# The Monthly Itinerary
# The ABA Foundation's Monthly Tour Through the Economy

## January 2022

## JANUARY SUMMARY

Economics has been called the *Dismal Science*, and it has so since 1849 when Scottish essayist, Thomas Carlyle, used the phrase in a pamphlet. Economics has changed a lot since 1849. At that time, the classical economists including Adam Smith, David Ricardo, and the eternally dismal Thomas Malthus and Karl Marx, developed theories around the concept of scarcity. In a world of scarce resources, supply and demand mattered, and the only way for humanity to improve its condition was for capitalists to find ways to produce more with less inputs. Industrializing economies face problems of monopoly, externalities (such as extreme pollution and poverty), and shortages.

More recently, orthodox economics has dropped these ideas in the pursuit of unlimited consumption. The ideas of the economists of the early part of the 20th century have been twisted to encourage borrowing and monetary growth in an attempt to eliminate scarcity. No person should need to work, or pay back loans, or face the dangers of competition. This has led to a world where governments have borrowed huge amounts from the future to pay for overconsumption today. It is a world of government debts well over 100 percent of GDP. It is also a world of underfunded public pensions, and of zombie companies supported by nearly unlimited money printing by the Federal Reserve.

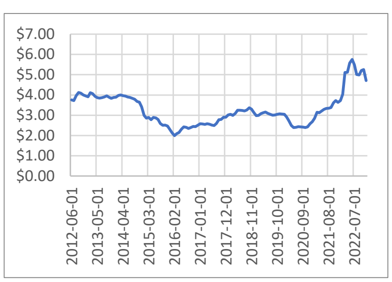
It is also a world that is coming to an end. The only question is, how will this end. This month's *Itinerary* will present our forecasts for the economy in 2023. Of course, forecasting is often a fool's errand, (just look at the line on the College Football Championship game this week – TCU +13.5). Even so, our forecast should at least provide a trajectory for 2023 given the current economic conditions.

Happy New Year to the ABA, its members, friends and partners from this *dismal* economist!

*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](mailto:mhinton@buses.org) or 202-218-7220.

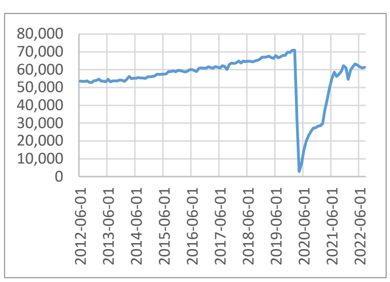
## DECEMBER STATISTICS

**National Diesel Prices**



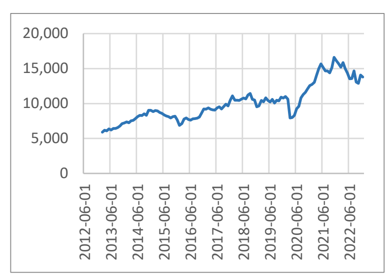

December-22: 4.71
Down 10.29 Percent

**Domestic Enplanements**



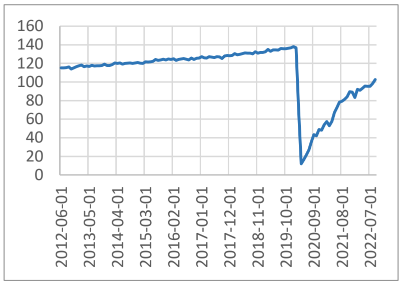

July-22: 61,397.00
Up 0.63 Percent

**Dow Jones Transportation Index**



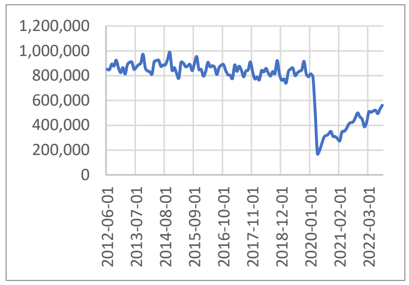

September-22: 13,802.05
Down 1.97 Percent

**Transportation Services Index (Psgr)**



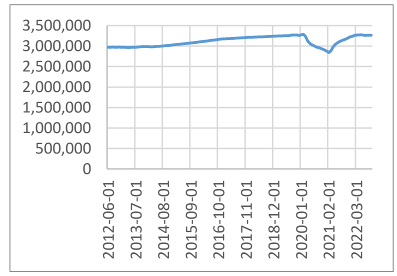

September-22: 102.60
Up 4.27 Percent

**Transit Ridership**



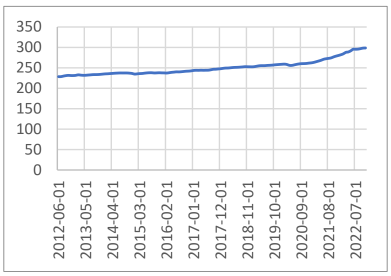

September-22: 561,614,000
Up 5.57 Percent

**Highway Travel**



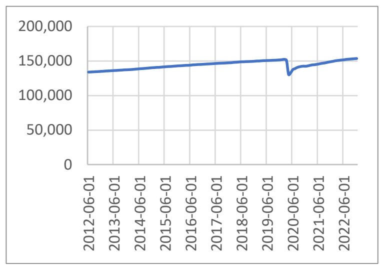

October-22: 13,802.05
Up 0.01 Percent

**Consumer Price Index**



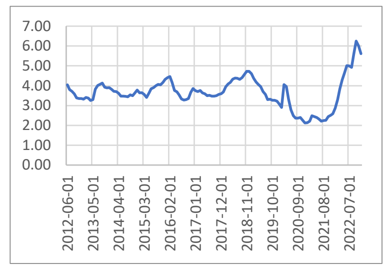

November-22: 298.35
Up 0.1 Percent

**Employment**




December-22: 153,743.0
Up 0.15 Percent

**Corporate Loan Rate**




December-22: 5.61
Up 0.36 Percent

## DECEMBER ECONOMIC NEWS

- Diesel prices were down by about 50-cents per gallon in December, but remain about 50-cents per gallon higher than pre-war levels. Diesel prices will remain elevated because of reduced refining capacity.

- While motorcoach employment fell by about 1,000 individuals in November, it is now just 5.2 percent below pre-COVID levels. Hourly wages are up by about 17.5 percent from those prior to COVID.

- According to the Bureau of Labor Statistics, the number of people reporting that they were employed remained flat at about 158.9 million. Full-time employment has been falling since May and stands at about 132.2 million. According to Statistics Canada, employment was up slightly in November and stands at 19,770,000 individuals.

- The Federal Reserve Bank of Atlanta's GDP Nowcast is suggesting that GDP will grow by about 4 percent in the 4th quarter. This is four times the average forecast of bank economists.

- Prices continue to escalate, with September annualized inflation "down" to 7.1 percent. Canadian inflation was steady at 6.8 percent in November.

- The shipping crisis seems to be coming to an end. According to Freightos, global container shipping rates are back down to $2,170. This is from a high of over $11,100, but still about 60 percent above pre-COVID levels. Even though prices remain slightly elevated, it appears as if transportation costs, and bottlenecks are no longer a major contributor to inflation.

## JANUARY COMMENTARY

As the new year rolls around, it is time to go out on a limb and provide an economic forecast for what is looking to be an interesting 2023. As we mentioned above, forecasting is a fool's game, and our forecasts for last year bore that out.

Last January, we suggested that growth would be running at a 2 percent rate. Of course, this was prior to Russia's invasion of Ukraine. We expected growth to be front loaded, but this was reversed with stronger growth toward the end of the year, in part reflecting geopolitics. We had also expected growth (as the BEA measures it) to be dominated by consumer spending; however, the war, and subsequent support for Ukraine, meant that the major contributor was exports, both of fuel and weapons. We also thought that more workers would return to the labor force, leading to a jump in the unemployment rate to about 4.5 percent. This did not happen, and most economists are still trying to explain the continued depression in the employee to population ratio.

While we were generally off in terms of magnitude, we at least got things directionally correct. Growth did falter, unemployment did increase, inflation remained high, and interest rates rose. Not bad considering the huge black swan that descended over the world in the form of aggressive actions by both China and Russia.

Forecasts for 2023 are nowhere near as rosy as they were for 2022. No matter what the self-appointed experts say, the economy has been in a recession since early 2022, and this will likely continue through the entirety of 2023. We don't forecast a deep recession, but rather suspect that the economy will muddle along at a depressed rate, falling by 1 percent this quarter and maybe increasing by a half percent in the next. Shortages are likely to continue through the year as transportation bottlenecks and availability of workers impact production.

The economy is still below pre-COVID employment levels (in terms of full-time jobs), and in-spite of continued demand for workers, low labor force participation will keep demand high and unemployment rates low. Some big-name companies are laying off hundreds of thousands or workers as more expensive capital removes the mask from what were basically zombie firms (think Coinbase, Lyft and Meta). Now even smaller companies are beginning to cut back hours, even though they are still having difficulties finding workers.

Worker shortages, reduced fossil fuel production, and the monetary overhang from the largess of the last three years will continue to keep both inflation and oil prices high, and it is unlikely that CPI inflation will come down below 5 percent before the end of the year, even with the economy in a technical recession, and continued hawkishness on the part of the Federal Reserve. There is simply too much cash remaining in the system that has to be blown off.

In sum, we expect to see a year of stagflation and retrenching on the business front, with demand stifled by inflation and little stomach for capital investments. Exports of both energy and weapons are likely to continue unless something dramatic happens in Eastern Europe. However, even if all of the black swan events are positive in the coming year, the overall trajectory of the US economy is one of slow growth with a falling labor force, low productivity, and surpluses of capital assets like automobiles and housing.

Based on these general findings, our initial forecasts for 2023 are presented in the following chart.

| | 2023/1 | 2023/2 | 2023/3 | 2023/4 | 2023 Average |
|---|---|---|---|---|---|
| Gross Domestic Product | -1.0% | -0.5% | 0.0% | 1.5% | 0.00% |
| Consumer Spending | 1.0% | 0.5% | 0.5% | 1.0% | 0.8% |
| Unemployment Rate | 4.0% | 4.2% | 4.3% | 4.0% | 4.1% |
| Federal Funds Rate | 5.25% | 5.75% | 5.75% | 5.50% | 5.56% |
| 10-Year Note Yield | 6.56% | 7.30% | 7.60% | 7.50% | 7.24% |
| WTI Oil Price | $ 88.00 | $ 92.00 | $ 90.00 | $ 89.00 | $ 89.75 |