

Mid-Term Elections: U.S. Overall Economy Doesn't Reflect Rising Inflation



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Hey, everybody, this is Gene Marks and welcome to another episode of the Week in Review, a Paychex Thrive podcast. Well, big news in the past week we know really concerns three big things. Number one is, of course, the midterm elections. Number two is inflation. And number three is the economy at a whole.

I mean, the takeaway from the elections itself is that we still have a very divided country. We have a very split Congress, both in the House of Representatives and in the Senate, as well, and we're going to be looking at the next two years as not a whole lot being done in that kind of stalemate – maybe, some bills on immigration, I am hoping, and maybe some kind of cut down on some spending.

Besides the midterm elections, and connected to them, was also some economic news. Inflation, the consumer price index, came in at 7.7 percent and also the producer price index also has been tempered, as well. Inflation is still between seven and 8%, so that is not an insignificant number. When I speak to a lot of industry associations, you know, you might be surprised or maybe not to find out that even though inflation is between seven and 8%, as reported by the government, there are a lot of industries with their core materials – building products, cotton, fertilizer, animal feed, industrial chemicals, steel, natural gas – way higher than the 7 to 8% that the government is reporting.

So, inflation is no doubt still an issue and is going to continue to be an issue with us for a while. But, you know, when people talk about the elections, and they talk about the partisan divide and the social issues that may have divided the country – everything from abortion to voting rights and gun control – I'll tell you one thing about my takeaway is the economy itself.

Even as inflation is as big as it is right now, as high as it is right now, the economy is it really doing that bad? When you look at some of the data, you have to agree that it's not as bad as you think. I mean, even Paychex, you know, in their monthly employment report has been reporting about continuing job growth among small businesses and continuing increases in the average pay that they are paying their workers.

There's still, you know, between 10 and 11 million job openings right now. So, you know, there's certainly, you know, if you're in a recession or a slowing economy, you wouldn't be seeing these kinds of low

unemployment numbers. Now, granted, the tech industry has been laying off tens of thousands of people and that's had also reverberating effect on some financial services companies, who have also been laying off people, and the construction and the real estate industry also has definitely been in the doldrums. They've been laying off people, as well. They've seen home inventories and, you know, selling prices. Home inventories go up. Selling prices go down.

So, certainly in those areas, you know, the economy is you know, companies in those industries are struggling. But, you know, listen, guys, I live in Philadelphia. I walk around the city of Philadelphia. I look at the restaurants and the streets are pretty busy. The retail shops that are, you know, all around the city, all around me are busy, as well. I mean, The Wall Street Journal just reported a few weeks ago that retail brick and mortar, real estate, you know, sales and leases are now more than, in the decline. I mean, there's more of a demand for retail locations. I see that. I travel a lot, as well. I go to the you know, when I go to the airports, they're filled. The Transportation Security Administration, they report daily traveler numbers every day and what they're showing is levels right now that are really a pre-pandemic levels.

In addition to just traveling on planes, when I go in the hotels, they're packed, as well. I'm waiting in line for taxicabs. Even when people talk about your gas prices being higher, and they certainly are higher than they were a year ago or two years ago, there is still a relative basis to that. I mean, you know, yes, it costs more to fill up a gas, you know, a tank of gas. But when I think about when I was a little kid in the late 70s and early 80s when there was a real gas crisis going on, I mean, my dad's Buick station wagon took something like, you know, 32 gallons to the mile. Nowadays, you know, most cars are really energy efficient. There are a lot of electronic vehicles that are out there. So, yeah, it costs a little bit more to, you know, to fill up the tank, but you're certainly going a lot longer than they did cars than they did back when I was a kid, you know, 40 years ago.

Well, some other factors about the economy. And I'll tell you what I'm getting to. I have a conclusion about all this for our businesses. GDP, the gross domestic product, increased 2.6% this past quarter. Our savings on household savings and household wealth. Yeah, I know that the stock market is down and real estate, you know, maybe our property values are down, but they're still at historically high levels. Consumers are still spending. Retail sales remains strong, flat, but still a pretty high levels, as well.

In addition, you know, manufacturing is down, you know, according to the industries that report on manufacturing activity, but the services industry has been booming. In fact, it now employs more people than before the pandemic, which is really an interesting number.

Yes, I agree that small business confidence, you know, fell a little bit in October, but it's been rising over the past four months. So, those are all, you know, consumer confidence is also down. But, you know, just the banks just a few weeks ago released their earnings. Charles Scharf, who's the CEO of Wells Fargo, says that Wells Fargo, both consumer and business customers, still remain in a strong position. And Jamie Dimon, the CEO of JPMorgan Chase, who is not exactly bullish on the economy, even he had to admit that, you know, consumers are healthy and he also said that there are plentiful job openings and still ample household savings and that kept credit card spending up and bad loans low.

So, yeah, there's a lot of challenges ahead of us, guys, right? I mean, we know going into 2023, interest rates are going up, inflation is going to persist throughout the year. You know, there's potential volatility with energy prices, particularly with the war in Ukraine. You know, so there's, you know, labor shortages are still going to exist. Supply chain issues haven't completely fixed themselves. All those things are going to factor into, you know, an interesting and challenging 2023.

But this gets me back to the to the midterms that I started this this podcast out about and how we have a divided Congress. You know, the Republicans ran on the economy. They were expecting, you know, a lot of people to vote for Republicans because they were going because they're upset. They're spending too much money. Inflation isn't getting controlled, and their grocery bills are too high. Their price at the pump is too high and people are upset about the economy. And that just didn't happen. You know, a lot of people voted Democrat for different reasons. But I fully believe if the economy was that bad, people would really want to change regardless of social issues. I mean, you want to take care of your families first and your livelihood and that really didn't happen this time around.

And what is my takeaway on that? So, maybe the economy hasn't been that bad and is not that bad right now, that most consumers that are out there are doing okay and keeping up with things to the point where they could vote on other matters besides just their pocketbook.

So, as business owners, let's remember that as we head into the holiday season, there are many forecasters saying it will be a strong holiday season. This might not be the best holiday season ever, but still pretty good. We've got supplies on the shelf, more so than we had last year and in 2020 and certainly compared to last year in 2020, we'll have a lot more shoppers in the stores, you know, face to face and out and about.

So, I think this holiday season could be a fairly good one for most small businesses, and judging what I saw in the election, I don't really see a whole lot of people holding back because of the economy, because I don't think the economy is that bad.

That's the Week in Review based on the news that came out and how it impacts your business. My name is Gene Marks, guys, you have been listening to me speak about the news that impacts your business. If you have any comments or questions or would like to suggest a guest for our Paychex Thrive podcast. please visit us at payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrivetopics.

Thanks for joining me. I look forward to speaking with you next week. Take care.

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