

Key Themes in Today's Economy

Today's economy is riddled with unknowns, and that is not an ideal situation for the credit professional. Will the Fed be able to tame the inflation beast, or is it here to stay? Are job openings going to be filled, or will we need to find alternatives? And when on earth will the supply chain be back to normal? Here's a breakdown of what we do know, along with a few predictions about how the economy will unfold this year.

Government Debt Is Likely to Snowball

As massive amounts of stimulus support that were in place during the height of the pandemic begin to wind down, the government will be left with public debt near post-World War II levels, according to a [Kellogg Insight article](#). The government will accumulate more debt as the Baby Boomer generation retires and uses Social Security.

Although this debt accumulation is something to keep an eye on, it isn't cause for worry yet. "That's because as long as the economy grows faster than the interest paid on debt, the ratio will eventually normalize. Of course, if capital markets lose faith in the U.S.'s ability to pay back its debt, this could change," the article reads.

The Inflation Mystery

Inflation in January increased at the fastest rate in 40 years, the [New York Times reports](#). Prices jumped 7.5% year over year and 0.6% last month, above initial forecasts. "More worrying were the report's details, which showed inflation moving beyond pandemic-affected goods and services, a sign that rapid gains could prove longer lasting and harder to shake off," the article reads.

The unexpected jump in inflation could lead to a hasty Fed response, like an interest rate hike as early as March. "It was more than expected, and it was broad-based," Priya Misra, head of global rates strategy at TD Securities told the NYT. "We've gotten used to these big headline numbers, but every aspect of 'transitory' you can push back against now."

A Pickier Employee Market

Job openings are sitting at an all-time high while unemployment levels remain down 2% since 2019. "There's probably a disconnect between the jobs that are being offered and the jobs that people want," said Kellogg finance professor Sergio Rebelo in the Kellogg Insight article. "I think these are things that will sort themselves out, but it's taking a little bit of time."

Unemployment already seems to be moving in the right direction, with more people getting back to work slowly but surely. According to the [Wall Street Journal](#), jobless claims fell for the third week in a row ending on Feb. 5 to a seasonally adjusted 223,000.