

ATMOSPHERICS

04.28.23

ECONOMIC SHIFTS



Bottom Line Up Front:

- Economic shifts can be subtle, abrupt, and just about anywhere in between, with their respective impacts almost always the most obvious... after the fact.
- As the U.S. economy has moved into a post-pandemic era it has shown remarkable resilience with a strong rebound in economic activity and improvements in labor market conditions, however a brewing number of economic shifts in the near-term may be signaling a change in the tide.
- Consumer spending alone accounts for approximately 70% of U.S. GDP, making it the largest driver of economic activity in the U.S. and a critical component of the overall health of the economy; shifts in behavior should not be overlooked.
- With anticipated economic shifts related to inflation, employment, and the debt limit on the horizon, it is increasingly important to be sensitive to not only nuanced indicators surrounding these topics, but also to the first- second- and third-order effects of these shifts (or lack thereof).

INFORMATION



Blue terms are connected to the word of the week via news outlets and searches, whereas black and gray terms are not directly related, but still dominate the social space.

An economic 'shift' in the context of this week's topic is a change in direction from a particular set of trends or decisions to another, while keeping in mind 'shifts' can be both subtle and/or abrupt depending on the situation. It's worth mentioning that a shift in one economic trend seldomly happens on in a vacuum and is often the result of a shift happening elsewhere, and/or causes a separate shift beyond itself (e.g., high consumer demand causes prices to rise, which can then lead to the Federal Reserve increasing rates in an attempt to curb spending). Which brings us to why this topic is so important right now. Though it's hard to draw a line between pandemic and post-pandemic transitions, there's been no shortage of actions taken across the public and private sectors to help deal with one of the greatest economic shocks to the global economy in recent history. Economic triage at a national (and global) level has proven to be no-easy task, particularly when the lines of doing too-much and doing too-little are so gray. Although it is difficult to definitively answer questions like how much stimulus is enough, how many rates hikes are too many, and how long it takes for these decisions to show their impact, an objective view into the environmental characteristics we've come out of and the economic shifts we're likely to experience in the near-term can at least provide some perspective on the question of "Where to from here?".

Noteworthy economic shifts in today's climate include the Fed potentially ending rate hikes beyond May after an unprecedented set of hikes; a stubbornly-tight labor market showing signs of loosening based on March job-increases data; home prices surprisingly up for the first time in seven months; and GDP growth showing signs of slowing in CY23Q1. As mentioned above, none of these are stand alone occurrences but instead share an interconnected cause-and-effect relationship which ripples across both public and private sectors, as well as, both large and small organizations.

TECHNOLOGY



AI Generated Image

"The economy is a complex and interconnected system, where shifts in economic indicators such as interest rates, labor market conditions, housing prices, and GDP growth can create a ripple effect impacting both the public and private sectors, as well as large and small organizations; staying informed and adaptable to economic changes can provide valuable insights into navigating the changing economic landscape."

-ChatGPT, 2023

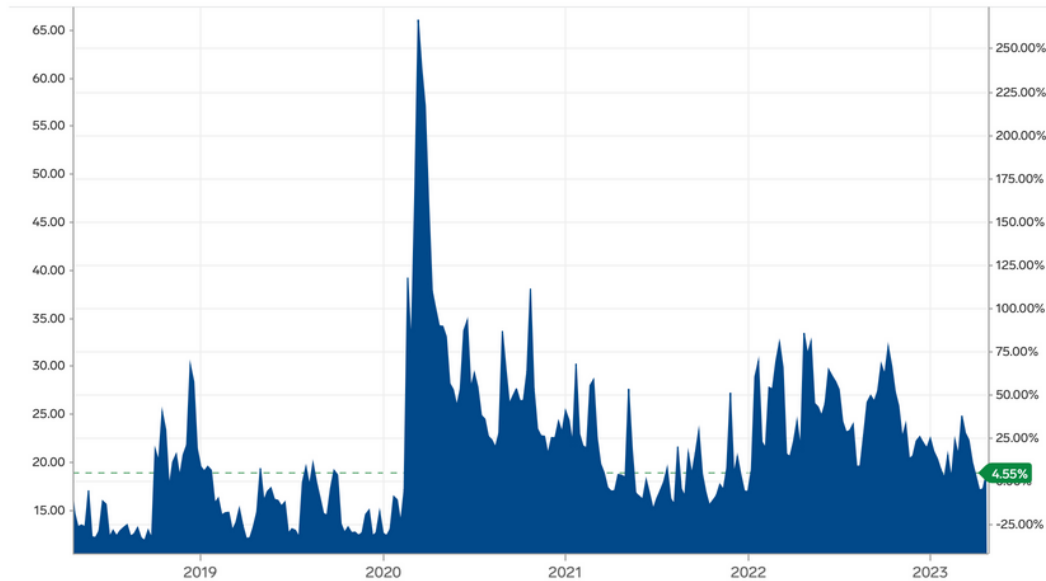
The economy is a complex system that involves many interconnected factors, making it difficult to understand the exact cause-and-effect relationships of shifts in the economy. However, changes in economic indicators such as interest rates, labor market conditions, housing prices, and GDP growth can have a ripple effect throughout the economy. For example, a rise in interest rates can make it more expensive for individuals and businesses to borrow money, which can slow down investment and spending. On the other hand, a cut in interest rates can stimulate investment and spending, but can also lead to inflation if not managed properly.

These economic shifts can impact both the public and private sectors, as well as large and small organizations. Changes in interest rates, for instance, can affect businesses that rely on borrowing for their operations or investment, as well as individuals with mortgages, credit card debt, or savings accounts. Tightening or loosening labor market conditions can impact wage levels, consumer spending, and business operations. Surging or falling housing prices can affect the real estate industry, consumer spending, and overall economic stability. Slower GDP growth can impact business investment and consumer confidence.

As a result, organizations and companies need to stay up-to-date with the latest economic trends and shifts to make informed decisions about their operations, investments, and strategies. They need to consider both short-term and long-term effects of economic shifts, as well as potential risks and opportunities. Large companies may have more resources to adapt to economic shifts, while small businesses may need to be more nimble and creative in their strategies. Ultimately, understanding the interconnected nature of the economy and staying informed about economic shifts can help individuals, businesses, and organizations better navigate the changing economic landscape.

SENTIMENT

VIX Index Tracker



The VIX is a measure of the market's expectation of volatility over the next 30 days. It is often referred to as the "fear index" because it tends to rise when the stock market experiences sharp declines or high levels of uncertainty.

The public's concerns regarding economic shifts can vary depending on a variety of factors, including personal experiences, current events, and the specific nature of the economic shift. However, some economic shifts may be more likely to generate public concern than others.

For example, shifts in the job market, such as automation or outsourcing, can be a significant concern for many people who may worry about losing their jobs or finding it difficult to secure employment. Similarly, changes in the cost of living, such as inflation or changes in housing prices, can also generate significant public concern as people may worry about their ability to afford basic necessities.

Environmental shifts, such as climate change, can also be a significant concern for many people as they may worry about the long-term impact on the economy, the environment, and future generations.

Inflation is generally perceived negatively by the public as it erodes the value of money and makes goods and services more expensive. This can lead to decreased consumer confidence and spending, which can have a negative impact on the economy. Rising inflation can also lead to calls for the government to take action to stabilize prices.

The debt limit is a contentious issue and can impact public sentiment depending on how it is addressed by the government. If the government is unable to reach a compromise and a default occurs, this could lead to a decrease in public confidence in the government's ability to manage the economy.

Overall, the public's concerns regarding economic shifts will depend on a variety of factors, including their personal circumstances and the specific nature of the economic shift in question. Economic shifts related to inflation, employment, and the debt limit can have a significant impact on public sentiment in the U.S., with negative developments potentially leading to decreased confidence and trust in the government's ability to manage the economy.

INFORMATION:

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2. Neeva. (2023). [NeevaAI response to prompts about economic shifts].
3. OpenAI. (2023). [ChatGPT response to prompts about economic shifts].
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SENTIMENT:

1. Multiple social platforms and proprietary listening tools.
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