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How Federal rate hike, inflation are impacting South Floridians

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PALM BEACH COUNTY, Fla. — The [Federal Reserve is increasing its borrowing costs](#) for families and businesses, as it announced another historic rate hike today.

The Fed announced another three-quarter of a point rate hike, indicating people are getting back to work. However, there is still concern about inflation.

Previous Coverage: [How the Federal Reserve's rate hikes affect your finances](#)

Businesses and customers

At [El Camino Mexican restaurant](#), with locations in Downtown West Palm Beach and Delray Beach, management was able to keep menu prices the same and give staff pay raises amid rising inflation by making changes to some of their operations. Those changes include changing some of the vendors they use, adjusting staffing schedules and adding more items to the happy hour menu.

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"Everything is costed down to the gram, whatever item that we may be using, so it really is a mathematical equation. It's not by chance," said Francis Lake, vice president of operations for Modern Restaurant Group, El Camino Restaurant.

However, he said it was unavoidable for the restaurants to lose some of their overall profit.

"You take care of the guests, you take care of your people and then at the end of the day, the brand will continue to thrive and maybe it's not bringing as much money to the bottom line but we're certainly thriving at a time when others aren't," said Lake.

For the businesses that are struggling, experts say a shrinking customer base and dwindling sales are taking their toll, as customers change their spending habits.

"You have to try to save as much as you can just in order to get around because everything is going up, gas, food, living, it's tough. It's tough," said Sonia Gonzalez, who lives in Lake Worth.

Even with the recent drop in prices at the pump, drivers are still keeping a close eye on their mileage.

"You drive a lot less, you try to route your day so that you're not driving to 10 different places and you want to do things more efficiently, is what I do," said Manny Morales, who lives in West Palm Beach.

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FAU professor weighs in on Fed rate hike

However, [Florida Atlantic University's College of Business](#) chair of the Economics Department, Monica Escaleras, said it's possible prices will come down due to the interest rate increases.

"The main goal is to cool down the demand," said Escaleras. She said this could help eventually bring prices of everything down, by production, job growth and economic growth going down.

For consumers, the cost of borrowing goes up for credit card debts, car loan interest rates, home mortgage interest rates and student loan interest rates. Interest rates also go up for bonds and savings accounts.

The new Fed rate increase of .75% ties the largest one ever since the increase last month.

"You're seeing now that the housing prices are starting to go down a little bit because people are saying, the cost of borrowing the money to buy that is too high," said Escaleras.

She says there could be more increases later this year.

South Florida: [Realtors react to the Federal Reserve raising interest rates once again](#)

She said with fewer people and businesses taking out loans and more people placing their money in savings accounts and bonds, spending will likely go down.

"When the interest rate goes up, the whole idea is to cool down demand," said Escaleras. "When we start cooling down demand, then businesses start seeing that their inventories are piling up and they're not moving the inventory as fast and that is why we start seeing sales and therefore the price of goods and services starts going down," said Escaleras.

"The ones who have extra cash, they're going to look where to invest to earn some return on that investment to earn some type of interest and for some individuals who want to consume more, they're going to start thinking twice because the cost of borrowing is going up. So just being a little bit self-conscious that if you go out and borrow then that is going to be a higher cost may lead people to think twice and not do it,"

However, she said while these factors could lower inflation, the [war in Ukraine](#) and current supply chain issues could make it harder to impact inflation levels.

FAU study: [Shows skyrocketing rent prices are going down as people return to home states](#)