Bursting The Balloons
2/6/23

There were two balloons in the news this week. One very visible and burst by our military. One less visible having to do with the economy. This bubble could burst any time soon. First, top line 4th GDP of 2.9% looked strong. Yet, 1.6 percentage points of the growth was due to inventory accumulation, and December was weaker than October/ November. The wealthy are the wealthy. They will continue to spend, and luxury items will hold up. But the average consumer is running out of options. Savings rates are at or near record lows. Credit card debt is rising very fast, and credit card interest is 20%. Used car defaults are rising sharply and government programs are running out. With the average consumer tapped out, the consumer has nowhere to go but to look for a job.

I believe this was behind the huge growth in employment in January. This growth, which should normally be applauded, is more of a sign of the dire position of the average household. I believe this will show itself by the second quarter if not sooner. At best, economic growth will be anemic. Don't be surprised if there is a minus sign in GDP coming to your neighborhood soon.

p.s we may find out that we really didn't add 517,000 new jobs. New bench marking revisions in population and seasonality may be responsible for most of the growth.

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