

CBS Mornings

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7:00:46 a.m. [TEASE]

15 seconds

GAYLE KING: Wall Street plunges on worse than expected news on prices, even as President Biden celebrates his Inflation Reduction Act.

[ON-SCREEN HEADLINE: Rising Inflation]

PRESIDENT JOE BIDEN: The American people won. This is what it looks like when the American government works for the people.

(...)

7:03:22 a.m.

2 minutes and 1 second

[ON-SCREEN HEADLINE: Stock Market Slide; Worst Day for Markets Since June 2020 as Cost of Goods & Services Soar]

TONY DOKOUPIL: But we are going to begin with potential new trouble for the economy ahead following the worst day for stocks since June of 2020. The major markets all plunged yesterday with the NASDAQ down the most, more than five percent, all because a key government report showed less improvement in the fight against inflation than expected. At the same time, there is a looming threat of a railway strike, which could have a big impact on supply chains. Ed O'Keefe is following it all for us at the White House. Ed, the President cannot be happy about any of it. Good morning.

ED O'KEEFE: No, he cannot. Tony, good morning. That inflation report dashes hopes of a quicker economic rebound, and while the stock market goes up and down all the time, this one-day drop for most indexes was the biggest since the early months of the COVID-19 pandemic. Even though the average price of gas is down 26 cents in the last month, other prices aren't falling. Government figures show groceries climbing more than 13 percent on average, electricity spiking nearly 16 percent, and rent up nearly seven percent over the last year. Both high prices, plus the likelihood the Federal Reserve will raise interest rates again sent the markets tumbling. Just as the President and Democrats were celebrating passage of their Inflation Reduction Act.

BIDEN: The single most important legislation passed in the Congress to combat inflation and one of the most significant laws in our nation's history in my view.

O'KEEFE: The new law provides funding to fight climate change, ease healthcare costs, and hike taxes on big corporations, but it does nothing to address short term price hikes. The President said last night, he isn't worried.

BIDEN: The stock market doesn't necessarily reflect the state of the economy. I think we're going to be fine.

O'KEEFE: Republicans disagree.

SENATOR JOHN THUNE (R-SD): These numbers are staggering and the White House seems to be just in absolute denial.

O'KEEFE: And now Washington is preparing for another development that could slam the brakes on an economic rebound.

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7:06:03 a.m.
7 seconds

O'KEEFE: Now, while the economy and inflation remain the top issues of concern for voters, we've noticed abortion rights has also become a big concern[.]

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7:06:50 a.m.
2 minutes and 23 seconds

[ON-SCREEN HEADLINE: Nationwide Abortion Ban? Sen. Lindsey Graham Introduces Bill to Ban Abortion on Federal Level]

DOKOUPIL: Abortion, big issue on the campaign trail this year. But of course, the economy is as well. Ed, thank you very much.

NATE BURLESON: Turning back to the economy and those worse than expected inflation numbers, we are joined now by CBS News business analyst, Jill Schlesinger. Good morning. How are you doing?

JILL SCHLESSINGER: Doing well.

BURLESON: All right, so gas prices are down over the month, but higher than a year ago. Other consumer prices are still up. What's going on here?

SCHLESSINGER: So this report was really important because that headline number did go down, it didn't go down by as much as expected, but I think the other areas of the report were really somewhat worrisome. So, let's look at food costs, which were up by more than 11 percent from a year ago. That's the fastest annual acceleration since 1979. So, that's a big number and then we look at shelter. The number isn't that big. It's up 6.2 percent from a year ago, but think about how much money of your household goes towards rent or paying for your house. So, that

core inflation rate, all the other stuff besides food and energy, rising pretty substantially. That's the worrying aspect of the report. Great news that gas prices are down, but everything else is still expensive.

BURLESON: But inflation has been here for months. So, why the market punch?

SCHLESSINGER: So, I think it's all about these expectations, because there was some hope that inflation would come down by more at the headline, and then that core prices would sort of stagnate, and now, we have a bunch of investors who say, "Oh, my God. Now, we really are going to see the Fed act next week. There's going to be three quarters of a percentage point increase, maybe the Fed is going to take us into a recession." And there's great fear that the Fed is going to have to raise rates by even more than expected and that just raising those interest rates is going to slow things down too much.

BURLESON: Okay, Jill, we've got holiday shopping around the corner. Will these prices come down?

SCHLESSINGER: Well, here's the issue. I think there is another aspect to the selloff in stocks. I think that there is a worry that consumers, if you're paying so much for food, for gas, for energy, for everything else, that you are not going to have as much money to spend on the holiday season and I'm unfortunately here to report that I don't think prices are going to come down substantially in the next few months, and that means that you may have to spend a little bit less this holiday season.

BURLESON: During the commercial break, I'm going to ask you about the R-word, "recession" because it seems like it keeps coming up.

SCHLESSINGER: We'll do that next week.

BURLESON: No doubt. Jill Schlessinger, thank you.