

Enjoying the Good Times

July 19, 2021

What more can we expect? As we study the economic and financial market data each day, we come across statistics that justify the current stock market rally and the prospect of continued good times. The consumer has never been richer and better off due to several factors, most notably the continued advances in technology that improve our standard of living. Corporations have never had so much cash on their balance sheets thereby allowing them to increase dividend payouts to shareholders. Global interest rates have never been lower, further enriching the borrower such as homeowners and small businesses. Keeping interest rates low increases the chance of rising economic activity. Inflation has been unusually low up until recently, but this burst of higher prices is likely to be temporary -- like the inflation that occurred after the end of World War II. The reason that such inflation will be temporary is that rising prices are a function of greater demand not collapsing supply. We have noticed that Charleston is setting records when it comes to the delivery of containers into our local port. Similar stories around the major ports in the U.S. are confirming that supplies are out there, but ports are so jammed up that getting these goods is taking more time. Even if there is an increase in inflation, this upturn pales in comparison to the buildup in wealth for individuals and companies over the past year. Incidentally, the biggest contributor to the CPI (consumer price index) last month was a surge in the price of used cars. Everyone seems to be buying and selling their vehicles on CarMax!

Another unusual policy has been payments from the federal government to individuals and businesses to assist weathering the pandemic. A large portion of those payments went into savings. Some companies even returned the payments because they did not need them. The Biden administration is increasing payments to individuals as part of a multi-trillion-dollar expansion program. While the full extent of his program is unlikely to be approved by the Congress, a large part of that fiscal stimulus will add further growth to the economy.

Unfortunately, the government's program of paying people to do nothing has resulted in millions of workers who have turned down jobs due to the \$300 a week payment. These generous benefits have forced companies to raise wages across the country with Burger King offering a \$1,500 signing bonus! McDonalds is also offering a signing bonus and free childcare for their workers. Companies are trying to get back on track yet the latest statistics indicate a record number of people have quit their jobs. According to the Department of Labor: 3.9 million Americans quit their jobs in April, the largest quit level in history. Companies that are trying to impose strict return to work rules are finding that their personnel departments are writing a lot of "last day" notices. Hopefully, when the free benefits cease, people will return to the workforce to maintain their standard of living.

While there are some stragglers out there, the benefits of a strong economy are being spread across the country as good times are back again.