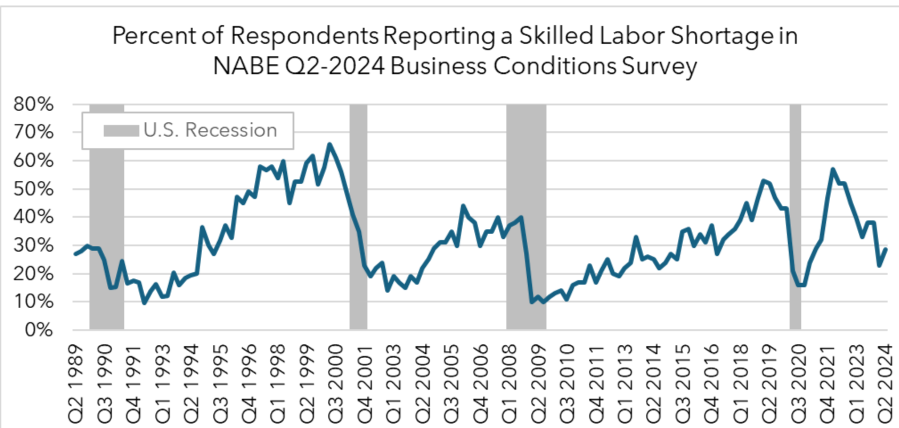
Wednesday, April 24, 2024

On Monday, my committee at the National Association of Business Economics (NABE) released our [second quarter Business Conditions Survey](). Respondents say business is good, with sales, profits, and prices all up. They're expected to grow further, at least for the next quarter, despite the Fed's efforts to slam on the brakes. That's great news for most businesses and generally fits with what we're seeing reported elsewhere. Unfortunately, although mostly positive, some of the survey's results suggest a growing risk of a recession.



The graph at left tracks recessions and the share of NABE survey respondents seeing skilled labor shortages in their industries. During expansions, we see growing labor shortages. It's great for workers looking to change jobs or negotiate raises, but every market has two sides, and the resulting wage hikes lead to less hiring. See also, [Law of Demand]().

As the graph shows, ever since NABE's Business Conditions Survey started back in 1988, we've seen a recession every time the share reporting skilled labor shortages has fallen below 15 percent. The average share for January and April's surveys was 26 percent, down from 57 percent in early 2022 – still falling and not much further to go.

Plenty of other metrics also show widespread labor shortages subsiding. The latest [member survey]() from the National Association of Manufacturers still shows "attracting and retaining a quality workforce" is the most cited business challenge, but the percentage has fallen for eight straight quarters. [Postings on Indeed.com]() have fallen 29 percent since their peak in early 2022. BLS's most recent [Job Openings and Labor Turnover Survey (JOLTS)]() shows 1.4 open positions per job seeker, down from 1.7 a year ago and 2.0 in March 2022. The [median duration of unemployment]() is up 19 percent since October 2022. We're seeing it everywhere.

That is, everywhere except in the news, which is still stuck on transient growth in sales and profits, high inflation, and a deceptively low unemployment rate – all lagging indicators 🤦.

For more on this, check out my latest Twitter thread [here]() and Monday's episode of NPR's Marketplace [here](). I swear I gave them a few more insightful quotes than the one they used 😆.

Until next week,

Michael Uhrich
Founder & Chief Economist
[Seventh Point Analytic Consulting]()