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The Monthly Itinerary

The ABA Foundation's Monthly Tour Through the Economy

June 2023

JUNE SUMMARY

As I write this edition of the *Monthly Itinerary* on the last day of May, a Pentagon official admitted that unidentified metallic orb UFOs have been spotted *all over the world*. This makes me wonder if fluctuations in diesel prices or changes in interest rates are all that important. Maybe, instead of worrying about the economy we will all start to worry about more *out of this world* concerns.

The idea of little green men from outer space landing on the White House lawn may still seem farfetched, but the idea that disease was caused by little organisms that cannot even be seen, or that wind and lightning were not the results of gods jumping on clouds probably seemed a bit farfetched only a few hundred years ago. The fact is that time and progress never stop, and it is always a possibility that some day, aliens will land, or that cold fusion will provide unlimited energy. But for now, businesses and individuals, including members of the American Bus Association, will need to muddle through the mundane problems of the day.

Another thing that just happened was that the House of Representatives passed a bill increasing the debt ceiling with little in the way of either spending cuts or regulatory constraint being included in the legislation. This will more than likely lead to an increase in inflation, and more interest rate increases on the part of the Federal Reserve. This is just one more sign that (unless aliens come to our aid soon) we will continue to see an economy mired in stagflation.


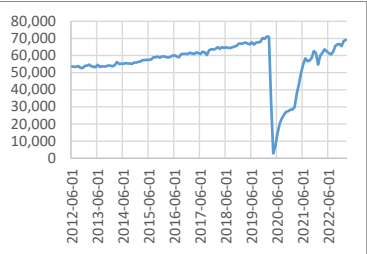

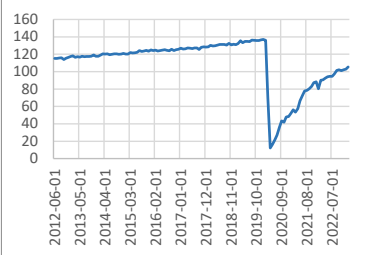
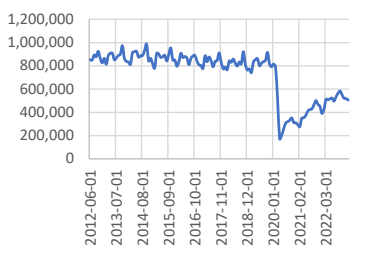
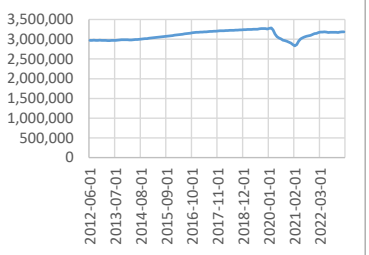
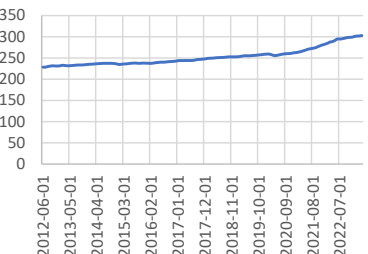
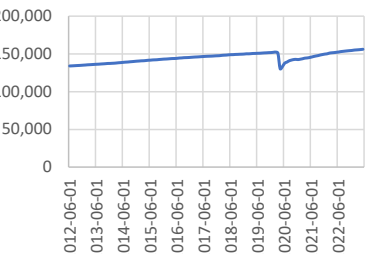
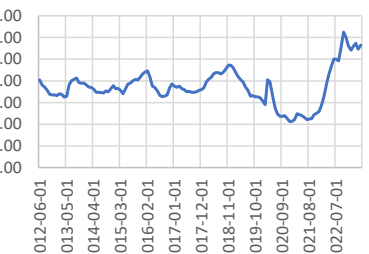
As this edition of *The Monthly Itinerary* documents, inflation is still holding at rates double those wanted by the Fed, retail sales are falling in real terms, investments are drying up, and production is faltering. None of this bodes well for the overall economy in 2023. At the same time, some sectors are doing very well. Travel is one of those, and the most recent data for a range of transportation-related statistics are all positive. Domestic enplanements were back to pre-COVID levels in January, highway travel is up, hotel spending is up, and employment in the hotel and retail sector is fast approaching 2019 levels. This bodes well for the motorcoach sector, as recessionary tentacles have not reached travel and tourism just yet.

At the same time, diesel prices have begun to subside, wage rates have begun to stabilize, and motorcoach sales are up by nearly 20 percent over the same time last year. This suggests that those operators that are in strong markets should thrive even though the economy will remain soft.

Unless the *metallic orbs* turn out to be the forefront of an alien invasion, it is likely that the economy will be a major factor impacting the motorcoach industry. Keeping abreast of key economic trends will be an important part of determining strategies to prosper in difficult economic times. *The Monthly Itinerary* reports on some of these key indicators. Please let us know if there are any other indicators that you believe are important to track going forward in 2023.

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.

MAY STATISTICS

<p>National Diesel Prices</p>  <p>May-23: 3.92 Down 4.49 Percent</p>	<p>Domestic Enplanements</p>  <p>January-23: 69,091.00 Up 0.8 Percent</p>	<p>Dow Jones Transportation Index</p>  <p>April-23: 13,907.91 Down 1.76 Percent</p>
<p>Transportation Services Index (Psgr)</p>  <p>March-23: 104.10 Down 1.33 Percent</p>	<p>Transit Ridership</p>  <p>March-23: 582,381,000 Up 15.34 Percent</p>	<p>Highway Travel</p>  <p>March-23: 13,907.91 Up 0.05 Percent</p>
<p>Consumer Price Index</p>  <p>April-23: 302.92 Up 0.37 Percent</p>	<p>Employment</p>  <p>May-23: 156,105.0 Up 0.22 Percent</p>	<p>Corporate Loan Rate</p>  <p>May-23: 5.65 Up 1.07 Percent</p>

JUNE ECONOMIC NEWS

- The Federal Government pulled an additional 400,000 barrels out of the Strategic Petroleum reserve in March, continuing to drain the stockpile. In addition, US crude production popped, with March production of 393,561,000 barrels, setting the highest level of production since the COVID-19 shutdown of the economy.
- Diesel prices peaked on June 20, 2022, at \$5.81 per barrel, and have declined steadily since then. By the end of May 2023, the price was \$3.85 per barrel – this is still 25.4 percent above pre-COVID levels. According to the EIA, diesel prices should stabilize around this level and remain there for the next two years. This may be bullish since the current fall in prices is the result of slower retail sales. As recessionary pressures increase, it is more likely that diesel prices will fall further.
- The Bureau of Economic Analysis reported that 1st quarter GDP grew at a rate of just 1.3 percent in real terms. Growth in consumption expenditures was offset by a massive decline in investment spending.

- The Consumer Price Index rose by 0.4 percent in May but is stabilizing at about 5 percent. While many Wall Street pundits still expect to see the Federal Reserve pause its increases in the Federal Funds Rate, the odds still favor at least one additional 25 bps increase. Inflation in Canada was at 4.4 percent in April.
- As was expected, the House of Representatives passed a bill raising the debt ceiling with very few restraints on spending. The bill passed in a 314-117 vote, with more Democrats voting for it than Republicans. The lifting of the debt ceiling will encourage continued Federal largesse, and inflation.
- In spite of increasing interest rates, the high yield bond index has failed to break 9 percent this year, meaning that real interest on high yield corporate bonds is running at about 4.5 to 5 percent. The same is true of B-rated bonds. The yield curve on treasuries continues to be massively inverted, meaning that investors are still predicting a substantial recession forcing the Fed to dramatically lower rates.

JUNE COMMENTARY

Where Have All the Flowers Gone? is a folk song written by Pete Seeger in 1955. The lyrics were inspired by a traditional Cossack folk-song *Koloda-Duda*. Up until recently, economists might have been singing *where have all the full-time jobs gone*, as the percentage of people employed in full-time activities plummeted from about 86 percent in April 2020, to 83.5 percent in April of this year. The percentage of employees who are working full-time tends to fall during recessions; however, during the COVID-19 recession, while employment fell dramatically, the share of full-time workers increased. This was due to the closure of restaurants, hotels, retail stores, and other enterprises that tend to employ a lot of part-time workers. Since the peak of the COVID recession, the share of full-time employment has been falling. We have discussed this in *The Monthly Itinerary* over the past few months, but now this trend seems to be reversing, and the share of full-time employees has stabilized again at around 83.5 percent of all workers.

The difference in how full-time employment has fared during and following the COVID-19 recession is understandable considering that office workers were the least impacted by layoffs. Interestingly, most economists did not notice this. Rather, the reduction in the full-time percentage of the labor force over the past two years has been attributed to demographics, particularly the retirement of the baby-boom generation.

But the data show something completely different. In fact, looking at the percentage of full-time employees by generation during the 5 years prior to COVID-19, the shutdown period (2020) and the years 2021-2022, the percentage of full-time employees surged during 2020 across all age groups, save for the very youngest age group (Generation Z) and middle-aged workers (Generation X). Full-time employment as a percentage of the total grew fastest for Baby Boomers.

In the last two years, full-time employment as a percentage of the total fell back to prior levels for all age groups save for the oldest workers, where it has stayed elevated. Middle-aged Generation X workers have not gone back to full-time work and have also refrained from going back to work at all. In effect, even though full-time employment has been falling as a percentage of the total following the COVID-19 shutdowns, this should be expected. It is a result of normal economic conditions and is not attributable to retirements or demographics in general. It is also not some sort of stereotypical Millennial effect, with workers in this age group working full-time in line with all other workers.

Only in the case of those aged between 45 and 54 years old, have workers shifted from full- to part-time following the COVID-19 disruptions. This is an age group that accounted for about 25 percent of the full-time workforce prior to COVID, but now manages to provide just 21 percent. This is the demographic where the worker shortage developed and is likely where all of the new workers are now coming from. (Note that statistics by age group are not yet available)

Over the past few months, the “jobs report” has shown both the number of full-time workers growing, as well as the labor force itself. This suggests that many of the workers that had been on the sidelines (either not working or working just part-time) is continuing to normalize. This is also why the economy continues to see job growth occurring during a recession. We expect to see the *flowers* continue to blossom as more workers resume entering the job market. This should begin to eventually push wage demands down and may – just may – put a damper on inflation.