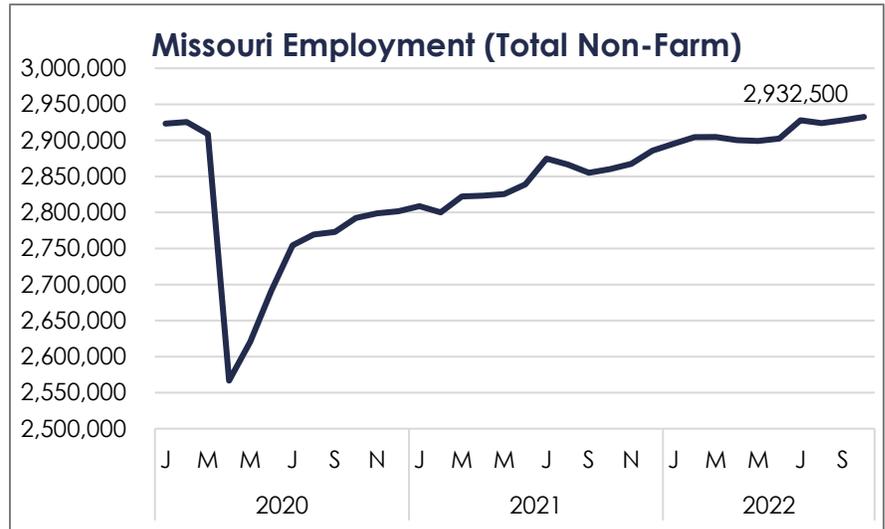




Hopeful Signs of a Soft Landing

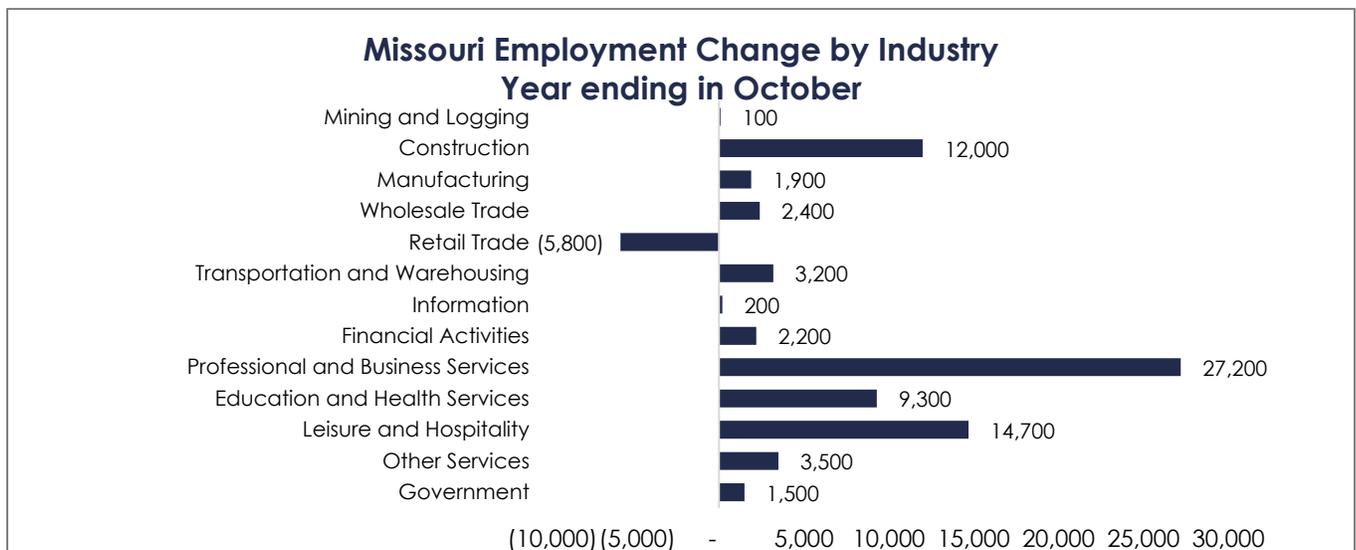
November 22, 2022

Latest Numbers – Missouri saw solid employment growth for the second consecutive month in October with 4,600 new jobs. September’s numbers were also revised upward from 2,700 to 4,100. For the year ending in October, Missouri’s non-farm employment is up 72,400. This ranks us 22nd nationally. In the years leading up to the pandemic, Missouri averaged about 31,000 net new jobs a year, so 72,400 is a strong showing.



Source: MERIC, Bureau of Labor Statistics

October employment growth was led by the professional/business services, leisure/hospitality, and government sectors. Professional/business services, leisure/hospitality, and construction have been the fastest growing sectors over the past year, combining for over 50,000 new Missouri jobs.



Source: MERIC, Bureau of Labor Statistics

October also saw a modest increase in the labor force for the second straight month. This is encouraging after seeing a sharp drop in the labor force over the summer. Missouri's unemployment rate remains very low, even with an increase in October to 2.6% from 2.4%. The national unemployment rate also rose in October to 3.7%.

Big Picture – At the national level there have been some hopeful signs on the inflation front. As we know, the Federal Reserve Bank has been aggressively hiking interest rates to cool the economy and drive inflation back down to acceptable levels. The October inflation numbers were encouraging, showing bigger drops in prices than were expected. However, inflation remains very high. Overall prices are still up 7.7% over the year ending October. An annual inflation rate around 2.5% would be normal, so it will take a long time, even at October's pace, to reach that level. We will have to see if October's drop in inflation gives the Fed a reason to temper their rate hikes.

A possible reason for the Fed to slow their rate hikes is the moderating employment growth we have seen nationally. Naturally, we want the economy to continue to grow jobs, but in this inflation-fighting environment, too much growth would signal to the Fed that their rate hikes are not sufficiently slowing the economy. Over the last three months (August to October), the U.S. has added an average of 289,000 jobs. This is a solid number, but prior to August, the U.S. had been adding about 457,000 jobs a month in 2022. This moderation in employment growth could be good news. It shows the economy is still strong and adding jobs, but is moderating enough to show the rate hikes are having the desired effect.

While we have seen some moderation in U.S. employment, the most recent retail sales figures tell a different story. U.S. retail sales jumped 1.3% in October after leveling off in previous months. It is too soon to tell if this is a one-month aberration, an early start to holiday shopping, or a signal that the economy is still hot. In the latter case, the Fed will want to maintain their aggressive inflation-fighting stance.

Takeaways – All told, the economic news in the last month has been more optimistic than it has been in a while. There is reason to believe we have seen the worst of this bout with inflation. The economy remains on solid ground with continued growth (although recently moderated growth) in employment. The consumer spending/retail sales picture is less clear, but even with a strong October, that variable has cooled from earlier this year. The economy may be in that "Goldilocks" zone where the economy is warm enough to keep growing but not too hot that the Fed presses the brakes too much.

Back at home, Missouri continues to show steady growth across most sectors in the economy. Once the inflation fight is won and the economic brakes have been removed, Missouri should be well-positioned for growth.

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