in American history has begun, and the months ahead are going to be filled with pain.

Michael Snyder's *book, titled* 7 Year Apocalypse, *is now available on . In addition to his new book, he has written five other books that are available on , including* Lost Prophecies of the Future of America, The Beginning of the End, Get Prepared Now! *and* Living a Life That Really Matters *(#CommissionsEarned). When you purchase any of these books, you help to support the work that Snyder is doing, and one way that you can really help is by sending digital copies as gifts through Amazon to family and friends. Time is short, and he needs help getting these warnings into the hands of as many people as possible. He has published thousands of articles on* The Economic Collapse Blog, End Of The American Dream *and* The Most Important News, *and the articles that he publishes on those sites are republished on dozens of other prominent websites all over the globe.*

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