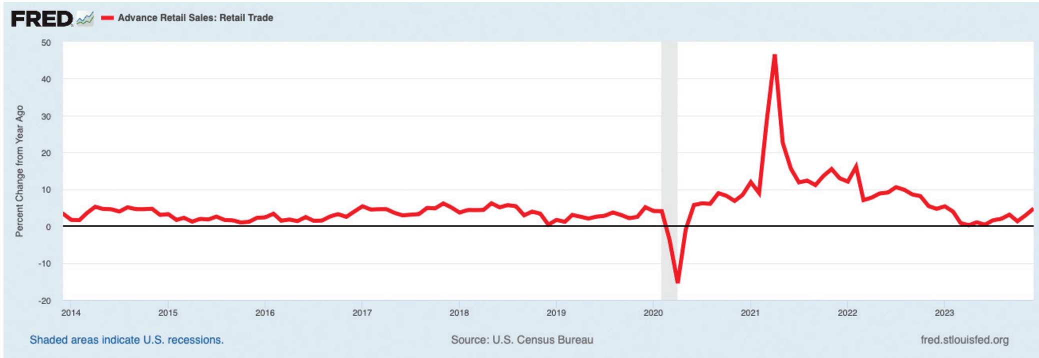
No Recession At All!

By **Harlan Green**, Special to *VOICE*



HO HUM, another good economic number. December retail sales are telling us why we have avoided a recession this year. It's because consumers have increased rather than reduced their spending ways.

Sales at retailers jumped to +0.6 percent in December, 4.8 percent annually, to cap off a very good holiday shopping season and underscore the resilience of the U.S. economy in 2023. November sales had risen +0.3 percent, three percent annually.

Economic VOICE By Harlan Green

How is that possible with Fed officials still refusing to say exactly when they will even begin to cut rates this year? Retail sales aren't adjusted for inflation, so it means consumers are able to spend just ahead of inflation, which is running approximately three percent annually.

Why then are consumers still shopping? Americans are fully employed, and average hourly wages are rising faster than inflation (+4.1%). Inflation has been falling particularly sharply over the past six months (1.9 percent-2.5 percent, depending on which inflation measure we look at).

In fact, the Producer Price Index for wholesale goods (e.g., raw materials) shows that inflation has become deflation (i.e., turned negative) over the past two months.

The Conference Board reported spending on motor vehicles and parts rose a huge 1.1 percent in December from November. Spending at gasoline stations fell 1.3 percent from the month prior due to further declines in oil prices. Nonstore retail sales rose a very large 1.5 percent from the month prior while spending at department stores rose 3.0 percent, which tells us how much brick-and-mortar retail sales have declined.

I reported earlier consumer confidence had also improved, another indication that consumers don't see a danger ahead for their pocketbooks. The Conference Board's confidence index was up ten points in December.

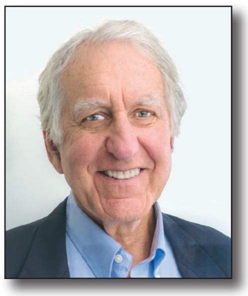
"December's increase in consumer confidence reflected more positive ratings of current business conditions and job availability, as well as less pessimistic views of business, labor market, and personal income prospects over the next six months," said Dana Peterson, Chief Economist at The Conference Board.

And we now have the Atlanta Fed's GDPNow model bumping up Q4 GDP growth to 2.4 percent once more, from 2.2 percent due to "fourth-quarter real personal consumption expenditures growth and fourth-quarter real gross private domestic investment growth."

This shows how much consumer spending and retail sales are driving economic growth.

The Federal Reserve's survey of anecdotal evidence for November, known as the Beige Book, said the economy has softened since the previous report at the end of summer, which covers the period of October 6th to November 17th.

This could mean the odds have improved for the Fed to begin to drop interest rates sooner, maybe in the spring. Wouldn't shoppers love that!



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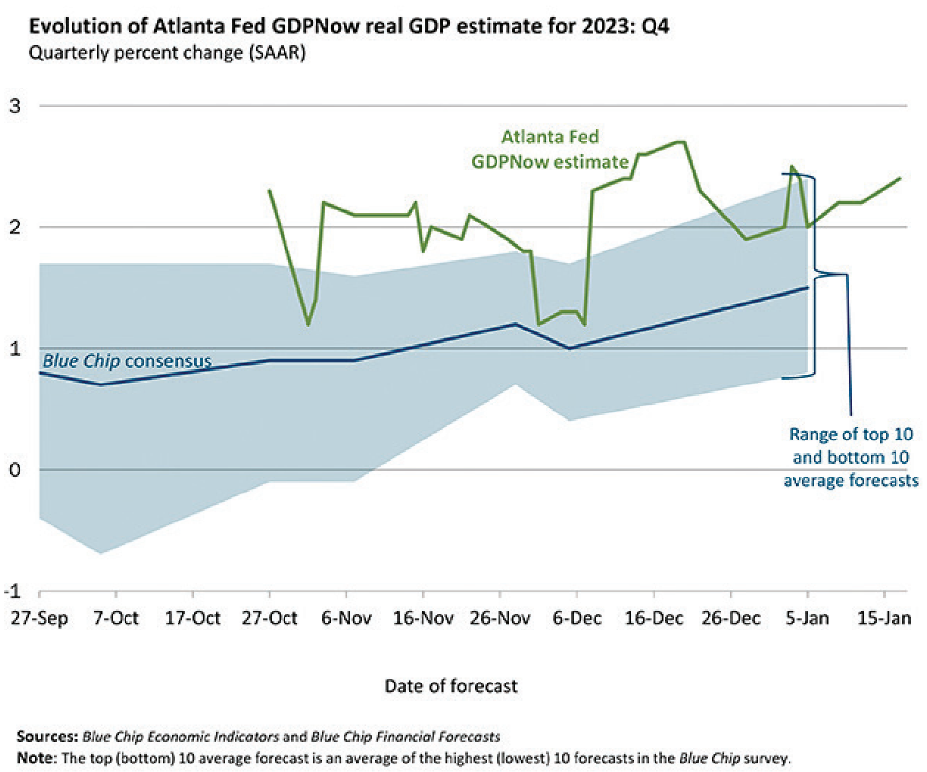

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