SPECIAL EPISODE: Now What? 2023 Economic Outlook with Dr. Chris Kuehl

Description: In this special edition episode, we welcome Dr. Chris Kuehl, expert economist, on the show to touch on the 2023 economic outlook. He addresses what the key leading indicators are telling us, the outlook for the market segments most important to your industry, and what you should consider as you begin your 3, 5, and 7-year planning.

Listen to Discover:

- We're moving more towards self-service and automation. We're looking for anything that can be done with a machine, even though it means more of an investment.

- Inflation - a lot of it is driven by the fact that wages have gone up. Wages have gone up on average by around 6%. Part of the reason for that is that is mass retirement.

- The number one way that companies are hiring now is by poaching each other. So you've got to protect your own staff from being poached.

Transcript:

Transcripts are computer generated -- not 100% accurate word-for-word.

INTRO | 00:00:00:02 - 00:00:23:03

Hello, hello, everybody, and welcome to 30 minute THRIVE, your go-to podcast for anything and everything HR, powered by MRA - The Management Association. Looking to stay on top of the ever-changing world of HR? MRA has got you covered. We'll be the first to tell you what's hot and what's not. I'm your host, Sophie Boler, and we are so glad you're here. Now, it's time to thrive.

Sophie Boler | 00:00:26:00 - 00:00:53:14

Hello, everybody, and welcome to this episode of 30 minute THRIVE. Today is a special one because we're joined with Dr. Chris Kuehl. He's an expert economist and Director of Armada Corporate Intelligence. He's a frequent speaker on economic issues in the US and globally, and he's spoken at a bunch of different conferences devoted to manufacturing, logistics, finance, credit, retail, accounting, and many others.

Sophie Boler | 00:00:53:21 - 00:01:20:08

So overall, his specialties include corporate and competitive intelligence, strategy, development, international market analysis and market development, and economic trending. So, Chris, I know you just got done speaking at our fall-featured event on the 2023 Economic Outlook. So thank you so much for joining us today and taking the time to spend it with us and share your expertise and knowledge on this topic.

Sophie Boler | 00:01:20:08 - 00:01:28:20
But let's dive right in with the first question. So if there is one economic impact business leaders should be looking at, what is that one thing?

Chris Kuehl | 00:01:29:03 - 00:01:54:06
It's probably the percentage of concern over whether there will be a recession or not, because we're kind of on the edge of going either direction. We could go into a downturn, come next year or we can kind of avoid it. It's going to depend a lot on how the consumer handles their extra savings. They've still got about 3.5, 3.6 trillion in excess savings, which they could spend this year.

Chris Kuehl | 00:01:54:17 - 00:02:14:13
If they do, then we basically spend our way out of the recession. If they don't, and they hang on to it for next year because they're worried about next year, then we could see more of a downturn. So really, it comes down to how realistic is the notion of a serious downturn; how bad is inflation going to be or continue to be?

Chris Kuehl | 00:02:14:23 - 00:02:19:09
And then from the audience that you've crushed, like, what does this mean to employment?

Sophie Boler | 00:02:19:16 - 00:02:33:14
Absolutely. And kind of switching gears a little bit, we know that we lost 21 million workers last year due to retirement. So how is this and the labor shortage just in general really affecting the economy?

Chris Kuehl | 00:02:33:15 - 00:02:50:13
Hugely, I mean, if you look at what's going on with inflation right now, a lot of it is driven by the fact that wages have gone up. Wages have gone up on average around 6%. Part of the reason for that is that you've had that mass retirement. You have a lot fewer workers in the system than we used to.

Chris Kuehl | 00:02:50:13 - 00:03:13:04
The baby boomer kind of protected us from that for a while because the boomer was reluctant to retire. But now they are. And we hit retirement at the rate of about 10,000 a day. So it's taken a toll. The workers never had more leverage. Anybody in HR is well aware of that now. They're asking for more money; they're asking for better benefits.

Chris Kuehl | 00:03:13:04 - 00:03:23:22
They want more flexible schedules. All of that becomes a challenge. And then you just look at the impact from an inflation perspective. Wages going up means that everything else goes up.

Sophie Boler | 00:03:24:05 - 00:03:35:02
Absolutely. And we've also heard that inflation can be a period of opportunity for the rebuilding of the domestic economy. So can you elaborate on this a little bit more?

Chris Kuehl | 00:03:35:03 - 00:03:58:19
Yeah. Part of what's been fueling some of that inflation and some of that worker shortage is that we're getting a lot more reshoring. One of the reasons that you've seen worker leverage increase is that people are bringing business back to the US. The advantages of being overseas have diminished. We've not seen the same kind of bang for the buck that we used to by producing in China or producing elsewhere in Asia.

Chris Kuehl | 00:03:59:06 - 00:04:27:03
Reshoring this year has brought about $1,000,000,000,000 back to the US economy. Very good news for the growth of the economy overall. Good news for people getting better jobs, getting an opportunity to work here. However, it also means that there is a more acute labor shortage than before because those jobs are coming back home from overseas. With that comes higher wages, better benefits, all of that.

Sophie Boler | 00:04:27:20 - 00:04:40:10
We're seeing more automation in the form of self-checkouts. And you mentioned that you've even encountered robotic waitstaff, and I don't know if you want to share that story, but how does this have an impact on the economy?

Chris Kuehl | 00:04:40:13 - 00:05:12:00
Yeah, we've been seeing automation get into things like manufacturing for quite a while. I mean, we're all aware of the robot revolution there, but now we're seeing it in the service sector. And as you mentioned, the robot server, which was a bit of a surprise. I'm at a hotel and this little robot comes rolling up to my table, and cheerfully tells me that my breakfast is there, and asked me if I like the temperature of the coffee, and I'm like okay, so this robot wearing an apron that says, Marge, I'd sampled the coffee,

Chris Kuehl | 00:05:12:00 - 00:05:42:04
And if you're happy, she says, press the green button. You know, I haven't had a waitstaff ask me if my coffee was the right temperature in months. And you're just getting this reaction to it's harder and harder to find even simple employees like service employees. So it's moving more towards self-service, it's moving towards automation. It's looking for anything that can be done with a machine is now a possibility, even though it means more upfront investment.

Sophie Boler | 00:05:42:18 - 00:05:53:12
And we have a lot of members and our listeners are in the healthcare industry, the hospitality industry, and the manufacturing industry. So how is this specifically impacting those industries?

Chris Kuehl | 00:05:53:13 - 00:06:11:10
Yeah, if you look at manufacturing, the revolution has been going on for 20 years. I mean, you see a lot fewer people doing the kind of work they used to on the line. Now it's been done by robots. Now you're starting to see it more aggressively in health care. Some countries have gone so far as to have robot helpers.

Chris Kuehl | 00:06:11:11 - 00:06:32:07
I mean, the Japanese in their assisted living centers, most of the attendants are robots, and the people there indicated they like the robots better than they like the people. So if you look at hospitality, that's where self-service has taken over. I mean, every time you check into a hotel, you can do it with your phone. You don't have to talk to anybody.

Chris Kuehl | 00:06:32:12 - 00:06:41:15
We don't have room service anymore. You know, is it's more and more recognizing that, A, it's hard to find those people and it's hard to keep them.

Sophie Boler | 00:06:42:07 - 00:06:49:14
Absolutely. And this is this is a larger, broader question, but can we stop inflation without causing a recession?

Chris Kuehl | 00:06:49:18 - 00:07:15:20
Oh, yeah. I mean, inflation right now is really driven predominantly by that supply chain breakdown, which is slowly beginning to reverse. And we're not expecting it to get better when it comes to products coming from China. But the more that we reshore, the more that we're able to produce our own stuff. The wage issue is another question. At some point there's going to be an interruption in those wage increases.

Chris Kuehl | 00:07:15:20 - 00:07:35:10
Companies just simply won't be able to afford it. The more likely reaction when it comes to most companies is that they're going to try to do more with fewer employees. And it will basically come down to, yes, we are going to pay this guy a lot more money than we used to. But he's also now doing the job for four different people.

Sophie Boler | 00:07:36:12 - 00:07:47:18
So our companies are really wondering right now, what should we be concerned about? So do you have one critical concern that organizations should really be prepared for this upcoming year?

Chris Kuehl | 00:07:47:18 - 00:08:06:23
When it comes to HR, probably two answers. One for HR, one for the company in general. If you are on the HR side of things, what you've really got to think about is where do you recruit your new workers and how do you retain the people you have? The number one way that companies are hiring now is poaching each other.

Chris Kuehl | 00:08:07:09 - 00:08:39:18
So you've got to protect your own staff from being poached. And money is a part of it. But really it's more of the job environment. It's the being sensitive to the needs of that employee, which right now, schedule flexibility has emerged as the number one question that a new employee or an existing employee has. In a more broad sense, the number one concern is balancing fears of a recession with being ready for if there isn't a recession.

Chris Kuehl | 00:08:40:01 - 00:09:07:06
I mean, it's easy enough to prepare for a downturn just by laying people off and reducing one's purchase of inventory. But if we don't get the downturn, well, that comes back to bite you because your sales begin to suffer. A real good example of how difficult it has been to predict that recession trend is that we thought that we were going to have very, very minor growth in the third quarter of this year.

Chris Kuehl | 00:09:07:12 - 00:09:27:05
Instead, we got 2.6 and it's like what? We were supposed to get .3 when we got 2.6, which means there was a lot more activity than we thought there was going to be. And that was stressing particularly companies in manufacturing, because part of that growth was based on export demand.

Sophie Boler | 00:09:28:02 - 00:09:45:22
Yeah. Just commenting on your first comment about attracting and retaining talent, we've had some conversations on the podcast about that and really employers just need to start getting creative on it. But as we wrap up our time here, do you have a couple key takeaways that you can give to our listeners today?

Chris Kuehl | 00:09:46:09 - 00:10:08:08
Yeah, I think the key takeaway from my talks lately have been kind of in the category of talking people off a ledge. We are probably not heading for a particularly deep downturn. Most of the predictions are by the end of next year, we're back to normal growth. We are, to a certain degree, experiencing a let down from 21.

Chris Kuehl | 00:10:08:09 - 00:10:31:00
21 was such a high growth year that anything feels slow compared to 6% growth last year. And then the other, I guess, concern is just to focus on the fact that there is still a lot of money in the economy. It's got to go somewhere. It's either going to come out this year in the spending season or it will start to come out to some degree next year.

Chris Kuehl | 00:10:31:00 - 00:10:53:14
And, it's important to note that most of that extra money is in the hands of people who are making 70, 80, 90,000 and above. So you've got two very different responses. People making less than 50, they're having to resort to credit cards. Inflation has really hit them hard. People with higher incomes still have a lot of flexibility.

Sophie Boler | 00:10:53:15 - 00:11:15:12
Right. Well, thank you, Chris, for joining us today and sharing some good advice and tips and things that businesses can look forward to and look to plan for. But if you would like to get in contact with Chris, we have linked his email and his LinkedIn profile in the show notes, so be sure to check those out if you like to get in contact with him.

Sophie Boler | 00:11:15:22 - 00:11:30:17
I'm sure you'd love to connect and chat with you about economics, but other than that, we will see you next week when we bring in two compensation experts. So I look forward to seeing you there. But thank you, Chris, again. See you next week.

OUTRO | 00:11:30:17 - 00:11:53:06
And that wraps up our content for this episode. Be sure to reference the show notes where you can sign up to connect for more podcasts updates. Check out other MRA episodes on your favorite podcast platform. And as always, make sure to follow MRA's 30 minute THRIVE so you don't miss out. Thanks for tuning in, and we'll see you next Wednesday to carry on the HR conversation.