

Popular Economics Weekly

It Wasn't the Fed

By Harlan Green, Special to VOICE

WHAT MORE DOES CHAIRMAN POWELL AND THE FEDERAL RESERVE GOVERNORS NEED TO KNOW to announce the inflation battle has been won? Its preferred inflation indicator has shown zero monthly increases for two months.

The rate of U.S. inflation based on the Federal Reserve's preferred PCE index actually fell in November for the first time since 2020 and indicated that price pressures continue to subside. The PCE index dipped - 0.1 percent last month, the government said Friday. Inflation was unchanged in October.

This is what is called a 'soft landing,' I said last week when the unemployment rate dropped back to 3.7 percent. More jobs are being created in November's unemployment report, though some 50,000 of the 199,000 nonfarm payroll jobs are strikers returning to work in Hollywood productions and auto factories.

So the Fed's actions in raising interest rates to multi-decade highs wasn't the proximate cause of what looks like an overaction to the effects of the COVID pandemic.

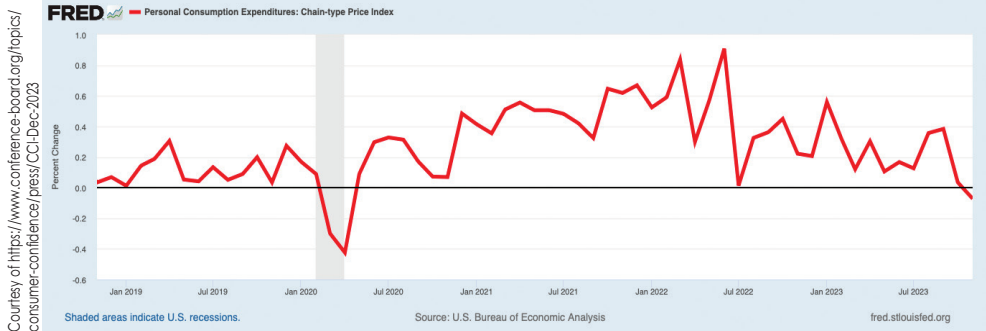
High inflation wasn't the fault of rising wages, either, when job openings are still at record highs so that everyone who wants a job can find one.

Workers are getting terrific raises now that the strikes have been settled, yet inflation keeps declining. No, broken supply chains were the major culprit. It's taken almost three years to ramp up enough production to bring down prices.

We are now seeing the results as shoppers have shown in the latest retail sales figures that they are finding more bargains during this record holiday shopping season.

Even industrial production is ramping up; so much so that Q4 projections of growth are rising again.

Orders for durable goods for products that last more than three years (cars, appliances, etc.) rose 5.4 percent in November, the U.S. government said Friday. This is the largest gain since July 2020. It is the second gain in the past three months. Transportation orders had the largest increase, rising 15.3 percent in November. This was in part because orders for motor vehicles and parts jumped 2.8 percent after the end of the UAW strike. Orders for commercial aircraft also soared but tend to fluctuate wildly month-to-month.



The Atlanta Fed raised its estimate of fourth quarter GDP growth as high as 3.0 percent and it could go higher with today's robust durable orders release by the Commerce Department.

The U.S. Federal Reserve Board suggested that interest rates would be cut by 75 basis points in 2024 after it last FOMC meeting of 2023 in December. Can we now be in what is called a Goldilocks economy?

That is when the Fed's interest rate isn't so low that it ushers in inflation, yet not so high that it tips the economy into a recession. Maybe we've reached that point.

Once again, consumers will decide on the direction of economic growth. And holiday travel shows they haven't slowed down much.

Auto club AAA forecasts that 115 million people in the U.S. will go 50 miles or more from home between Saturday and New Year's Day.



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'12	114	113	183	170	225	215	217	213	173	218	190	275
'13	141	146	189	197	265	209	217	216	181	178	138	167
'14	142	132	141	186	207	174	196	179	171	160	137	170
'15	142	113	235	202	226	210	207	217	155	149	124	150
'16	126	118	153	166	220	195	174	214	187	161	158	159
'17	142	132	164	149	189	257	193	224	178	173	172	170
'18	101	121	172	179	234	211	165	225	184	171	145	163
'19	128	168	190	179	210	208	259	209	173	157	152	212
'20	144	125	141	101	84	168	219	244	295	283	225	255
'21	154	151	264	250	225	223	228	247	202	216	175	187
'22	124	160	204	160	168	179	125	160	138	112	113	101
'23	81	94	110	115	126	131	122	120	112	109	91	

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