
Decline in tax withholdings bodes ill for economy: TrimTabs

By Editorial Staff *Thu, Feb 25, 2016*

Withholdings fell 0.2% year-over-year in real terms in the past four weeks ended Thursday, February 18, TrimTabs found. This decline compares with growth of 2.0% year-over-year in December and 3.0% year-over-year in January.

Real-time tax data indicates the U.S. economy is stalling out, according to TrimTabs Investment Research.

“Real growth in income and employment taxes has been decelerating since last autumn, and it turned flat in recent weeks,” said TrimTabs CEO David Santschi in a release. “If the trend persists, it would be consistent with a recession.”

TrimTabs uses the income and employment taxes withheld from the paychecks of 141 million U.S. workers as a proxy for wage and salary growth. The U.S. Treasury reports this data every business day on its website.

Withholdings fell 0.2% year-over-year in real terms in the past four weeks ended Thursday, February 18, TrimTabs found. This decline compares with growth of 2.0% year-over-year in December and 3.0% year-over-year in January.

“Withholdings can be volatile from month to month at this time of year due to the timing of year-end bonus payments, but the decelerating trend is clear,” said Santschi.

In another sign of economic weakness, the TrimTabs Macroeconomic Index, a correlation weighted composite index of weekly leading indicators, recently hit a 1½-year low. “Credit markets are flashing warning signals about growth, and a wide range of data points to contraction in manufacturing,” the release said.

© 2016 RIJ Publishing LLC. All rights reserved.