



# Economic Outlook: Look Out!

- 
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THE KEMMSIES GROUP

# Focus Points

## **We are not yet in a recession**

- Consumer spending is growing and rebalancing
- Employment is growing and rebalancing, like consumer spending
- Inflation is a supply side issue, not a demand issue

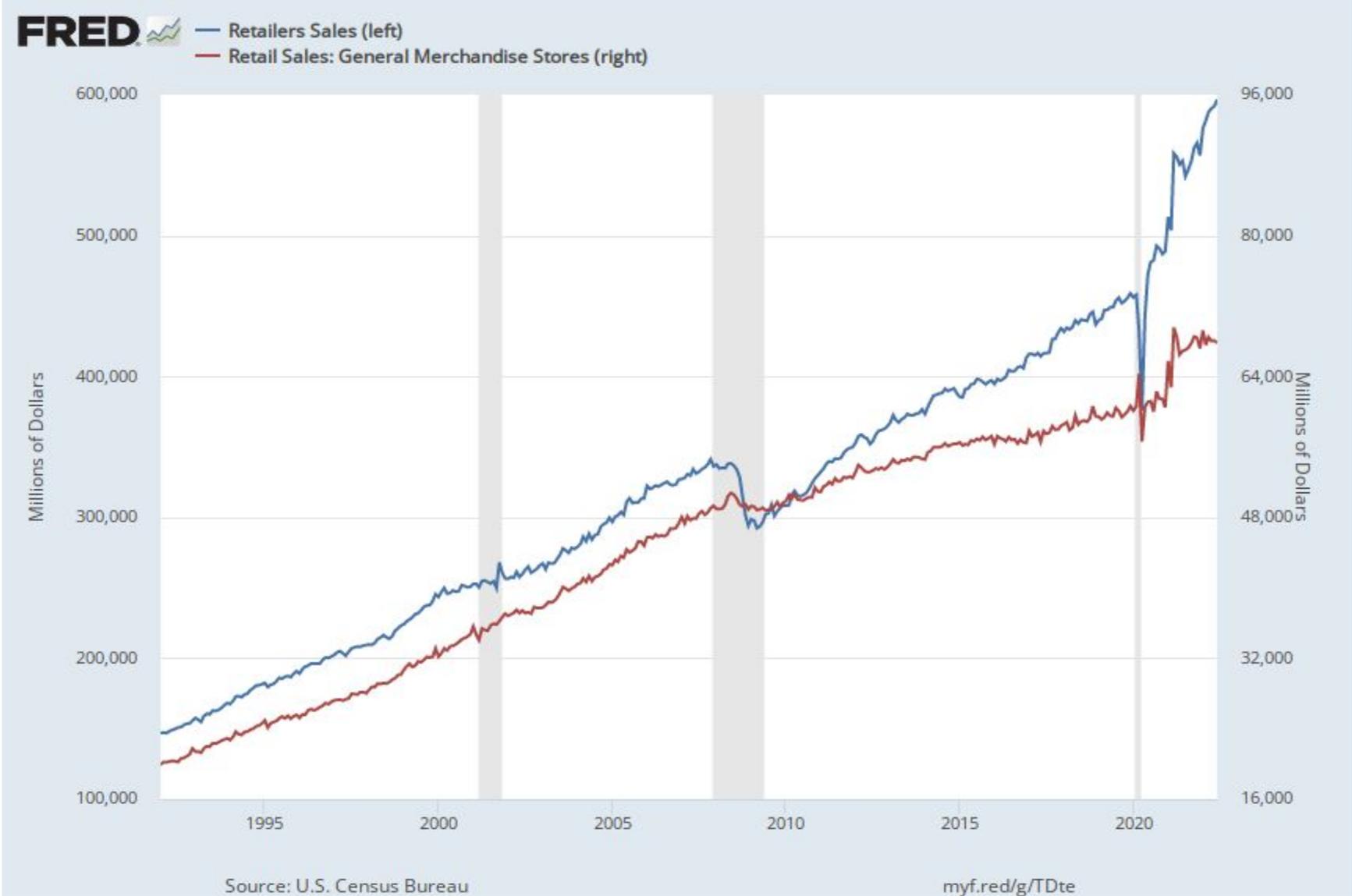
## **We are in the early stages of a freight recession**

- Ocean carrier rates are declining
- Truck cost indexes are declining
- Hard to say for rail at this point

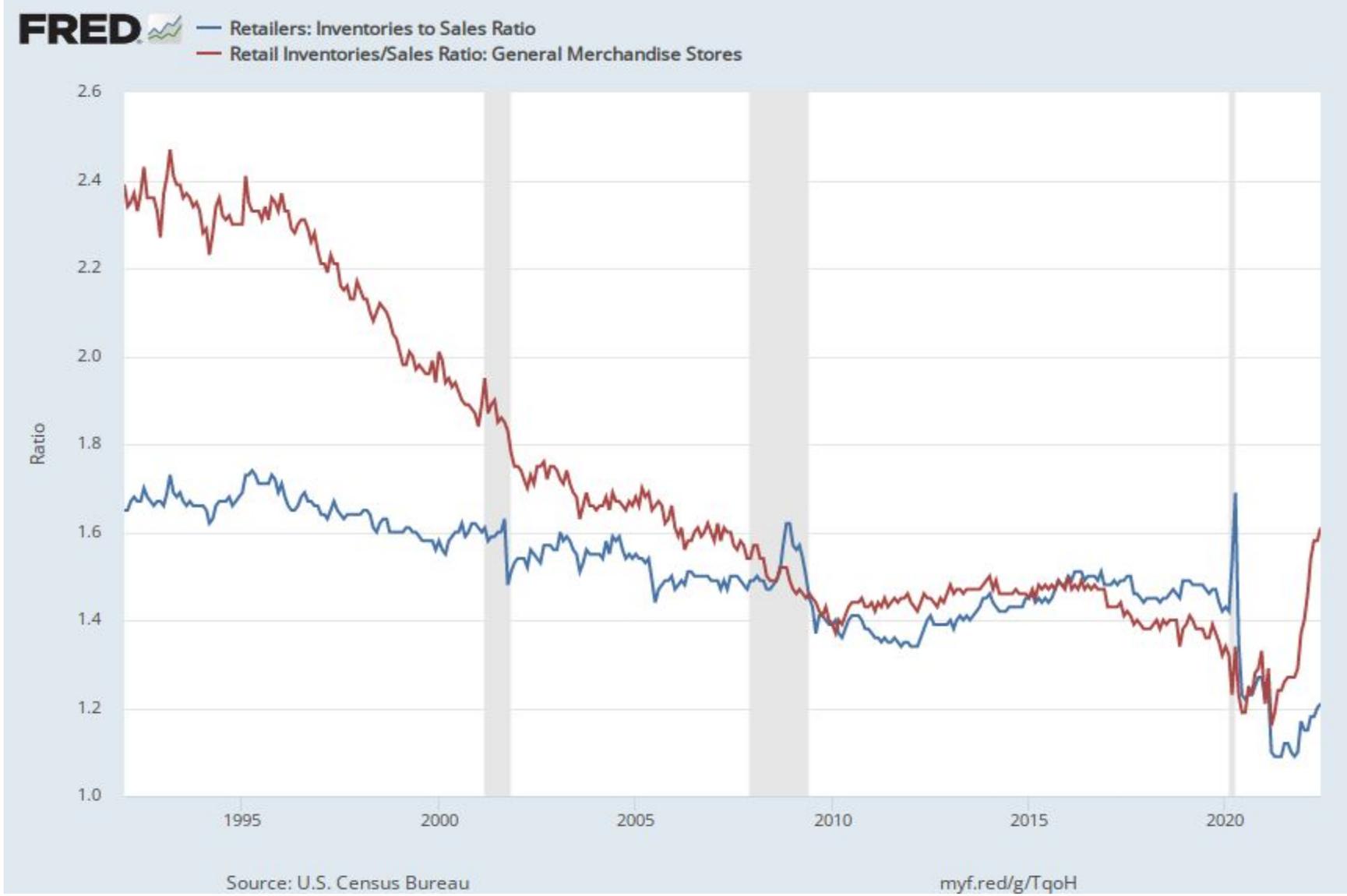
## **If we enter a recession, it could have unprecedented characteristics**

- Low growth rate of the working age population
- Low labor force participation forecast by the Census Bureau
- The Great Retirement is reducing the labor force

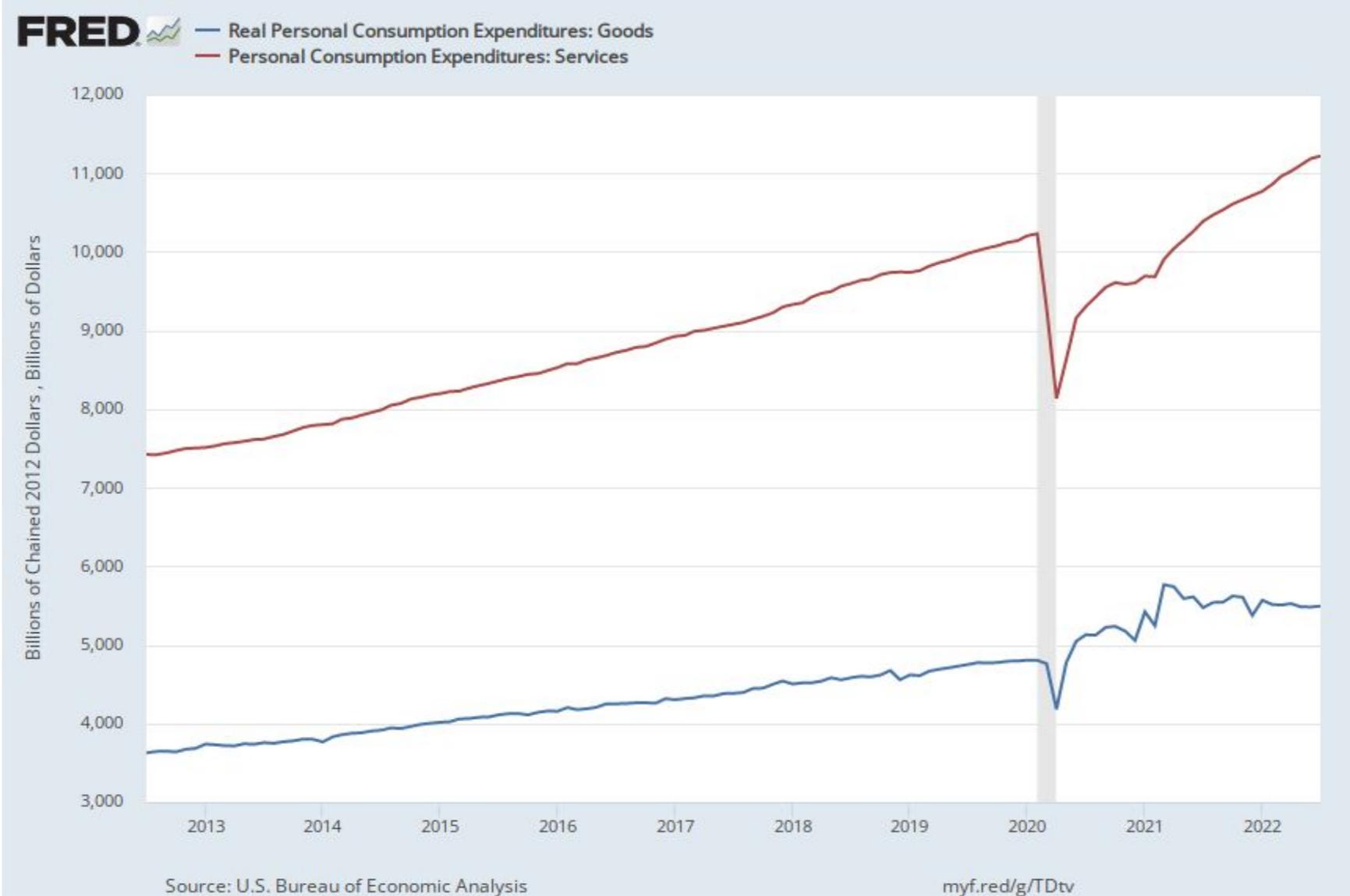
# Ground Zero of Supply Chain Disruptions



# Big Overfed Versus Small Underfed



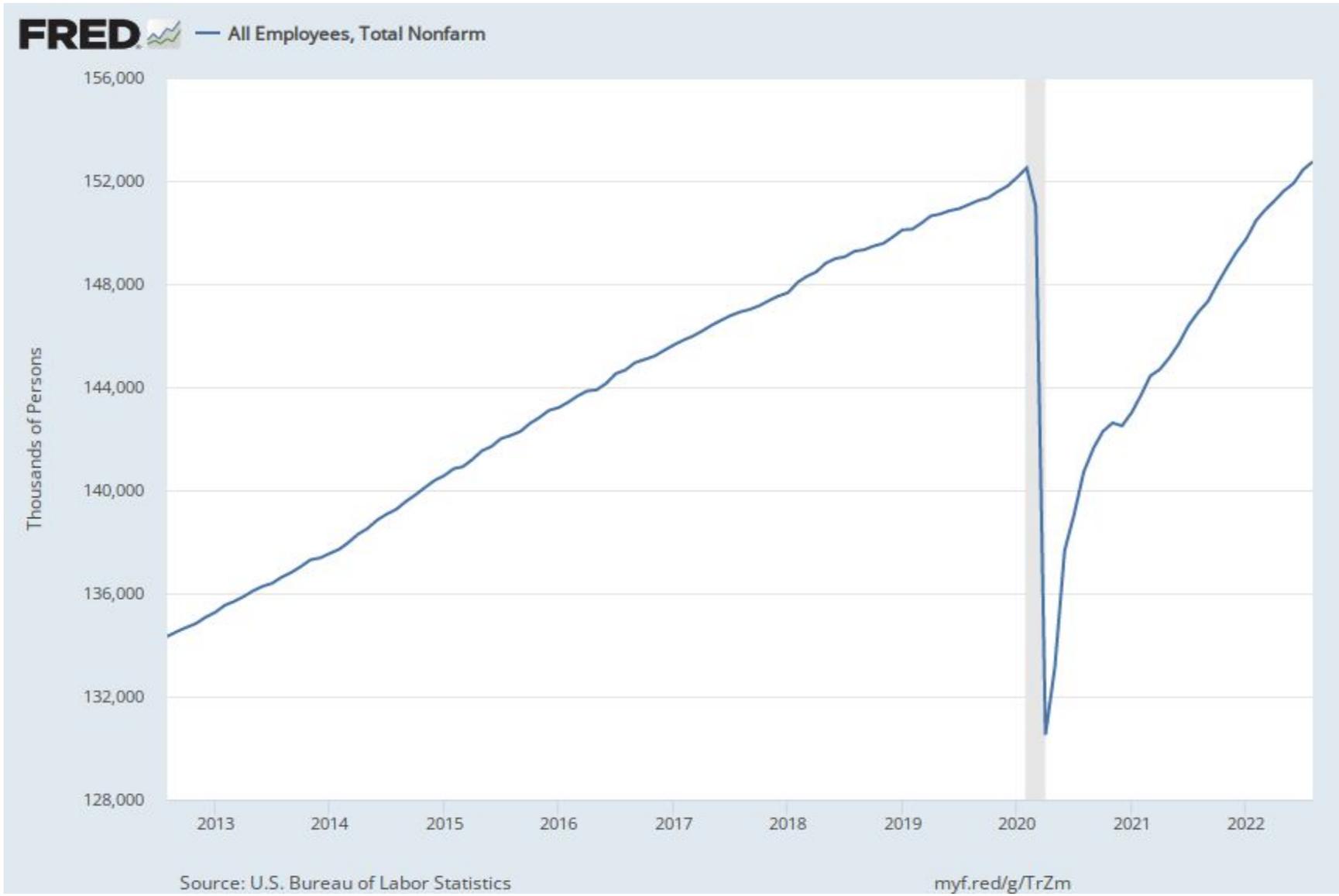
# Slow Post-pandemic Return to Pre-pandemic Patterns



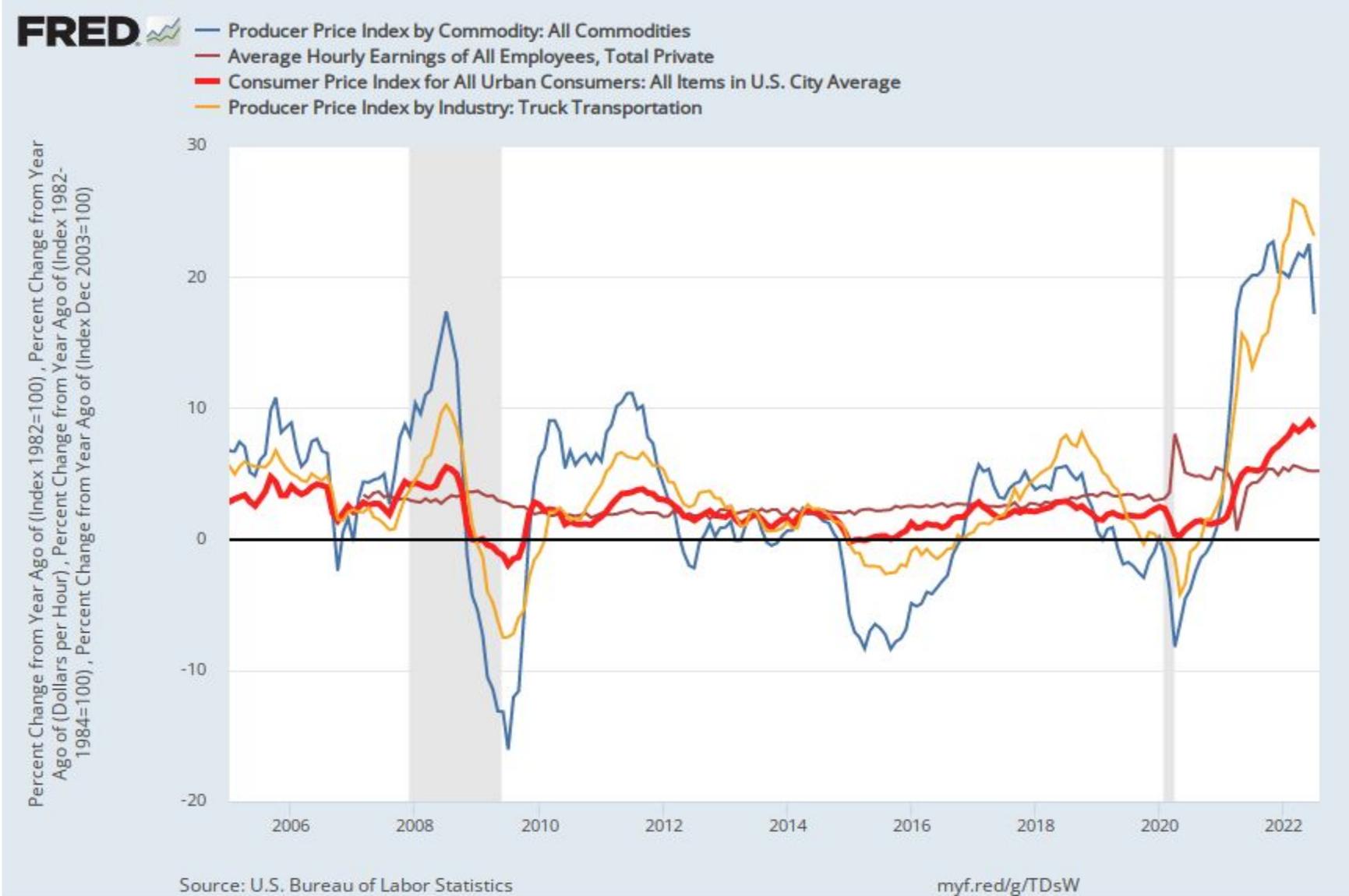
# Consumers Continue to Spend More But Differently Than During “From Home”



# Employment Continues To Increase But Differently Than During “From Home”

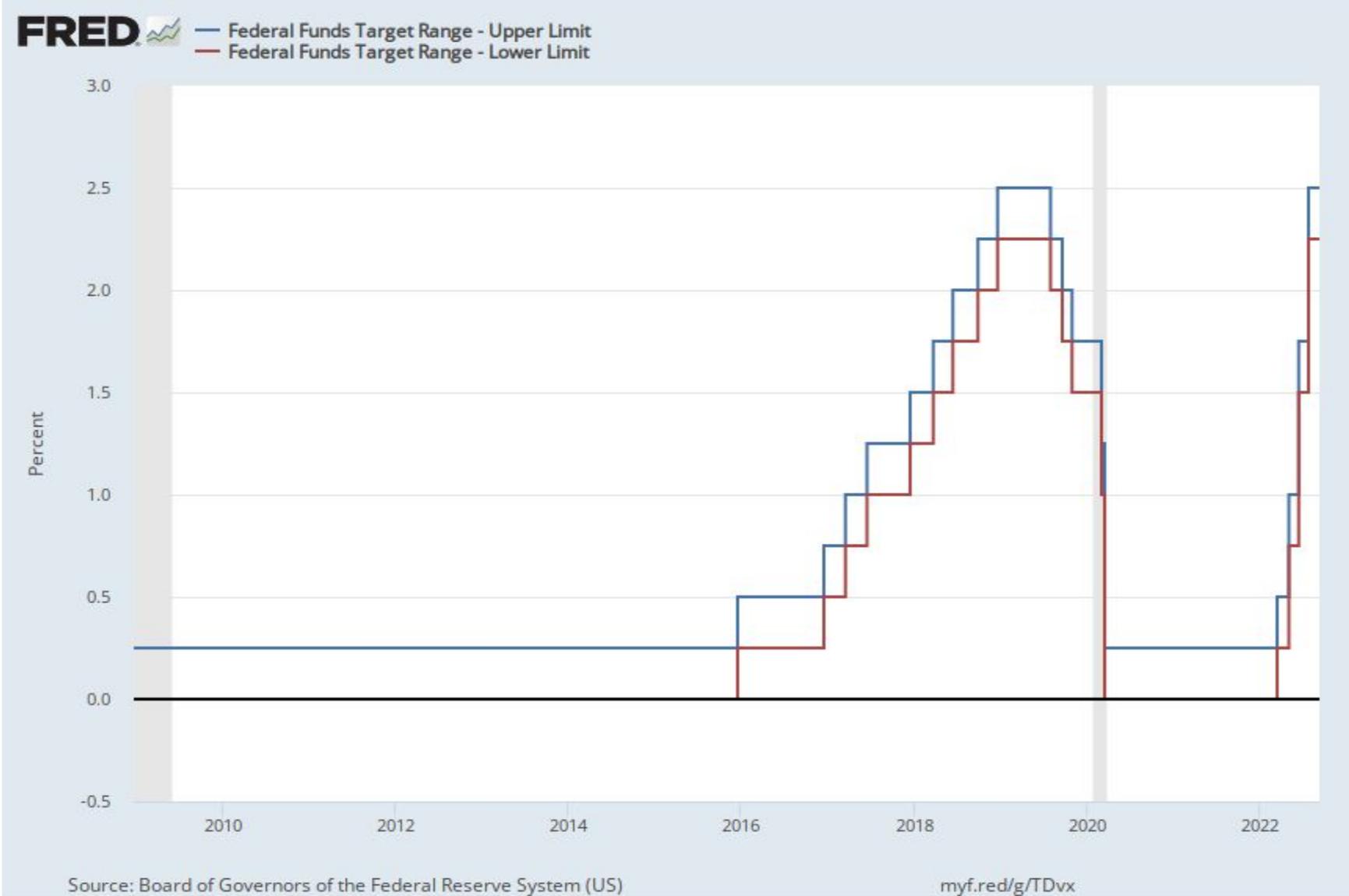


# Inflation: Consequence of Supply Consistently Lagging Shifting Demand Patterns...



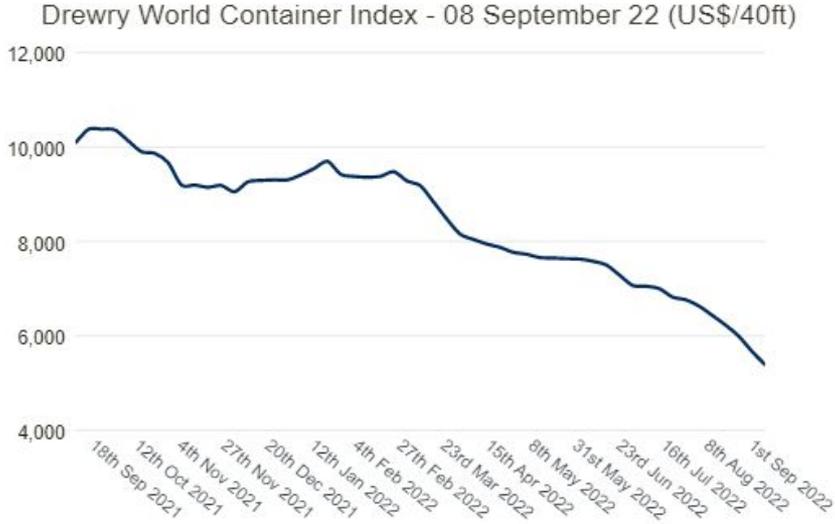
... and other shocks such as Putin's War, Xi's Ego, and Climate Change

# Federal Reserve Policy: Let's Use a 1980-82 Policy To Fix a 2022 Problem



**Macroeconomists think in terms of demand issues, but 2022 is about supply**

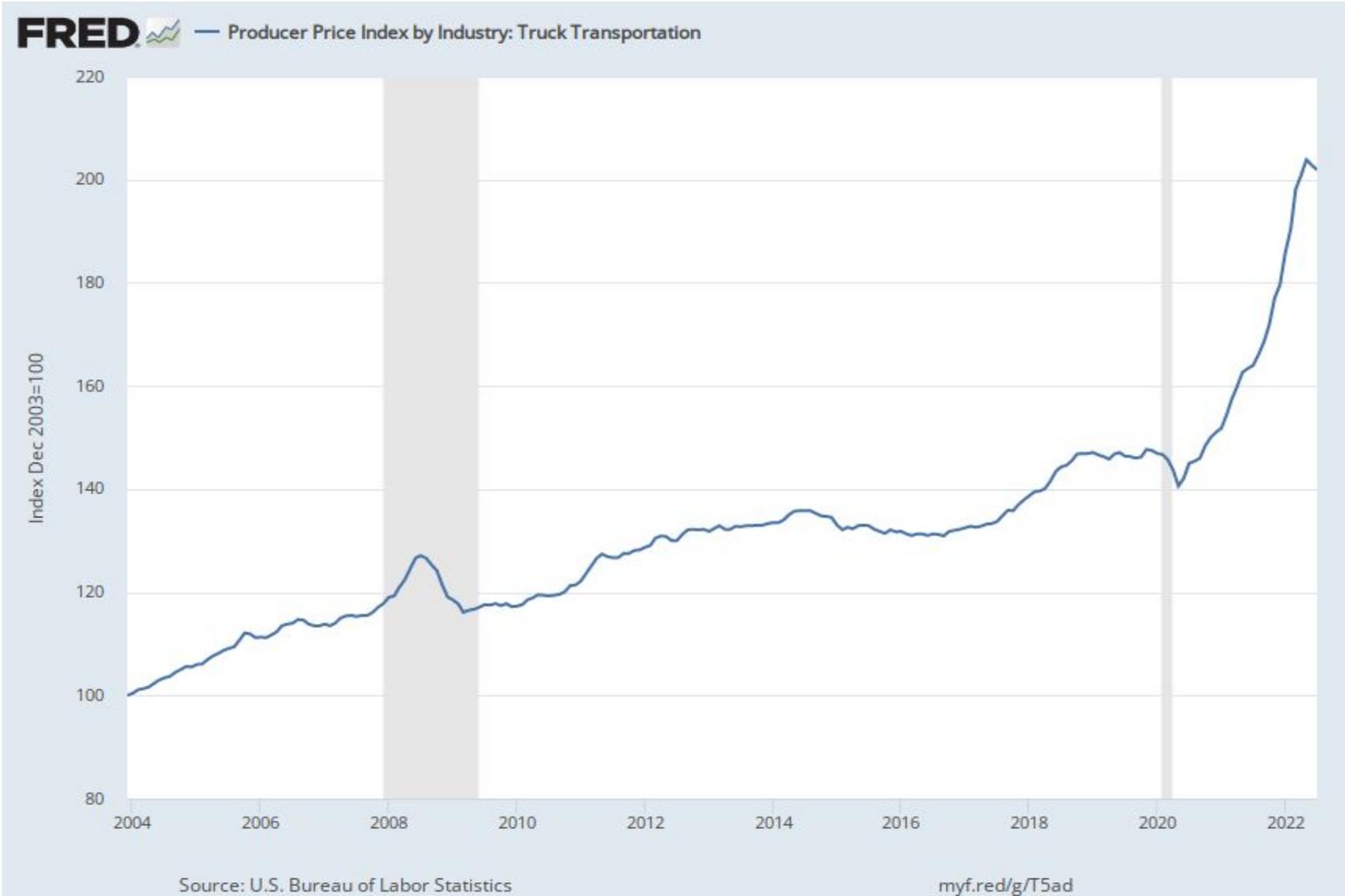
# Symptoms of a Freight Recession: Declining Spot Rates



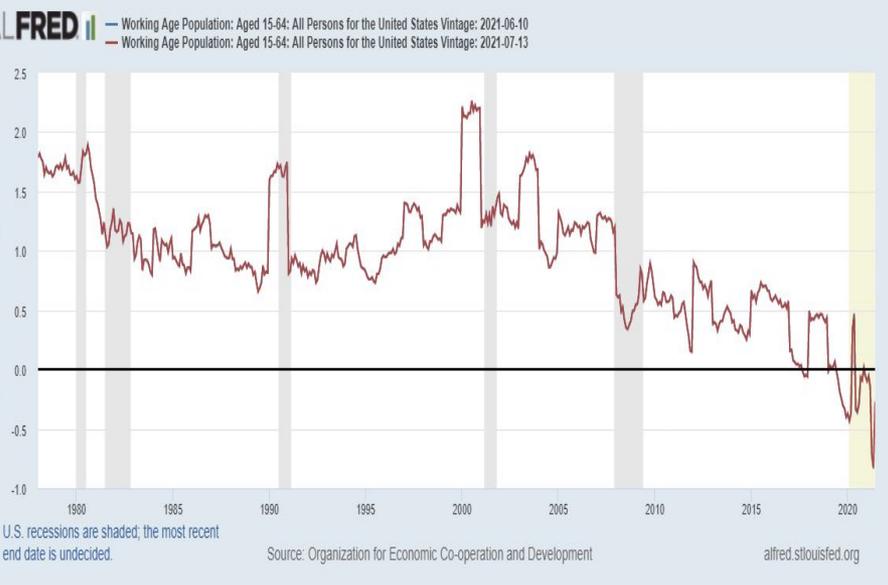
**We are about to see if there truly is a “new capacity discipline” in the ocean carrier industry.**

Source: Drewry Spot Container Indices

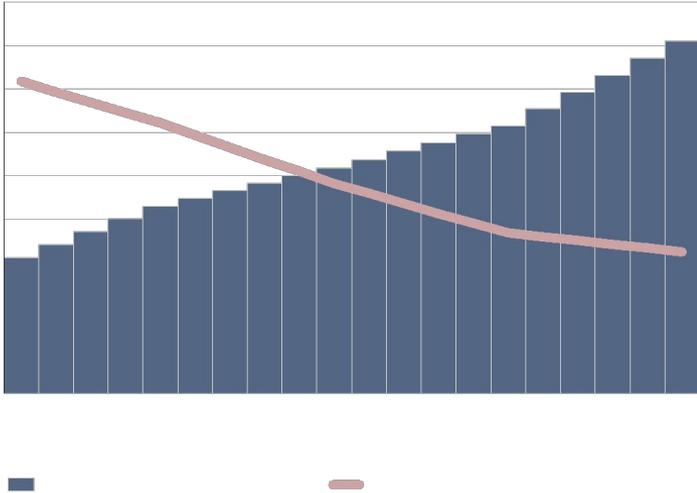
# Truck Rates Reflecting Ocean Rates



# Retiring Baby Boomers and Low Fertility Rates = shrinking US working age population



Working Age Population: 2016 – 2032E



Current US unemployment rate is 3.6%, lowest in 50 years. 11 million job openings, 1.9x the number of unemployed people actively seeking employment. There is a labor shortage.

Labor shortage will persist because of historically low Working Age Population growth, mismatched skill sets, regional preferences of workers versus company location needs.

Automation will increasingly fill the gap. However, mechanization in the form of using virtual reality masks and joysticks to operate equipment like forklifts from home might be the best intermediate solution as this would allow people who otherwise couldn't to work from home.

Source: OECD, Census Bureau, TKG



## Summary

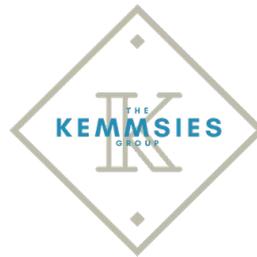
**Freight recession is happening and that has nothing to do with the Fed**

**The Fed has promised America a recession within 12 months, even though interest rate increases will not**

- Stop weather impacts on food production
- Stop Russia from disrupting World energy markets
- Improve supply chain disruptions

**If we enter a recession, think not once but thrice about laying off employees**

- Fed could reverse its policies very quickly
- In the age of social media, reputation is important
- Think mechanization, not automation



Thank you for your time

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