ATMOSPHERICS

LABOR MARKETS

Bottom Line Up Front:

- A country's labor market is made up of a handful of variables which when viewed in aggregate provide a relatively accurate 'pulse' of its economy, as well as insight into emerging trends which could change its trajectory.

- Over the last three years, the US labor market has faced a set of unprecedented challenges due to the onset (as well as the end) of the COVID pandemic. Unemployment surged from 4.4% in March 2020 to 14.7% one month later and has since declined to 3.6% as of June 2023.

- Arguably, one of the primary factors preventing the US from plunging into a full-blown recession despite widespread concerns over the past year has been the resilience of its labor market, leading to consistent income and spending among consumers.

- The US labor market's recovery from the pandemic has been significant; however, it's not quite back to pre-pandemic levels, and it's even further off from pre-financial crisis numbers in 2008. These data points should inspire thought around how much room is left to 'grow' during a time when the Fed is wrestling with cooling things down but avoiding an economic hard landing.

A view of the information space related to the topic of the week, based on headline frequency.

Labor Markets defined: In the US, labor markets refer to the interactions between employers seeking workers and individuals looking for employment opportunities. They determine wage rates, employment levels, and job availability in various industries and regions. The US labor market is influenced by several factors, including government policies, business/economic cycles, tech advancements, education skill level of the workforce, immigration, and even globalization. Understanding the interconnectedness of labor market variables is crucial for businesses as well as policymakers, as it helps in the analysis and navigation of economic conditions, and formulation of appropriate policies.

Why this topic is important right now: as alluded to in the definition, the labor market is significantly connected to the broader pulse of the US economy. Over the last 9-12 months there has been a significant amount of debate on whether the economy is in, or is headed for, a recession. In Q1 and Q2 of 2022 US GDP contracted slightly, which by simple definition would indicate a recession, but by the end of the year overall GDP grew roughly 2.5%. Though there are many contributors, one of the biggest economic buoys over this same time period has been the US' labor market. Its contribution to economic activity, even in the face of the Federal Reserve raising rates 11 times, has been nothing short of historic. Unemployment numbers have almost completely returned to the pre-COVID range of ~3.5%, their lowest in more than 20 years. The ripple effect has been more money in consumer pockets, generating more spending and corporate earnings (across both manufactured good as well as services), increased economic activity on a comparative basis, and a sense of optimism that the labor market will 'carry the water' to a soft economic landing.

TECHNOLOGY

In the vast expanse of America's labor market, technology stands as a catalyst, accelerating innovation and adaptability. Amidst the market's dynamism, defined by a diversity of talents and skills, countless unseen workers harness these forces, shaping the vigor and resilience of our economy through the balance of supply and demand.
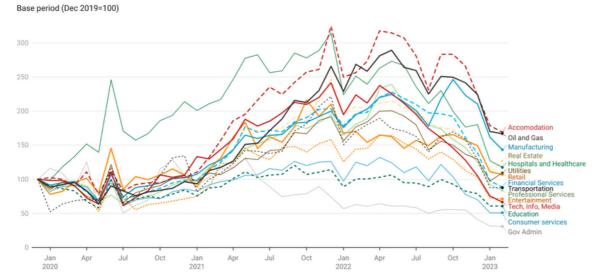
- ChatGPT 2023

AI Generated Image

The US labor market, characterized by interactions between employers and employees influencing wage rates, employment levels, and job availability, has experienced significant transformations. The shift from a manufacturing-focused economy to a service-oriented one, alongside technological advancements, has reshaped skill demands. Changes in available jobs have emphasized the importance of higher education and technical expertise.

The labor market's vitality is critical to the US economy, directly influencing consumer spending, a major driver of economic activity. A robust labor market, with low unemployment and rising wages, enables consumers to have more disposable income, bolstering businesses and driving economic growth. It also serves as a crucial economic indicator, shaping government policies and social welfare programs. Additionally, the Federal Reserve considers labor market conditions when deciding on interest rates, impacting borrowing costs and investment decisions.

The COVID-19 pandemic's outbreak in 2020 had an unprecedented impact on the labor market, causing widespread job losses and business closures. The unemployment rate surged from 4.4% in March 2020 to 14.7% in April of that year. The subsequent recovery became a central concern for policymakers and economists, prompting government stimulus efforts and measures to contain the virus. Fluctuations in the labor force participation rate, influenced by factors like an aging population and evolving social dynamics, have also been observed. Understanding and addressing these trends are crucial to sustain a thriving economy, as policymakers and businesses need to adapt to emerging challenges like technological disruptions and workforce skill gaps.

SENTIMENT

Labor Market Tightness in the US by Industry

Base period (Dec 2019=100)

Sentiment on Labor Markets vary between age categories. Under 30 year olds sentiment is very different to over 30 year olds. Under 30 has the following sentiment:

Changes in the economy: factors including inflation, interest rates, and overall business conditions can have a major effect on how young people view labor markets.

Technology and Industry Trends: recent graduates, may be more affected by emerging technologies and industry trends than their elders are. Their labor market sentiment is affected by perceived demand for their skills or qualifications in certain sectors.

Job Security and Income Potential: Job security and income potential are important considerations for young individuals entering the job market, especially since economic uncertainty could negatively affect their confidence in current or potential future positions.

Individuals aged 31 to 60 are influenced by several factors:

Job Stability: Individuals in this age range are more concerned about job stability and career progression. Many in this group are at a stage in their careers where they have acquired experience and established themselves in their professions, making job security a significant consideration.

Career Advancement: People in this age group have different career goals, such as seeking promotions, higher salaries, or career changes. Their sentiments about the labor markets is influenced by the availability of opportunities for career advancement.

Economic Factors: Economic conditions, such as overall job growth, unemployment rates, and wage growth impact the sentiments of individuals aged 31 to 60. Positive economic indicators may lead to increased optimism, while negative trends result in concern and uncertainty.

INFORMATION:

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3. Tight labor market stands in the way of the White House manufacturing push;
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4. Labor Force Participation Rate; https://fred.stlouisfed.org/series/CIVPART (August 2023)

5. Labor Force Statistics from the Current Population Survey; https://www.bls.gov/cps/ (August 2023)

6. Gross Domestic Product, Second Quarter 2023 (Advance Estimate);
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NEPTUNE