



MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

We're Not There Yet, but "Soft Landing" Seems Possible

June 1, 2023

Missouri Employment Change by Industry April 2022 - April 2023



Source: MERIC

Latest Numbers – Missouri continued to add jobs in April as employment grew by 4,700. Employment is up by 17,600 so far in 2023, and up 59,900 from a year ago. The leading growth industries over the past year were leisure-hospitality (+13,700), manufacturing (+11,500), and education-health (+10,700). Our employment growth has been solid, but decidedly slower than it has been in the past few years.

Missouri's unemployment rate remains extremely low

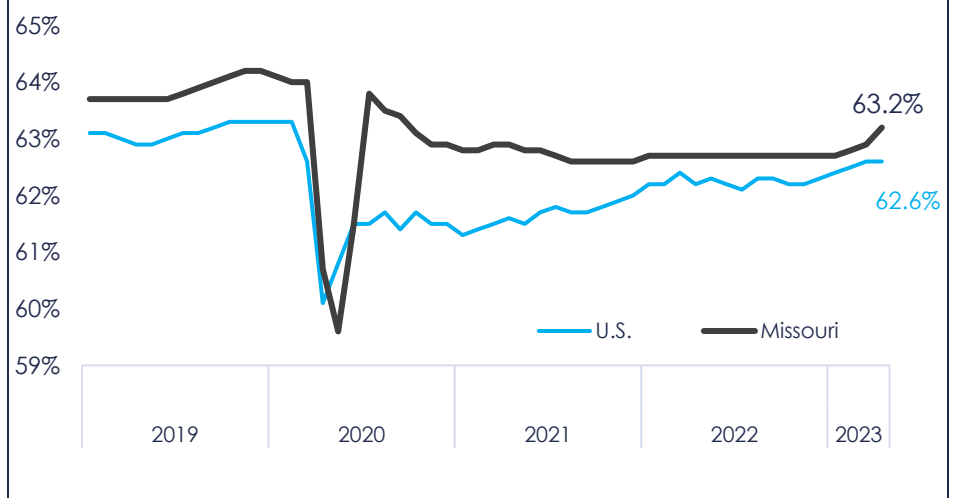
at 2.5%, which is indicative of a continuing tight labor market. However, there are signs of loosening. Missouri's labor force participation rate has climbed significantly in recent months and is now near pre-pandemic levels at 63.2%.

These are two healthy developments as our economy continues to add jobs and more people are entering the workforce.

Big Picture – Missouri's trends are mirroring national trends. Growth is continuing in most measures like employment and retail sales, but at a slower pace than in the previous few years. This slowing trend is, of course, by design. Slower economic growth is the Federal Reserve Bank's prescription to fight inflation.

Missouri's unemployment rate remains extremely low

Labor Force Participation Rate



Source: MERIC

Slower growth is achieved by raising interest rates. In some respects, this medicine seems to be working. Inflation continues to trend slowly downward (4.9% in April).

However, businesses and consumers have not seemed overly concerned. Consumers are still shopping (retail sales remain elevated), and to meet this demand, businesses continue to create new jobs. The increased demand gives workers confidence as consumers to keep shopping and this positive reinforcement circle is keeping the economy strong despite high inflation and interest rates.

But we are starting to see some moderation. Employment growth, retail sales, and inflation are all at high levels, but moderating.

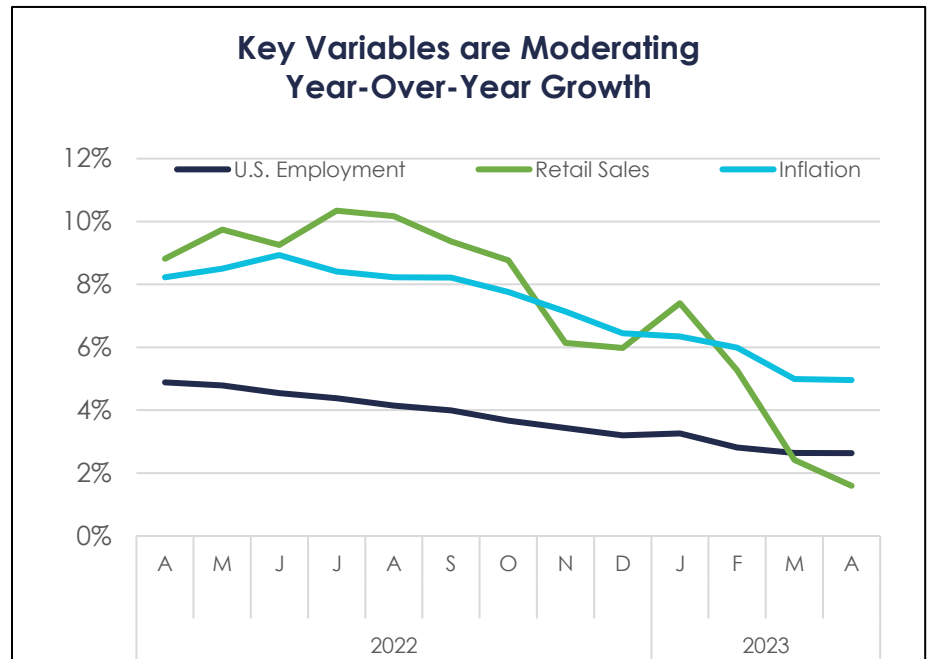
Additionally, all signs show the Fed will pause their aggressive interest rate hiking campaign when they meet in June. These trends could be pointing to a “soft landing” for the economy. A soft landing describes a situation in which inflation returns to normal levels (about 2 - 2.5%) without tipping the economy into a recession. If the soft landing course is taken, expect an economy that continues to grow, but slowly. Job growth would continue but at a pace where there is not as much upward wage pressure as we have seen recently.

On the consumer side, we can expect to see continued slowing in the rate of spending growth as consumers see more modest pay raises and dwindling saved surplus from the pandemic stimulus. These trends should help inflation continue its retreat to normal levels and allow the Fed to let their past rate hikes work - without needing to raise them any higher.

As always, there are potential hurdles that can disrupt the path to a soft landing. The most pressing is the debate over the debt ceiling. In the past, the thought of the U.S. government not being able to pay its bills has caused turmoil in the markets. Thankfully, as of this writing, a deal on the debt ceiling appears to have been reached.

Takeaways – While the economy continues to deal with inflation, we can expect to see moderation across many economic measures, like employment and consumer spending, throughout the rest of the year. This doesn't mean Missouri can take a “wait and see” approach. While economic growth may not be as robust as we saw in 2021 and 2022, there is still a lot going on.

Certain industries are growing faster during this recovery than others. The transportation and warehousing industry has added nearly 700,000 jobs nationally. Missouri's central location and strong transportation infrastructure make it a natural to capture some of this growth. Despite layoffs at some major tech firms, the tech industry is still growing (+12% from the start of the pandemic). Manufacturing is also growing and, in Missouri, it is growing much faster than it is nationwide. Manufacturing employment in Missouri is up 5.8% from February 2020. There has been a growing and concerted effort at the national level to re-shore and grow manufacturing. These efforts will provide Missouri with opportunities to grow its manufacturing base even more.



Sources: Bureau of Labor Statistics, U.S. Census Bureau

Additionally, since the pandemic, Missouri has seen a somewhat surprising population trend. In 2021 and 2022, Missouri was a net in-migration state. In other words, more people are moving to Missouri from another state than are moving out. This is a bit unusual for us, but it is a welcome development and suggests more people are finding better economic opportunities and a high quality of life in the Show-Me State. Now is time to build on these strengths that can carry Missouri forward into the future.

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