Economy Ignores Naysayers, Continues Remarkable Run

The ADP jobs report issued Wednesday put the lie to the naysayers on Wall Street who continue to predict a slowing economy. According to the national bookkeeping firm, private-sector employment increased by 213,000 jobs in January. This report often serves as a harbinger for the report to be issued on Friday from the Labor Department, which measures employment slightly differently.

Those new jobs were created all across the economy: Small employers added 63,000 jobs, while medium-sized companies (50 to 499 employees) hired 84,000 people, and large employers brought on 66,000 new workers in January.

Every aspect of the economy is continuing to enjoy robust growth as well. Construction and manufacturing jobs were responsible for 68,000 of those new jobs, while part-time leisure and hospitality jobs added only 31,000 of 145,000 new jobs created in the services sector. This reflects the robust growth of the economy, which requires professional and business service people as well as those employed in the transportation, health, and education sectors.

"The labor market has continued its pattern of strong growth with little sign of a slowdown in sight" said Ahu Yildirmaz, vice president and co-head of the ADP Research Institute. "We saw significant growth in nearly all industries, with manufacturing adding the most jobs in more than four years. Midsized businesses continue to lead job creation."

And establishment economist Mark Zandi, the chief economist for Moody's Analytics — which helps ADP with its analysis — was forced to admit that the economy remains strong despite the naysayers: "The job market weathered the government shutdown well. Despite the severe disruptions, businesses continued to add aggressively to their payrolls. As long as businesses hire strongly the economic expansion will continue on."

Those naysayers built their case for an economic slowdown on a number of faulty foundations. First was the S&P CoreLogic Case-Shiller National Home Price Index, which measures average home prices in major metropolitan areas across the country. According to the *Wall Street Journal*, that index showed that "Home-Price Growth Continues to Slow" in November, falling from an expected 5.3-percent increase to a 5.2-percent increase.

Those price increases have so greatly exceeded wage increases that it was natural for existing home sales to drop, which they did in November and December. Missing from the discussion, however, was any mention of the fact that data from the Conference Board show the average American home buyer's "plans to buy a home rose to their highest level since the end of 2017."

The government shutdown is another faux pillar of the naysayers' case. Taking the number of government workers affected at 800,000 as repeatedly touted in the mainstream media as accurate, it must be remembered that 1.5 million federal government workers remained on their jobs and received their regular paychecks during the so-called shutdown. And it must also be remembered that those

800,000 workers who slaved without paychecks will be getting their back pay this week.

There's the Consumer Confidence Index, which fell in December because, as the *Journal* expressed it, "economic uncertainty weighs on households." And that "uncertainty" was blamed on the government shutdown and "weakness" in the equity markets. Nothing was said about that weakness reflecting moves by the Fed to raise interest rates as it attempts to fight faux inflation and slow the Trump economy.

The Index is phony, according to Lynn Franco, who serves as senior director of economic indicators for the Conference Board: "With the shutdown now over and equity prices recovering, there is a good chance that confidence will rebound in February." Translation: The decline in confidence is only temporary, and therefore not to be trusted as a fair or reliable indicator of the direction of the economy.

In addition, knowledgeable economists have also noted that consumer confidence readings such as this one haven't tracked actual consumer spending patterns as closely as they have in the past.

And then there's the survey of 50 of those Wall Street seers, crystal ball gazers and prognosticators that the *Journal* polled — the same people who have consistently underestimated the strength of the economy for months. According to that bevy of experts, the economy will grow in the first quarter of this year at only a 1.8 percent rate, with a slight rebound expected in the second and third quarters. The giveaway about their unreliability was noted by Diane Swonk at Grant Thornton. Because of the government shutdown, much of the data they rely on was not available, and so they guessed instead. Said Swonk, "We are a bit blind in the first quarter." But they still had opinions, and those opinions were taken seriously.

The reality is much different. Retail sales in the first three weeks of January, following a blowout holiday spending season in December, rose an astonishing 6.5 percent over the same period last year. The Congressional Budget Office (CBO) estimated that the impact of the government shutdown is a mere $3 billion. The CBO estimated that the shutdown reduced economic output by $11 billion in December and January, but $8 billion of it will be made up as those employees play catch up in the second quarter.

That's $3 billion out of an economy that produces $20 trillion of goods and services annually. That's a rounding error, not the end of the longest economic expansion in history.

Ask investors holding stocks in Boeing, Apple, and McDonald's. Representing proxies for manufacturing, technology and retail/food sectors, each of them rose strongly in heavy trade on Wall Street on Thursday, January 24. If that isn't enough, look at earnings posted by the 500 American companies making up the S&P 500 Index: up 17 percent year over year, exceeding (again) forecasters' estimates.

Also missing from the conversation about the economic "slowdown" was any mention of the nearly $2 billion being invested in new plants and equipment by BMW and Volkswagen in the United States, as reported by *The New American* two weeks ago. This is only a tiny part of the $50 billion VW is planning on investing across the globe over the next four years. This is real money being invested by real companies by real people who don't see anything like the economic slowdown portended by the theoretical worthies and seers on Wall Street.

The economy will continue its record run with only this caveat: The Fed needs to keep its hands off the steering wheel and its feet off the brakes. Absent their meddling, the U.S. economy will continue to set records into the foreseeable future.

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