


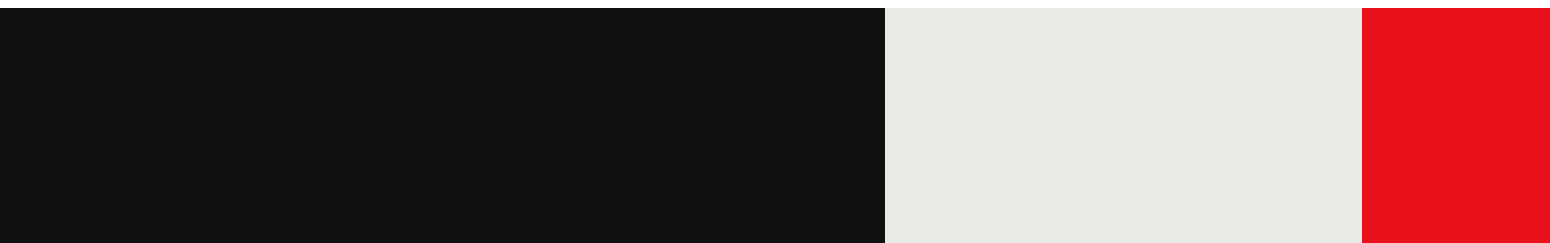
Rising chocolate and egg prices push inflation back into the spotlight

Article



The situation: The fight against inflation is far from over, and it's becoming harder to ignore as consumers feel the pinch in everyday purchases—whether it's the price tag on Valentine's Day chocolates or a 50-cent surcharge on eggs at **Waffle House**.

Zooming in: The Consumer Price Index grew 3.0% year over year (YoY) and 0.5% month over month (MoM) in January, up from 2.9% YoY and 0.4% MoM in December, per the US Labor



Department.

- **Unforeseen events have sent food prices soaring.** Bird flu drove egg prices up 53% YoY and a staggering 15.2% MoM in January. Years of bad weather in West Africa and the cacao swollen shoot virus have crippled production, pushing cocoa prices to record highs. As a result, Valentine's Day chocolate may cost up to 20% more than last year, per CNN.
- **The Trump administration's tariff policies put upward pressure on prices.** Duties on imports from China and tariffs on steel and aluminum are increasing costs for everything from apparel to soda cans.

It's not just food prices chipping away at consumers' spending power—other essential expenses are surging, too. Car insurance costs, for example, jumped 11.8% YoY, which is further straining household budgets.

A bleak picture ahead: Consumers don't expect to get relief anytime soon as 56% of consumers expect food prices to climb over the next six months, according to CivicScience.

Broader inflation concerns are also intensifying:

- Year-ahead inflation expectations spiked from 3.3% in January to 4.3% in February—the highest since November 2023, per the University of Michigan.
- The Federal Reserve Bank of New York's monthly survey also showed long-term inflation expectations ticking up in January, even before the Trump administration rolled out its tariff announcements.

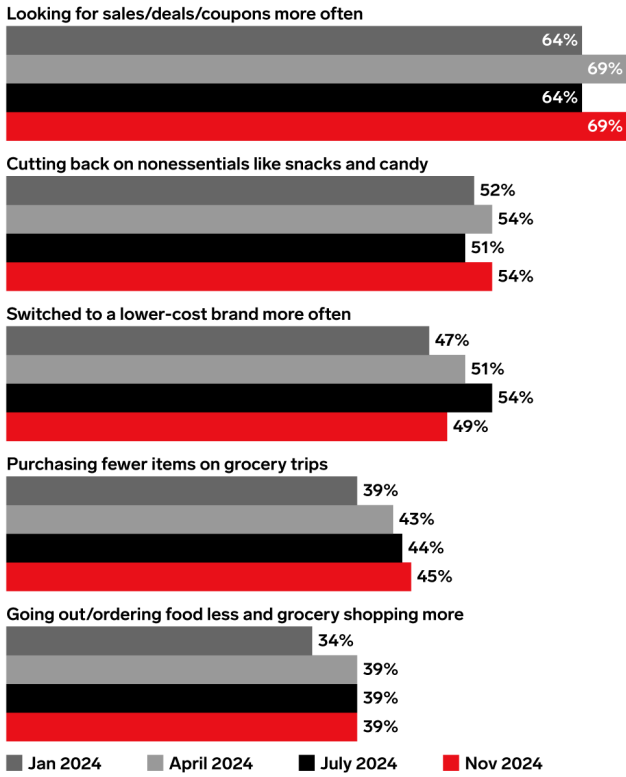
Our take: Inflation is straining many households' finances, driving some to turn to credit card debt to pay basic necessities and many more to look for ways to pinch pennies. For example, nearly half (49%) of consumers are switching to lower-priced brands and 54% are pulling back on snacks and other nonessential items, per 84.51°.

With price sensitivity on the rise, retailers and brands may need to lean into value and promotions to keep shoppers spending.

Consumers Have Shifted Grocery Shopping Habits in Response to Inflation

% of US grocery shoppers of The Kroger Co., Jan-Nov 2024

Q: As grocery store prices increase, have you made any of the following changes?



Note: n=400 who shopped at one of over 20 grocery retailers owned by The Kroger Co. in the past 3 months
 Source: 84.51, "Balancing Act: Wallet & Wellness," Dec 4, 2024

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