



The Monthly Itinerary

The ABA Foundation’s Monthly Tour Through the Economy

February 2023

FEBRUARY SUMMARY

January seems to have started with a bang. The reported GDP number for the 4th quarter was up by a remarkable 2.9 percent, with annual GDP rising by 2.1 percent, not something that would indicate recession. Also headline job numbers for January were up by 517,000, about double the historical norm. The 10-year treasury rate also fell – from 3.88 at the beginning of the year to about 3.5 today. These statistics show an economy on a tear, something we have not seen since the best days of the Trump Administration.


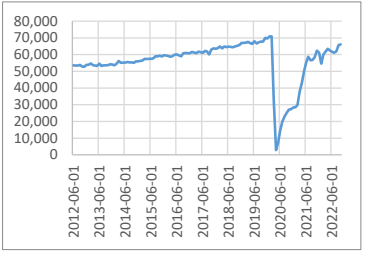
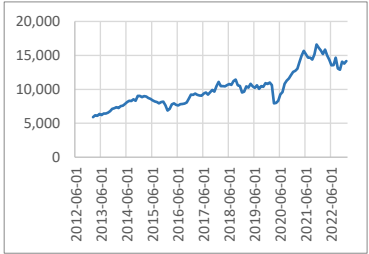
So why do a record number of Americans say that they are worse off today than during the depths of the COVID-19 lockdowns. According to a recent ABC News/Washington Post poll, 41 percent of Americans say they are in a tougher financial situation since the beginning of 2021, while just 16 percent say they are better off.

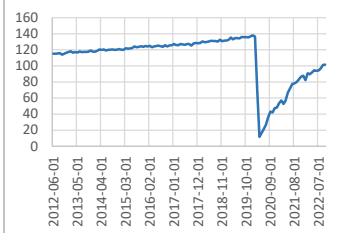
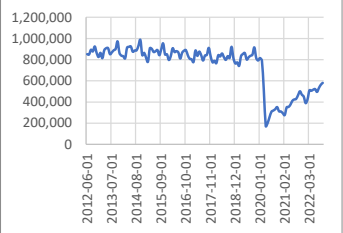
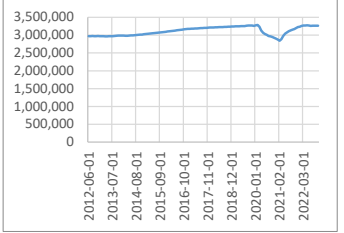
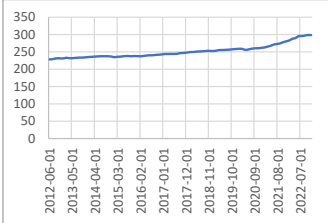
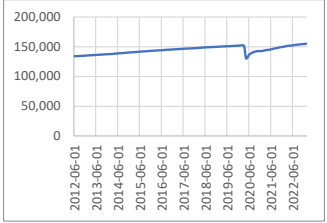
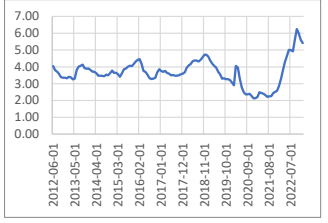
Well, the answer is that while statistics are important, the topline numbers often lie. This is the case when it comes to the big three – GDP, employment and inflation. We will discuss this in more detail below, but the bottom line is that these three indicators are being influenced by things that have little to do with the health of the economy or the finances of individuals. In both cases, things are actually getting worse. Real median household income is down by 2.8 percent since the days before COVID, and after bottoming out at the beginning of 2021, household debt payments as a percent of income have increased by 17 percent, and the household savings rate has fallen from 8.9 percent before COVID to about 5 percent today. In addition, Federal debt as a percentage of GDP rose from a ridiculous 107 percent to more than 120 percent today. In other words, spending is up (which increases GDP) but its all coming from the seed corn. This all suggests that consumers, business and yes, even government will have to start tightening up on the reigns quickly.

This will impact spending on everything but the most essential items and will likely spin down to the motorcoach industry through lower tourism spending, less spending on dinner theater and other local events, and even on less domestic travel.

The Monthly Itinerary is designed to provide members of the ABA with an ongoing series of data and commentary on key economic and transportation statistics of importance to the motorcoach and motorcoach tourism industry. For more information or to comment on this report, please contact Melanie Hinton at mhinton@buses.org or 202-218-7220.

JANUARY STATISTICS

National Diesel Prices	Domestic Enplanements	Dow Jones Transportation Index
 <p style="text-align: center; margin-top: 10px;">January-23: 4.58 Down 2.93 Percent</p>	 <p style="text-align: center; margin-top: 10px;">September-22: 66,097.00 Up 0.73 Percent</p>	 <p style="text-align: center; margin-top: 10px;">January-23: 14,174.20 Up 2.7 Percent</p>

<p>Transportation Services Index (Psgr)</p>  <p>October-22: 101.50 Up 0.5 Percent</p>	<p>Transit Ridership</p>  <p>October-22: 580,055,000 Up 3.19 Percent</p>	<p>Highway Travel</p>  <p>November-22: 14,174.20 Down 0.11 Percent</p>
<p>Consumer Price Index</p>  <p>December-22: 298.11 Down 0.08 Percent</p>	<p>Employment</p>  <p>January-23: 155,073.0 Up 0.33 Percent</p>	<p>Corporate Loan Rate</p>  <p>January-23: 5.42 Down 13.28 Percent</p>

FEBRUARY ECONOMIC NEWS

- The Energy Information Administration has been a bit slow in releasing figures on oil stocks in the Strategic Petroleum Reserve. These were drained by more than 50 percent as the Administration attempted to keep retail gasoline prices down before the election. Oil stocks seem to have bottomed out in early January, suggesting that the drain on reserves has ceased.
- As stocks have begun to stabilize, prices have increased. Regular gasoline prices are back over \$3.50 a gallon, while diesel continues to be prohibitive – about \$4.60 per gallon on average (\$5.00 here in Florida)
- According to the Bureau of Labor Statistics, in July the number of people reporting that they are employed is now at 160.1 million following some major revisions. According to Statistics Canada, employment was up by 104,000 in December to 19.77 million persons, and the unemployment rate fell to 5.0 percent.
- The BEA reported that US GDP rose by 2.9 percent in the 4th quarter, with annual GDP rising by 2.1 percent.
- Meanwhile prices have started to stabilize on a month-over-month basis, as the data reflect the soaring prices over the last year. Consumer prices are on average 14 percent higher than they were just two years ago, and the CPI undercounts inflation. Canadian inflation was 6.8 percent over 2022.
- On a positive note, for motorcoach operators, employment in the trucking sector is falling along with demand for goods. After peaking in August, employment in the trucking sector is down by 27,400 jobs, and wages are falling as well. This should take some pressure off of the driver shortage, which we recently calculated to be about 7,300 positions.

FEBRUARY COMMENTARY

Last month, we put out our forecast for the year, and it seems from the most recent data that we were extremely pessimistic. Our forecast was for falling (recessionary) GDP, rising unemployment and significantly higher interest rates

as the Federal Reserve continues to fight entrenched inflation. Recent headline numbers, on the other hand, show growth soaring, employment rising by record levels and inflation slacking off. In fact, most Wall Street forecasters seem to think that the Fed is about to reverse course and stop raising short term interest rates in the face of reduced inflation.

Unfortunately, the recent data are simply not as good as the headlines would suggest. As we suggested at the beginning of this edition of *the Itinerary*, when it comes to the big three – GDP, employment and inflation – the headline numbers hide a number of evil trolls. Let's dig a little deeper and see what we can uncover.

GDP: The BEA announced that 4th quarter was up by a remarkable 2.9 percent, with annual GDP rising by 2.1 percent. This sounds fantastic, since average GDP has been increasing by an average of just 2.0 percent per year for the entire century so far.

But the headline number is riding high on a lot of things that are not exactly positive. Of the 2.9 percent, about half (1.4 percent) was due to increasing inventories. Over time, inventory changes always net to zero, so that will be deducted from GDP in the coming quarters. In addition, buying stuff from China and putting it into warehouses does not reflect actual economic growth. Higher government spending added another 0.64 percent to reported GDP. Since government spending is funded either through taxes or borrowing, the actual change in economic activity is at best a wash. Finally, a third major component, accounting for 0.56 percent of 4th quarter "growth" was from a net reduction in imports. Imports are a net negative to the GDP calculation so falling imports is reported as a positive. In this case, falling imports is due in a large part to reductions in imports from China, which is largely shut down due to the spread of COVID-19 through its population. This suggests that shortages are something positive to the economy, something few business owners would suggest is true.

Taken together these three items accounted for 2.6 percent of the reported GDP growth in the 4th quarter. A more sustainable number would be 0.3 percent growth, on par with the remainder of the year. Positive yes, but not something that is going to keep wages rising as fast as inflation.

Employment: Another stunning number that came out recently was employment growth for January, which the Bureau of Labor Statistics suggested was 517,000 new jobs. Remarkable considering that most employers can't seem to find anyone to work for them, and a lot of major companies are reporting large layoffs. Again, this is a statistic based on nothing more than ether. In fact, nearly all of the reported job growth was due to changes in the way that the BLS calculates its seasonal adjustments. Of the growth reported 90 percent was due to these revisions, not actual job growth. This makes sense as the household survey data (data based on asking people if they were working or not) shows an increase of just 278,000 workers (including the adjustments).

Since May of last year, the number of full-time workers has actually fallen, from 132,743,000 to 132,577,000. Almost all of the reported employment growth in the past year was due to people taking a second part-time job to make ends meet, or generally unemployed people working a few days in the gig economy, driving an Uber or performing TaskRabbit jobs.

In addition, much of this part-time growth in jobs is likely due to more people being reported as w-2 employees rather than 1099 contractors, something the Administration has been forcing employers to do. The bottom line is that for all intents and purposes, employment levels have been flat all year.

Inflation: Finally, there is the big elephant of economic statistics – Inflation. Overall, prices have risen by about 6.4 percent on the year, which is more than 3 times the arbitrary 2.0 percent inflation target set by the Federal Reserve. While many Wall Street pundits are claiming that inflation is over, growth in the Producer Price Index is still double what growth in CPI has been since the COVID lockdowns. This suggests that there is still a lot of inflation left to run through the system. In addition, it is not necessarily true that the recession that the Federal Reserve is counting on will alleviate most inflation when it has been caused by massive monetary supply growth. It will take years for this to work its way out of the system, even longer if fiscal policy remains stimulative as it likely will. Continued inflation will keep interest rates high, and will lead to even more financial instability as many highly valued companies (for example Amazon and Meta) are not well capitalized.