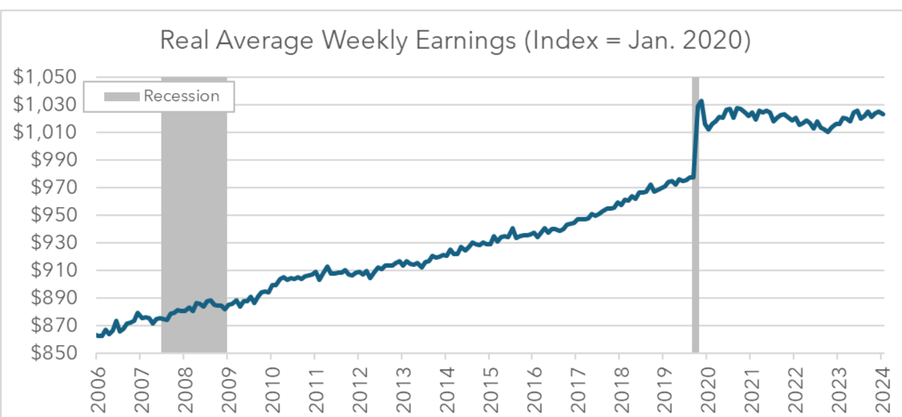
Thursday, August 15, 2024

It's been a rough couple weeks for the labor market. Unemployment was up again in July, reaching 4.3 percent – an increase of 0.2 percent or about 350K more people unemployed than there were in June. It's also **twice the increase** from May to June, and that's actually the more concerning statistic because the surest sign a recession has started or will soon is *acceleration* in unemployment growth, not the rate itself.

As shown at left, the unemployment rate usually changes gradually, as workers and employers adjust to changing macroeconomic conditions. Occasionally adjustments happen more suddenly, and unemployment starts to curl upward at a quickening pace. Every time we've seen this happen, at least every time so far, we've had a recession. Moreover, it looks a lot like stuff's about to get real.



Though the position of those unemployed is probably least enviable, conditions are rough for everyone 😕. The graph at left shows real average weekly earnings for all workers, which had risen at about one percent per year for more than a decade like clockwork. Since the pandemic, real weekly earnings have risen by an average of only about one quarter of one percent per year 😥

Everyone agrees rate cuts are coming soon – maybe even before the Fed's next meeting in five weeks, but is it already too late? Hard to say. Restrictive monetary policy is *intended* to create a money market shortage, and it certainly did, at least at first. So it all hinges on this, *is the money market still in shortage* 🤷‍♀️

Until next week,

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