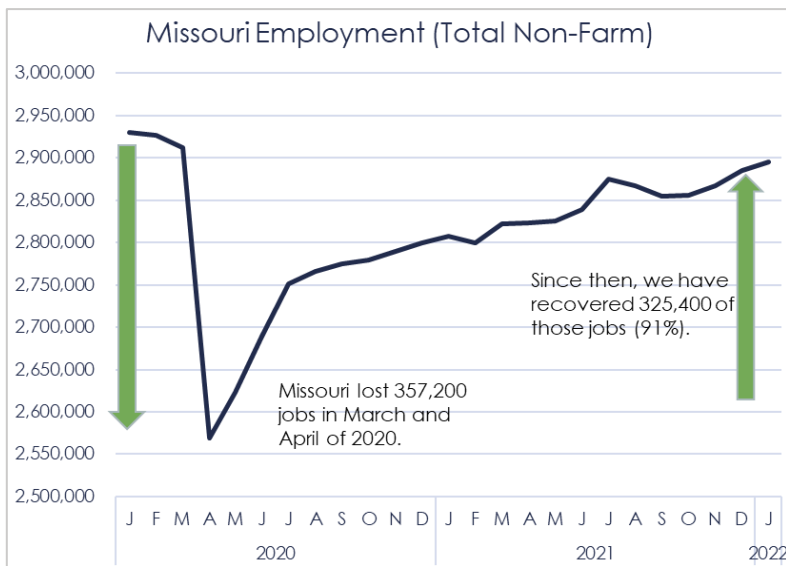


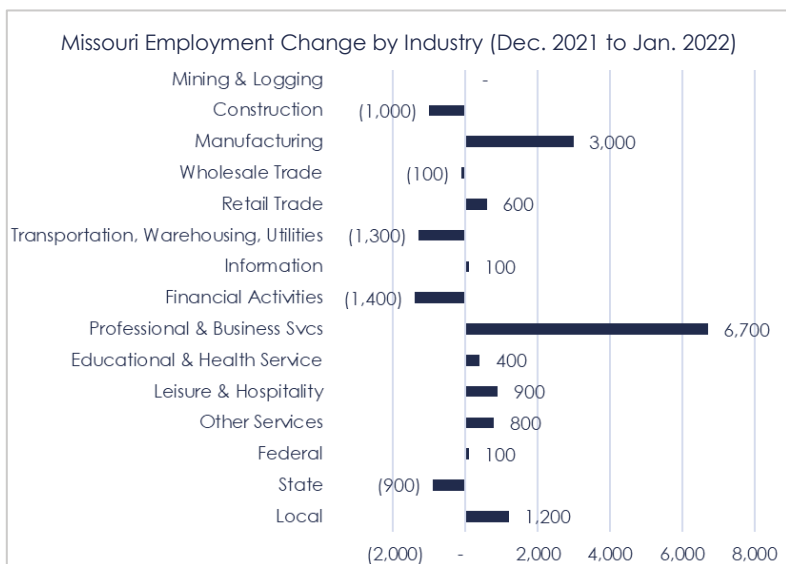


## Strong Employment Growth, but International Conflict Heightens Inflation Concerns

March 8, 2022



Source: MERIC



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**Latest numbers – [Missouri's economy added 9,100 jobs in January](#)** as the state approaches pre-pandemic levels. With this latest addition, Missouri has now recovered 91% of the jobs lost during the Covid-19 shutdown in March and April of 2020. January's employment growth was strongest in two key sectors: professional/business services and manufacturing. Professional/business services, which in Missouri is mostly in IT, technical consulting and engineering, added 6,700 jobs. Manufacturing added 3,000 jobs.

Missouri also saw an uptick in its labor force, or the number of people who are either working or actively looking for work, in January (+9,432). Higher wages and fewer concerns about Covid-19 likely contributed to this increase. This is a good indicator that the tight labor market that we have been seeing might be loosening a bit.

We also saw strong employment growth at the national level. In February, [the U.S. economy added 678,000 jobs](#). This is the biggest jump in jobs since July of last year.

In addition to strong job growth, [retail sales in the U.S. continue to grow](#) well beyond even the pre-pandemic pace. For an economy that relies heavily on consumer spending, this is a good sign.

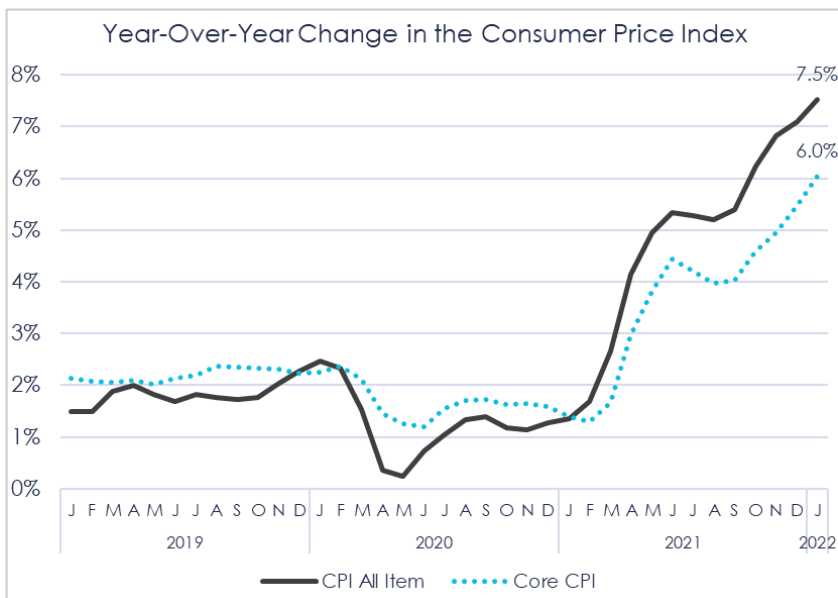
According to the most recent data, the U.S. and Missouri unemployment rates both sit at a low 3.8%. Even with this improving employment picture, there is still a great deal of uncertainty and concern about the economy.

**Conflict in Ukraine hits home** - The Russian invasion of Ukraine has captured recent headlines. Clearly there are far more important aspects of this story than economics, but the conflict is having

swift global economic repercussions. It's worth noting that neither Ukraine nor Russia are major trading partners with Missouri. According to the International Trade Administration, Missouri companies exported \$34 million worth of goods to the Russian Federation and an additional \$4 million to Ukraine. Combined, these account for less than one quarter of 1 percent of Missouri's exports. Thus, the inability to conduct business with Ukraine or Russia during this conflict will have a minimal direct impact on Missouri's economy.

However, the area where Missourians are already feeling the indirect impact of the conflict is at the gas pump. The cost of oil has risen from \$76 a barrel at the start of the year to \$125 a barrel at the time of writing, up 58%. Gas prices are up 29% in the thirteen days since the beginning of the conflict. This has translated into gas prices rising to an average \$3.73 a gallon in Missouri. This is up from \$3.11 just one month ago and \$2.51 a year ago. Gas prices are likely to go higher as U.S. [plans to ban Russian oil imports](#).

These recent gas price increases are further burdening Missouri households, which saw overall food prices up 7.5%, the cost of new vehicles up 12% and the cost of used vehicles up 41% according to the latest data from January.



Source: Bureau of Labor Statistics

**In Summary** - The economy has many contradictions right now. On the positive side, consumption remains strong. And, as we have seen, job creation in Missouri and the U.S. has been steady overall. Unfortunately, the negative side of the ledger appears to be growing. Inflation has unquestionably been the biggest concern in recent months. In January, the annual inflation rate was 7.5%, the highest rate since 1982. The war in Ukraine and its effects on oil prices suggest that [inflation will remain an issue throughout much of 2022](#). The Federal Reserve Bank is likely to raise interest rates later this month in an effort to slow inflation, but they will need to tread

carefully. Too large an increase could threaten an economic recovery that appears strong on the surface, but has some underlying issues.

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