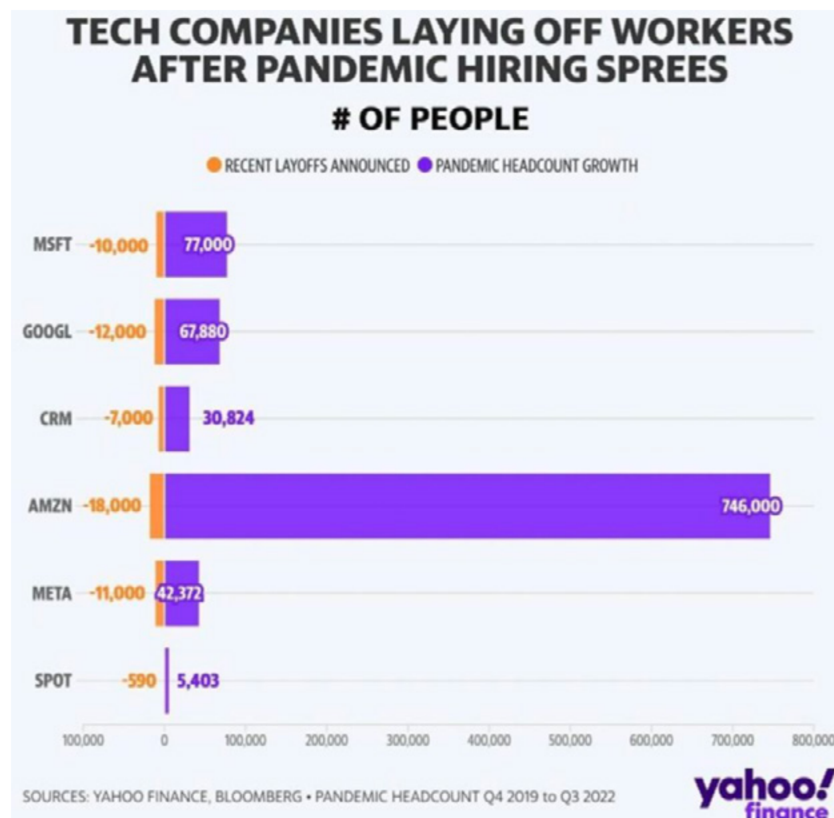
February 1, 2023

Headcounts Still Up

Layoffs in the technology segment have been in the headlines lately, possibly as a sign of broader unemployment on the way. That's a possibility but we also have to keep these layoffs in perspective. They are, in many cases, a small fraction of the staff the same companies added in the last three years.

This chart shows some recent layoff announcements vs. headcount growth from Q4 2019 to Q3 2022. That big bar is Amazon, which added 746,000 workers in this almost-three-year period while laying off only 18,000. Microsoft, Google, and others also hired many more workers than they let go.



Source: Barry Ritholtz

Of course, the story isn't over. These companies could announce additional layoffs. The chart also doesn't show other companies where headcount fell in the same period. Nonetheless, it's hard to say the tech layoffs indicate recession… at least not yet.

Rental Inflation

Rent is a major component of core inflation, and this chart shows the impact in major US metro areas. Nationally, average asking apartment rent rose 9.4% in 2022 and considerably more in some cities like Seattle and Miami.

Change in average asking rent for apartments in select markets

Q4 2021 to Q4 2022

City	Rent (Q4 2022)	Change (from Q4 2021)
Seattle	$2,295	+17.1%
Miami	$2,141	+13.3%
Cleveland	$1,214	+12.1%
Boston	$2,942	+11.8%
Dallas	$1,545	+11.5%
Philadelphia	$1,768	+10.2%
Nashville, Tenn.	$1,550	+9.9%
San Francisco	$3,224	+9.5%
U.S. overall	$1,793	+9.4%
Denver	$1,744	+9.3%
Columbus, Ohio	$1,135	+9.1%
Richmond, Va.	$1,285	+8.8%
Raleigh, N.C.	$1,494	+8.6%
Austin, Texas	$1,585	+8.6%
Phoenix	$1,546	+8.5%
Detroit	$1,296	+8.4%
Chicago	$1,830	+8.2%
Charlotte, N.C.	$1,509	+8.0%
Houston	$1,268	+7.6%
Salt Lake City	$1,321	+7.5%
Tampa Bay, Fla.	$1,640	+7.1%
Atlanta	$1,583	+6.4%
Minneapolis	$1,510	+5.2%
San Antonio	$1,135	+2.8%
D.C.	$2,031	+2.4%

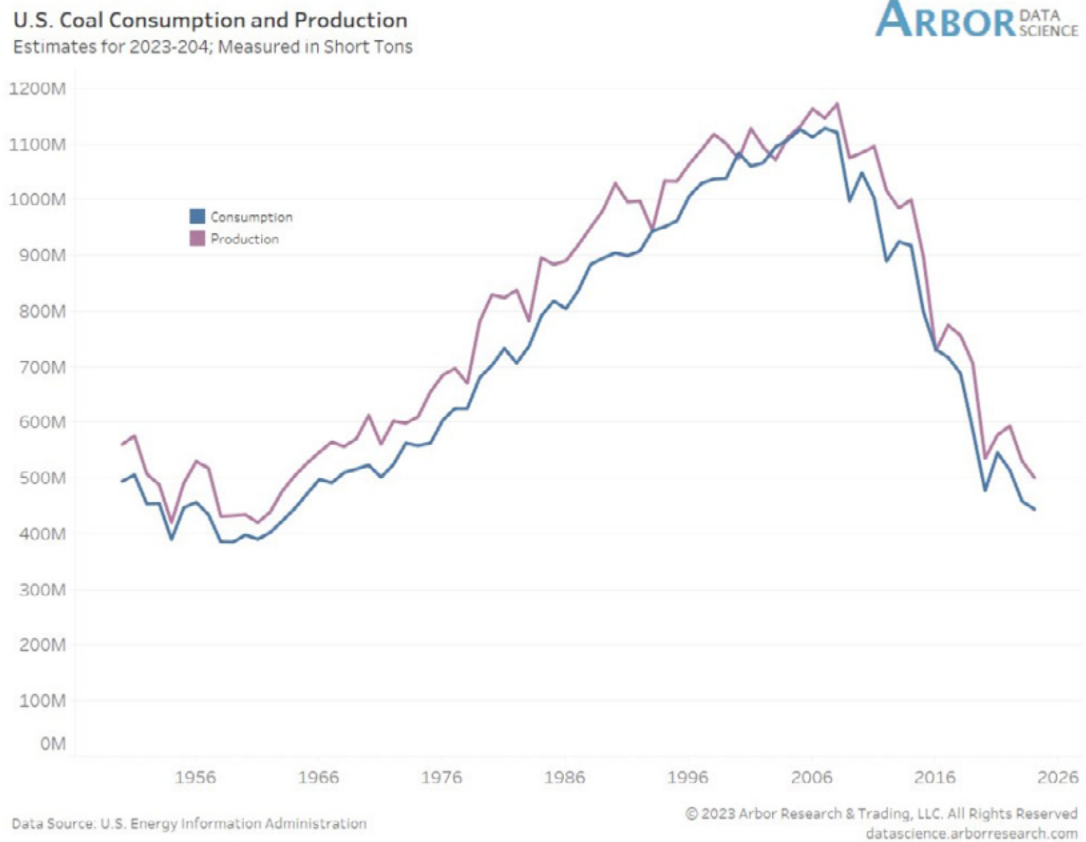
Data: Moody's Analytics; Table: Kavya Beheraj/Axios

Source: Axios

The actual impact varies, however, since in most cases rent changes only when someone moves or their lease expires. Notice also how rent rose much less in a few places like San Antonio and Washington D.C. Local factors matter, too.

Coal vs. Fracking

Every economy needs fuel, but the *kind* of fuel changes over time. This chart shows US coal consumption and production since the 1950s. Coal usage rose steadily until the Great Recession of 2008, then began declining.



Source: Liz Ann Sonders

Did overall energy use decline at the same rate? No, nor does renewable energy growth explain all this change. Maybe a bigger factor was the fracking boom, which reduced natural gas prices and made coal less cost-effective for electricity generation. And with many coal-fired plants closing, the trend may well continue.

Car Loan Delinquencies

Last month we shared a chart of used car prices, which dropped recently but remain much higher than they were before COVID. This chart is another aspect of that trend. The number of auto loans in delinquency is higher now than at the 2009 Great Recession peak.

Rise in Auto Delinquencies

The percentage of borrowers at least 60 days late on their car payments is rising

Source: Fitch Ratings

Source: Bloomberg

The reasons are fairly clear. People who bought cars at premium prices during the pandemic have higher car payments. This may have seemed manageable at the time, but rising inflation, rent, and other debts now make it unsustainable.

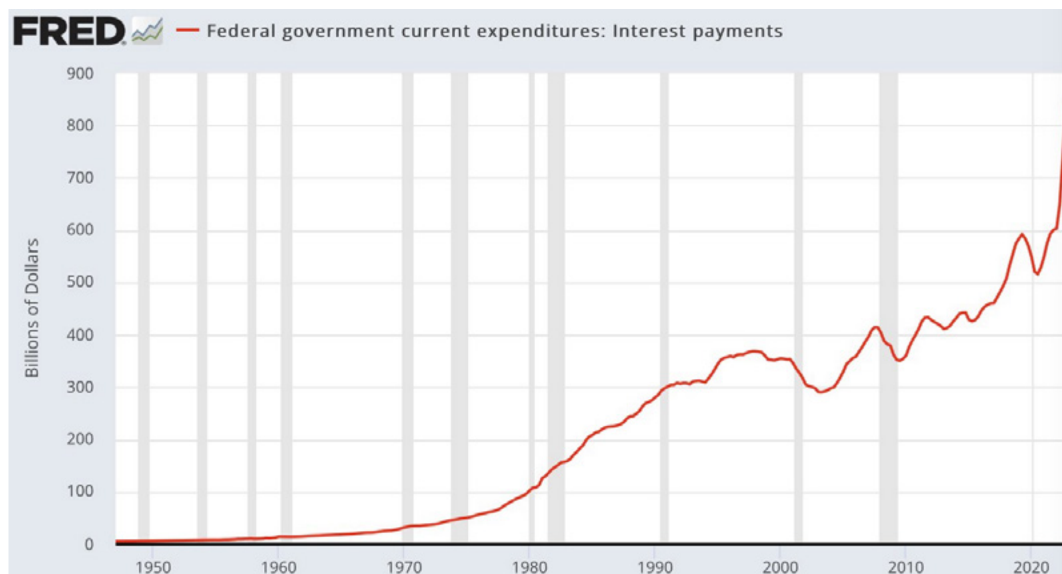
On the other hand, delinquencies had been rising for several years before COVID and still aren't back to that peak. Bigger trends may be at work here. Nonetheless, this is a bad sign for an economy not (yet) in recession.

Interesting Problem

This chart shows the federal government's interest expense—not in the usual "% of GDP" terms but in actual dollars. As you can see, the interest burden is growing heavier, having almost doubled since the brief COVID recession.

This is the combined result of pre-existing debt, pandemic spending programs, and rising interest rates. It will get worse as more Treasury debt matures and is replaced at higher rates.

The Federal Reserve could help by cutting rates, or at least not raising them further, but that could conflict with controlling inflation. It's another item on Jerome Powell's long list of tough choices.



Source: Sven Henrich

Thanks for reading *CLIPS THAT MATTER*. We hope you enjoyed it. We welcome feedback and suggestions at oms@mauldineconomics.com.

Best regards,

John & Patrick

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