Missouri Department of
Economic Development
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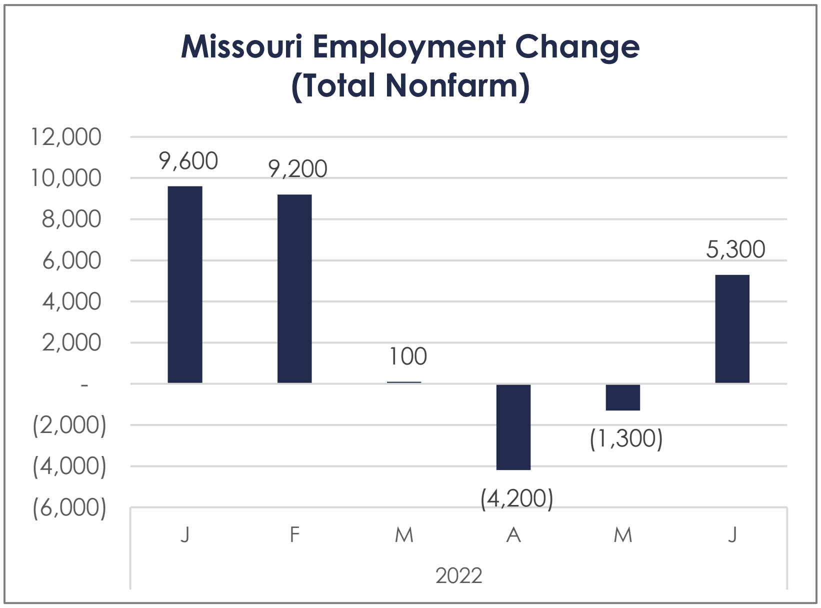
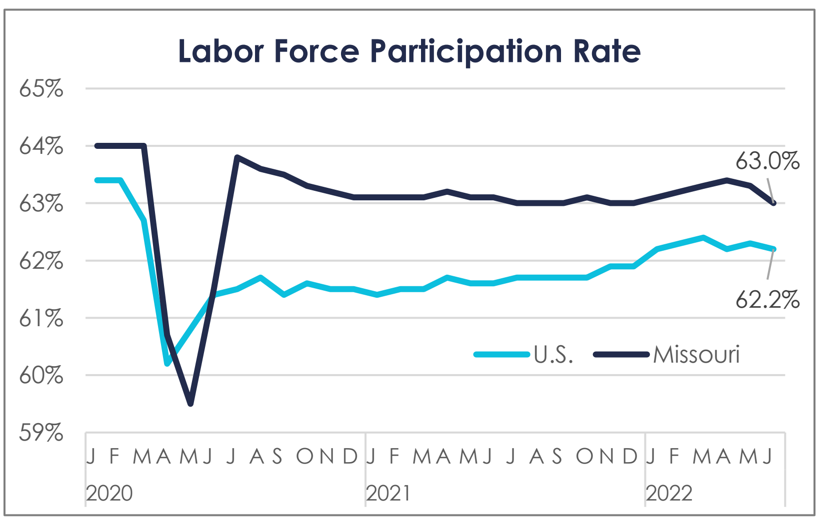
Missouri Job Growth Resumes, but Threat of Recession Grows

July 29, 2022



Source: MERIC, Bureau of Labor Statistics



Source: MERIC, Bureau of Labor Statistics

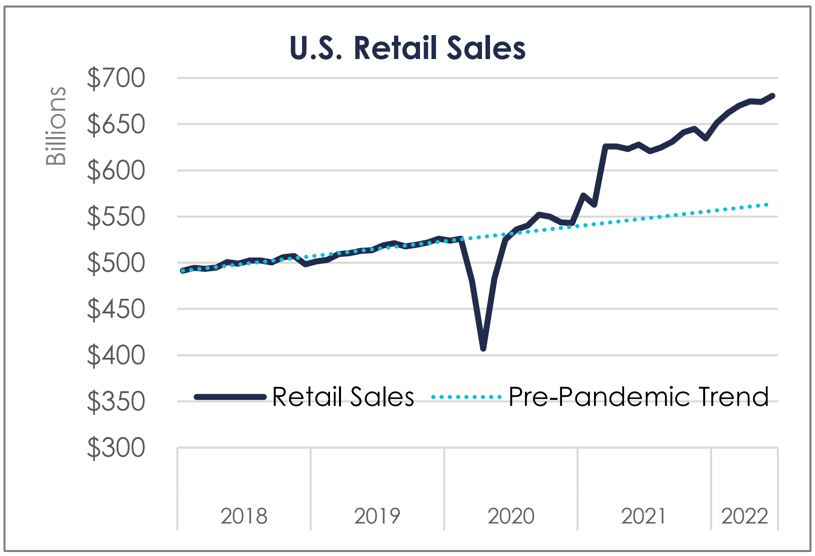
Latest Numbers — Missouri nearly made up for the previous two months of job losses with 5,300 new jobs in June. With this increase, Missouri has recovered 94% of the jobs lost during the COVID-19 shutdown in the spring of 2020. Missouri ranks 23rd nationally in jobs recovered.

The industries with the most growth in June were government (+3,300), leisure and hospitality (+2,400) and education/health (+1,200). This is a positive sign as these three sectors had been lagging in lost job recovery. However, even with June's gains, these sectors remain well below pre-pandemic employment levels.

Missouri's unemployment rate fell to 2.8%, the lowest level since at least 1975. This low unemployment rate reflects job growth, but it also reflects a shrinking labor force.

Our labor force participation rate (the share of population that is working or actively looking for work) has declined slightly over the past 2 months (from 63.4% to 63%). The "missing labor force" has gotten a lot of attention recently due to the disruptions in employment caused, directly or indirectly, by COVID-19. But the reality is, the labor force participation rate has been declining in the U.S. and in Missouri for 20 years. As the large baby boomer generation ages out of the workforce, the share of the population participating in the labor force is declining. The Kansas City Federal Reserve Bank recently released a [report]() on the topic that estimates there are 2 million workers missing from the economy and that older workers (65 and over) account for most of the gap.

Big Picture — On the national level, the talk of a recession is growing louder. There is certainly ample evidence that the economy is heading for a slowdown. First, the economy is actually slowing. The U.S. economy, measured by GDP, has contracted for two consecutive quarters. Some consider back-to-back quarters of economic decline to define a recession, although that is not the official determinant of a recession in the U.S.



Source: U.S. Census Bureau

In addition to the economic slowdown, inflation has continued to climb. The June inflation rate reached 9.1% in the U.S.—a level not seen since the early 1980s. This is a real hardship for families that could cause consumers to pull back on spending. However, this hasn't happened yet. Retail sales spiked during the recovery in early 2021 and they remain above pre-pandemic trend. At this point, consumer spending seems to be strong. Note that these retail sales figures are not adjusted for inflation, so higher prices are reflected in these sales figures. But, even with higher prices, consumers are still spending more than they would if the pre-pandemic trend held. In short, the consumer is still not acting like a recession is imminent. The same can be said of employers. Missouri employers have added over 65,000 jobs in the past year. Nationally, employment increased by over 6 million.

So when it comes to recession talk, some major data points are telling us two different stories. In one, recent GDP and inflation numbers make a strong case for a recession; and in the other, record consumer spending and continued growth and employment still indicate a healthy economy recovering from a global pandemic.

In Summary — From monitoring the opinions of national economists, I can say that the belief that we will see a recession in the next year has certainly risen. While consumer spending and employment growth have been strong, these measures can change quickly. We have seen some recent relief in gas prices (a major contributor to current inflation), but inflation will likely remain well above the Federal Reserve's comfort zone (around 2 to 2.5%). As a result, look for the Fed to continue to put the brakes on the economy by aggressively raising interest rates. These actions should help lower inflation, but they also increase the odds of a recession. In a sense, we have a battle between these recessionary factors (inflation and resulting higher interest rates) and the continued growth factors (employment growth and retail sales). This battle will play out over the coming months and set the course for the U.S and Missouri economies for the years ahead.

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