

Shortages and Inflation

Comments from Around the World

by Robert McHugh, Ph.D.

Note: Dr. Robert McHugh writes the daily newsletter *Technical Indicator Index*. In a recent issue, Dr. McHugh asked his readers to report on any evidence of labor or supply shortages and inflation that they were seeing in their communities.

Responses came in from around the world (without divulging the name of the responder).

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Peter Lynch was a renowned master of stock market investing for the storied Magellan Fund for Fidelity for 13 years, generating an annual return on the fund of 29%, which compounded annually during that period meant an increase of 21 times an original investment (\$1,000 grew to 21,000). He had the "golden touch." He could pick the right company's stocks and watch them grow in value year after year. When asked what was his trick, he replied that he would go places, such as the malls, walk around, and observe which stores, which products, which businesses people were buying from. He would identify these as up-and-comers, invest the fund in them before they were mainstream, and enjoy legendary gains.

The point is, sometimes the best evidence, the best intelligence, best "feel" for a situation comes from personal experiential observation.

I received several emails with comments and observations regarding the labor shortages around the globe, actually, as several came from our subscribers overseas as well as in the U.S. In addition to the status of labor shortages, I found the perspectives offered on why the labor shortages are occurring interesting, including essentially the incentive

to work has been removed, so why bother, to the idea workers are choosing employment off the grid to avoid taxes. I have attached all that I received over the past few days, and included them (unedited) so you can gain the eyewitness accounts of what is going on.

This is new turf. I do not ever remember or know of a period of time when jobs were plentiful and workers were plentiful, but refused to work.

This is a dangerous situation because in the past, the Master Planners would simply have the Fed print more money, or have the Treasury send out checks, and put free money in the hands of businesses and households to encourage economic growth and create jobs, because in the past, labor crises have been mostly a shortage of jobs, not a shortage of willing workers. The point is, the traditional tools the Master Planners have used to solve the usual employment imbalance will not work this time, and in fact will make matters worse. Ergo, this is a huge catalyst for the developing stock market crash and economic recession (or worse).

Many thanks to all who took the time to share their experiences and observations on this critical issue.

Subscriber Observations and Comments on Labor Shortages:

From "J":

In the spirit of your request, I found out something about my large company today that simply floored me. On a normal typical 24-hour day we will load out anywhere from 150 to 180 fully loaded semi-trailers. Yesterday we had 106 "no shows". Yes, we had loads ready to go for all of them, but they never showed up. The weather has been perfect, and had nothing to do with the no shows. This is getting big time ugly and rather scary.

From "P":

My mother recently went into the town near where we live to go to the bank. It is a sizeable branch of a nationally recognized bank, and as recently as 6 months ago I recall there being 3 employees in the store (though I imagine a pre pandemic level was likely 5).

My mother found only the drive through open. Upon asking, the teller said this was because she was the only employee in the store that day. The teller said that is normal now because "no one wants to work anymore".

What makes this interesting, in my opinion, is that the town in question is 77.1 percent Mormon. Whatever you may think of members of The Church Of Jesus Christ Of Latter Day Saints, in my experience they are not typically lacking work ethic. The town is also about as conservative as they come.

Not sure what this might mean, but food for thought.

Thanks for all the good work, God Bless,

From "I" in Montreal:

Good morning Robert,

In Montreal last Sunday, in a downtown supermarket, the deli/hot food counter was closed (usually 3 workers) and there were a minimum number of employees running from one spot to another to help patrons. So that disease is here too. The pandemic has shown people that the government will pay them anyway, so why work? Where is the end to all this?

Best, "I"

From "M":

Just to add to your reader observations.

Inflation is real and getting worse for the average consumer. I work for a major International Consumer Goods company which sells everyday leading

consumer brands to Grocery, Mass Merchants, Drug and Warehouse Club stores. Our brands are recognizable to all consumers and either #1 or #2 in their categories. All of our items are in center store; non-food items. Beginning in October, costs on all our products in 4 major categories will rise between 10% to 11.5% due to component and labor costs increases we are forced to pay. We have no plans to take them down; they are not temporary.

Best Regards, "M"

Dr. Bob,

I appreciated the Peter Lynch story. I'm a big fan of Peter Lynch, took his advice on his observational style and did very well. Using that observational style can be a very sound investment tool. Here is what I have been observing in my part of the country.

I am a sales person affiliated with a large international restaurant equipment company. We sell to hundreds of nationally known chain accounts as well as thousands and thousands of independent operators all over the world. My personal experience is with the independent operators on the east coast of the US. Out of the hundreds of customers that I deal with on a personal basis, I cannot point to one of them who is not having labor issues. The owners are forced to close early, revamp menu's and eliminate items that are too time consuming to prepare, and close more days per week than they wish to close all due to a lack of labor, nothing else.

I have one Mexican restaurant owner, a 25-year restaurant industry veteran, who has built a second location that is ready to go, but he cannot open due to the lack of labor. He cannot even find a dishwasher. He tells me the government is competing with him on labor. As long as his labor pool is getting a check from the government, they will not come to work.

This story is not unique. One of my Bakery shops is also trying to open location number 2.....cannot find a baker. I have dozens and dozens of independent accounts on the east coast in resort areas that are tremendously under staffed. Wait times are hours, not minutes. These resort areas usually employ seasonal help from different countries, but not since Covid. These

temporary workers cannot get their work permits from the US government.....in these areas there are simply not enough locals to supply the restaurant industry. A complete nightmare for these small business owners. These areas have had a huge influx in business, due to remote learning and remote working.....seems you can do that from the beach, so why stay at home! My restaurant owners are grateful for the increased season, but the lack of labor is killing them.

Now, to add insult to injury, our company announced an 8% price increase last month.....usually our prices go up about 2%-3% per year, so 8% is a real punch gut....but it gets better....we were just informed that another price increase is coming....17% more in addition to the 8%. So, a 25% price increase this year alone. And our company is not alone...this is industry wide. On top of this price increase we are seeing our average "lead time" (the time it takes to get a piece of equipment delivered, from the day you order the item) increase from 3-4 weeks to 20-24 weeks! What happens when a piece of equipment needs to be replaced so my customer can STAY in business and sell food and they cannot get vital equipment for 24 weeks.....? I think we both know....they go out of business. This is not good for my industry and the small business owners I call on every single day.

An economy simply cannot thrive when the government prints (keyboard clicks) money and gives that money to the labor pool to do nothing. Our economy is a well oiled machine and has been since Adam Smith....take one gear out and it crumbles upon itself.

Kindest regards. Keep up the good work!

From "R":

Dear Bob,

Having enjoyed today's newsletter especially the comments from your readers which were posted below, I couldn't help but write to you to ask the following:

Wouldn't a ton (not "all" of course, but at least a helpful ton) of this labor shortage be relieved literally instantly **by lifting the illegal and draconian mandatory vaccine measures as detailed below?**

Best Regards, "R"

From "T" in Austin, Texas:

Thanks Bob, for your insights and sharing the responses to your recent comments. I always find it especially valuable when you provide additional insights about the economy and markets. There are help-wanted signs everywhere here in Austin TX too.

I find it interesting that nobody mentioned 2 additional likely reasons for current labor shortages.

The first is young workers have totally checked out. High school and college kids don't even want part time jobs any more, as they seem satisfied to just live at home, eat their parents' food, and hang out with friends either at homes or at locations that don't require spending money. They all wear masks all the time, even outside, and truly seem scared to go out and about. They certainly do not seem to care about the independence they would get from a paycheck. The government is not paying them not to work (at least directly), they just don't want to work and don't need to (supported by parents that can afford to let them live at home). This is an interesting cultural shift.

The second reason for labor shortages that nobody seems to discuss is simple demographics. Large numbers of those who were getting close to retirement age simply walked away from the labor pool during the lockdowns. And more keep retiring after as well, simply because they are reaching retirement age and their retirement portfolios (and home values) look so good. Very little is being made of this fact, and the fact that these retiring workers are taking a huge chunk of experience and knowledge with them.

Obviously I'm not discounting the bigger causes of the government paying people not to work, or the shrinking labor pool because of vaccine mandates, or parents (mostly women) quitting jobs to homeschool/monitor remote school

their kids. Those are probably the biggest reasons, but not being able to get a table at a local restaurant is more likely tied to young people being totally checked out.

It looks like labor costs are going sky high. But as they say, the cure for high prices is high prices. When the economy falters, a lot parents aren't going to be able to support their freeloading teens/20s and the elderly may not feel so confident about their dwindling portfolios and home values. Lots of formerly two-income households may have to become 2-income again to make ends meet.

A good question for anyone who believes inflation will rage due to infinite government handouts is this: Will there always be the political will to keep spending? Right now it looks like it. But the swiftness of a deflationary crash with credit at such elevated levels (lots of loans to default on) will likely shock nearly everyone.

Thanks for all you do. "T"

From "A" in Australia:

Thanks again for your great newsletter, always look forward to reading and bonus material like today.

In Australia the Cabal have accomplished operation fear and now 52% of 16 years and older are fully injected.

Severe lockdowns and propaganda machines have coerced the two states of New South Wales and Victoria's populace into submission.

Police brutality especially in Victoria has been shocking, the state premier Dan Andrews is defiant on his power trip.

No shortages of food or supplies yet but job vacancies are on the rise as those awake are refusing the injections and either resigning or stalling the mandatory rollout.

The economy has been goosed on a flood of cheap mortgages and government bribes to entice those least able to afford the bubble priced properties into a debt trap.

Best to you and your family

Bob, I particularly enjoyed your comments tonight on the state of the country and totally agree with your comments. Here in Houston, I am seeing exactly the same conditions as you described with situations of no employees to do the required work for companies. Everywhere you look there are signs in the windows "NOW HIRING, ALL POSITIONS". There are shortages in products that you would expect should be overflowing on the shelves but are not.

Just yesterday, I stumbled upon a YouTube site that had a video addressing the situation on the east and west coasts and gulf coast ports of entry. It showed an exploded view of all the ships at anchor and others just idling around waiting on a space to unload their containers. It was jaw dropping how many ships are just waiting to be unloaded. The caption on the video was that the Government is coming to the rescue by initiating 3 shifts to unload the ships. What a joke that is. Further explanation of the situation by an expert in the field described that the government will be working the wrong problem. Apparently, there is just no place on the docks to place any more unloaded containers. The problem is that truckers are refusing to work because of the long hours and low wages for their efforts. In addition, improper planning did not provide for increased space for stacking containers and the infrastructure to move them out faster. A very sad situation is prevalent that can not easily be fixed in a short time. The forecast is for more and more shortages on the shelves and higher prices for what will be available.

I totally agree with your vision of where we are heading but the problem is that the government will keep kicking the can down the road, printing more and more money, inflation growing and a recession looming.

Please keep up your good work and try to pin point when the crash will come. Maybe we can at least make a few bucks to offset the pain by knowing when the crash will occur.

Best regards,

"D" from Houston

From "B" in Minnesota

Hello Bob, I am seeing similar labor shortages in my area as well. Small town of Baldwin, Wisconsin about an hour from Minneapolis, MN

Help wanted signs everywhere, \$20/hr for menial jobs, one offering a \$5000 retention bonus. Restaurants in Minneapolis have limited seating due to labor shortage.

Burger King in Hudson opened their lobby after covid but then had to close it because of staffing shortage. One day at lunchtime they just parked a car across the entrance to the drive thru because there was no one to man it.

Meanwhile, \$800,000 houses are selling like hotcakes. No one has time to work, they're all out buying houses! I drove by one place for \$850k, 3 bedroom on 5 acres, 40 minutes from St Paul and people were lined up waiting to look at it. Sold the next day.

Hard to imagine this is going to end well.

Kind regards, "B"

Per "D" in Belgium:

Hello Dr McHugh,

If the government gives money with cheques for doing nothing, they disrupt the economy. People go playing tourist and the family is calling them 'sick' to join the group.

By coincidence or not, inflation is rising. Too much money in the hands of main street? I don't know but together with supply demands it's possible.

When it was money for wall street for many years, there was only asset inflation (housing and stock market) now it will hit everything.

In Belgium there is also a lack of working people especially for the restaurants. Although people were sitting home for a while during lockdown,

they realize that they want more 'me-time' and work less. Just a guess. Or they realize (thanks to covid) they are being fooled in all ways already for many years and don't give a damn anymore.

In Europe there is a 300% increase of gas prices. The energy companies are sending letters to their clients to do higher monthly payments in advance.

Probably electricity will go up also.

The next 'big thing' (like covid) by coincidence of course will be some kind of cyberattack or another worldwide disruption (more delivery problems for example). They will find an event to bring fear again, a reason to crash the stock markets so people lose everything. First covid (spending savings to survive the lockdowns, then inflation (which are hidden taxes), than a stock market bear market to feel poor when we see our savings vaporize.

You can notice that -also in EU- they put everything in place to have as much control/surveillance as possible because it will be necessary to take out the dissidents during the next social panic event.

Kind regards, "D"

Per "L" in Florida:

Expect more cities to make this move.

On Monday, Jacksonville suspend its curbside recycling collection starting Oct. 4, as garbage and yard waste piles up in front of homes throughout Duval County.

This curtailed service will follow the lead of other jurisdictions in the area, including St. Augustine Beach and Clay County

"Our citizens are understandably upset," Mayor Lenny Curry said of the decision to reduce a city service relied upon for decades.

The Mayor blamed the pandemic, "unprecedented times," and "labor shortages" for the suspension.

Per "L" in Florida:

I went to the Wells Fargo Bank yesterday -- a very big branch here in Atlanta -
- all Outside Window Banking was Closed - had to inside - a big line - and only
two Tellers -- get the teller window - ask what is going on? -- Employees quit
because of requirement to get vaccinated -- they have not been able to hire
anyone - and one of the two tellers was borrowed from another branch

From "T":

Greetings:

Was just in the airport at Phoenix. Only one restaurant was open (and only 1
Starbucks). All due to lack of staffing.

San Francisco airport was doing a little better, probably as it is more of a
tourist destination.

Thanks for your insights.

From "D":

Our employment dilemma ..

It's really pretty simple. Why work for \$15 an hour on the grid if you don't
HAVE to? A person can't live on that kind of pay on the grid. It's hard for 2
people sharing expenses to live on that kind of pay - legally after *all* taxes and
FICA.

Recent events and the concomitant government response of 0% interest
rates, stimulus, stimuli, extended this, moratorium that, pay you for kids, food
stamps etc. means 10-20 hours a week gig work off the grid is all you need to
get by better than 40 hours a week at \$15 on the grid. And gig work is
everywhere.

I can get all the people I need if I pay cash off the grid - "no 1099". So lets
solve all that by raising taxes for those trying to do business legally and
upping social programs for those "that can't find work".

That's the view from here.

I am in the tri states IA, IL, WI only one of the 4 restaurants we go to have help wanted these are not chains the only one looking for help is in IL. Big lib State. All fast food places I drive past have help wanted. Stores in the mall also.

Seems every manufacture has help wanted. I am receiving emails from John Deer, and the local hospitals with help wanted. I am 81 yr old

Some of the ads say \$20-27 per hr also signing bonuses. John Deer did not state a wage.

Shortages at Sam's we shop it once a week spaces open where items were.

My oldest son was a VP with a national roofing company. He joined a consulting firm. They advise large units mostly food processing but even Targets.

He has had the virus and does nit want to get the shot. HE fears he may not be able to keep his job as he has to enter building with over 100 employees and may have to be vaccinated. Seems nurses are quitting vs getting vac. I saw the VP of Pfizer who resigned say women of childbearing age do not get vac.

I looked up the contents of these it is quite lengthy begins Sm-102 Heptadecan-then lots of letters numbers and () signs. The side affects are cancer, liver disease and sterilization.

The CDC a couple weeks ago said they are looking at women who are experiencing mensural problems. That one female signer said her cousins friend was rendered sterol he was a guy so maybe young men should not get shots.

Bill Gates has said we must rescue the world population to save the planet. He became a vegan. Doesn't understand the ability of this world to produce food. So much is going to waste due to government interference with the channels of distribution especially in 3rd world where transportation and

electricity are in bad shape or none existent. Sub-Saharan lacks electricity in most places also many 3rd world locations lack clean water. Diarrhea is a major cause of death in children.

From "D":

And the technician and artists union I belong to IATSE, the only growing international union in the world. is preparing to strike, (unprecedented) where there is also serious talk of vaccine mandates to protect their (producers) hallowed marquee stars

From "B" in Prague:

Dr: McHugh:

Thanks for sharing these interesting comments with us from around the world.

It seems like we are slipping into another world. Glad I am 73 but feel for my children and grandchildren. My granddaughter was just sworn in as an attorney, graduating Magna Cum Laude, and passing the bar on the first try. Grandson is studying for the medical field. I worry that we might have socialized medicine by that time like I found in Prague where a young doctor was working part-time in a restaurant because the medical field did not pay him enough to live a decent life.

From "B":

The labor shortage is a direct response from the workers who finally acknowledged they've been used by the ruling class to work for peanuts with no benefits and no future of becoming anything more than a clog in the wheel. The system and it's insatiable need to squeeze everything and anything (including our livable habitat) for profit has destroyed itself. Wall Street plays a huge role in this epic failure and should be called out for it when the entire

construct crumbles. And net, net - if we still have functioning society within a livable planet - will be a very positive development.

If Covid was a planned event with known and/or unknown agendas, the designers failed to acknowledge the true spirit of human beings and our quest for freedom and fairness. Clearly, those in control do not have the ability to understand either!