

Markets | Odd Lots

## How 'Excuseflation' Is Keeping Prices — and Corporate Profits — High

One-off disruptions can provide cover for companies to keep prices high.

By [Tracy Alloway](#) and [Joe Weisenthal](#)

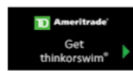
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It's not the kind of thing you typically hear a business owner express publicly but Jarosch was simply stating late last year his philosophy about when it's safe for a business such as his – a mid-sized bakery in the Chicago suburbs – to hike prices for cookies, cakes and other carbs. He had the idea long before Covid upended supply chains, realizing he could quickly push through price increases when news hits of some big shock to the economy because there'll be less pushback from customers right then.

Now, a growing body of analysts and researchers see this pattern playing out across Corporate America, with companies using unusual disruptions as an excuse to raise prices for their goods and services, thereby allowing them to expand profit margins.

The mismatch between declining wholesale prices and stubborn retail ones may help explain why inflation has proven so tough to stamp out even as many of the one-off shocks – such as the pandemic fiscal stimulus or the initial commodity effect of the war – fade into the past. It also poses a challenge to economists who might assume that margins should dissipate through competitive pressures.



Source: Company presentations

And while higher profit margins on the surface would seem to be a benefit for investors, when every company is in a position to raise prices, that's the behavior that keeps prompting members of the Fed's Federal Open Market Committee to ratchet up interest rates again and again, putting a lid on stock prices.

It's going to be tough for policy makers to stop hiking rates "until they begin to actually see corporations decelerate pricing," Rines says. "And when Smuckers says