

How Big the Boom?

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As the economy emerges from the effects of the pandemic, economists are trying to quantify how big the expansion will be given the depth of the economic decline that the national shutdown caused. Recent consensus forecasts for growth in the first quarter are around 4% with one more estimate from the Federal Reserve of Atlanta running at an 8½% rate. This morning, Goldman Sachs upped their full-year GDP forecast to 8% -- 2% above China's predicted growth rate. The U.S. economy has not outpaced China's growth since 1971! The acceleration in state openings will contribute to the strengthening economy. Surging vaccination rates and the president's commitment to get all of us inoculated by July 4th should add consumer optimism to the equation that leads the economy even higher. For investors who are interested in financial market trends, spend some time analyzing the new high list on the New York Stock Exchange. Evidence continues to abound that activity is about to get a lot better. On Friday, the Wall Street Journal reported that sales of farm products to China have surged from 27.5 billion tons in 2019 to 55.5 billion in 2020. All those sales proceeds go right into the farmers' pockets. According to Bloomberg news, "China bought nearly 30 million metric tons of U.S. soybeans, the most for this point in the season since 1991 and 57% of America's export sales. For sorghum, which is also a substitute for corn, China accounts for 80% of sales. Corn purchases, once negligible, rocketed to almost 30%." That is not peanuts!

All you have to do is look around to see the improvement in economic activity. Suddenly, we see a sharp pickup in traffic in Charleston. Shoppers are crowding the streets and we are back to almost normal when it comes to traditional visitors at this time of year to our Holy city. After a year of increasing savings, consumers are going to benefit from another government check to bolster the economy. Rising stock prices and home sales are funding consumers' ability to go on a spending streak once there is greater confidence that the pandemic is over. The Dow Jones Industrial Average and the S&P 500 hit record highs last week adding to the atmosphere of rising standards of living for the foreseeable future.

Last week, we also witnessed further evidence that the boom could be bigger than smaller. Our local paper reported that home sales for February rose a whopping 25% to 1,654 single family sales. The median price was \$329,334 up 12% from a year ago. Of further importance was the inventory of homes on the market. In February, the number of homes listed as "active" was 1,739 that is just over a one month's supply. According to our local paper, this supply is down by almost 68% during the past twelve months. Evidence of this demand picking up is complemented by the number of out-of-state visitors as indicated by the plethora of out-of-state license plates that suggest demand is continuing to rise. Many other cities are experiencing the same phenomenon.

The pipeline is rising. The evidence is already mounting as cargo ships are backing up at ports as the ability to unload these ships cannot keep up with rising demand. Over the next few months, be a good observer of these improvements in the economy and selected price increases as we continue to benefit in the aftermath of the pandemic. Basic America is back!