



Rodney's Take

August 8, 2022

Hating the Economic Hucksters

Everything is great! Or is the economy going to hell?! How about something that fits the moment? Parts of the economy are good, particularly in the U.S., but prices are high and potentially easing inflation isn't the same thing as lower prices. And we're rightly fearful of the maniac in Russia who would like nothing more than to break the Western alliance this winter just as the Chinese toy with cutting off 63% of all semiconductor production and more than 90% of the highest-quality chips from the world. Oh yeah, and the Fed is raising rates. What a mess.

The international scene is the big risk, as I've covered before. I think we'll get a huge wakeup call from Russia at some point this fall or winter, so make sure you have some sort of hedge in place for a not-so-black-swan. I don't think the swoon will last long, but it won't be fun.

Back to the U.S.

The jobs number surprised to the upside, but if you've read more than passing headlines, you've found out that the Establishment Survey and Household Survey are moving different directions. The Establishment Survey, which covers only companies with more than 1,000 employees and only those who return the forms, showed more than 500,000 jobs created last month. Part of that total, 300,000 jobs, came from the U.S. Bureau of Labor Statistics (BLS) guesstimate department, the one that creates the birth-death adjustment to account for jobs lost and created that aren't part of the survey. It's true, they just guess. Part of it comes from the rebounding

hospitality sector, where getting a waiter's attention without standing up or getting someone at your hotel to clean your room seems like a quaint notion from the past.

The Household Survey includes 60,000 monthly phone calls to households as part of which the BLS asks if the adults in the home have jobs. This survey showed the economy gained 179,000 jobs last month... after losing 315,000 in June. Since March, the Establishment Survey has shown an increase of 1.68 million new jobs and the Household Survey has shown a loss of 168,000 jobs.

That's enough to make you think, "Hmm." We are slowing down, as the headline jobs number will show in the months ahead. Don't expect it to fall off a cliff. It will just be lower.

On the inflation front, we'll likely get relief on Wednesday, particularly at the pump. I paid \$3.17 per gallon on Saturday. That's great news, but food prices are rising, rents are rising (albeit more slowly), car and insurance prices are rising, and wages aren't keeping pace. Anyone cheering the slightly good news about lower price hikes is willfully blind to the fact that people can't afford to purchase today what they could buy yesterday. Who among us wants to look in the mirror and see his or her standard of living slipping away through no fault of his or her own?

It will be interesting to see how people vote in November. Consumers aren't stupid. They can read the prices at the store and the numbers in their bank accounts. They can hear the new themes of large companies calling for more production with fewer people. People still have jobs and are in demand, but it's not all fun and games. We're in an uncomfortable state of flux, somewhere between a stagflation slowdown and a pause before a major resolution in the energy markets. Don't expect things to get much clearer before next year, and take decent profits as they come.

Rodney

Got a question or comment? You can contact us at info@hsdent.com