Capital Markets Strategy
Essential inCights for the C-Suite

Chart of the Day

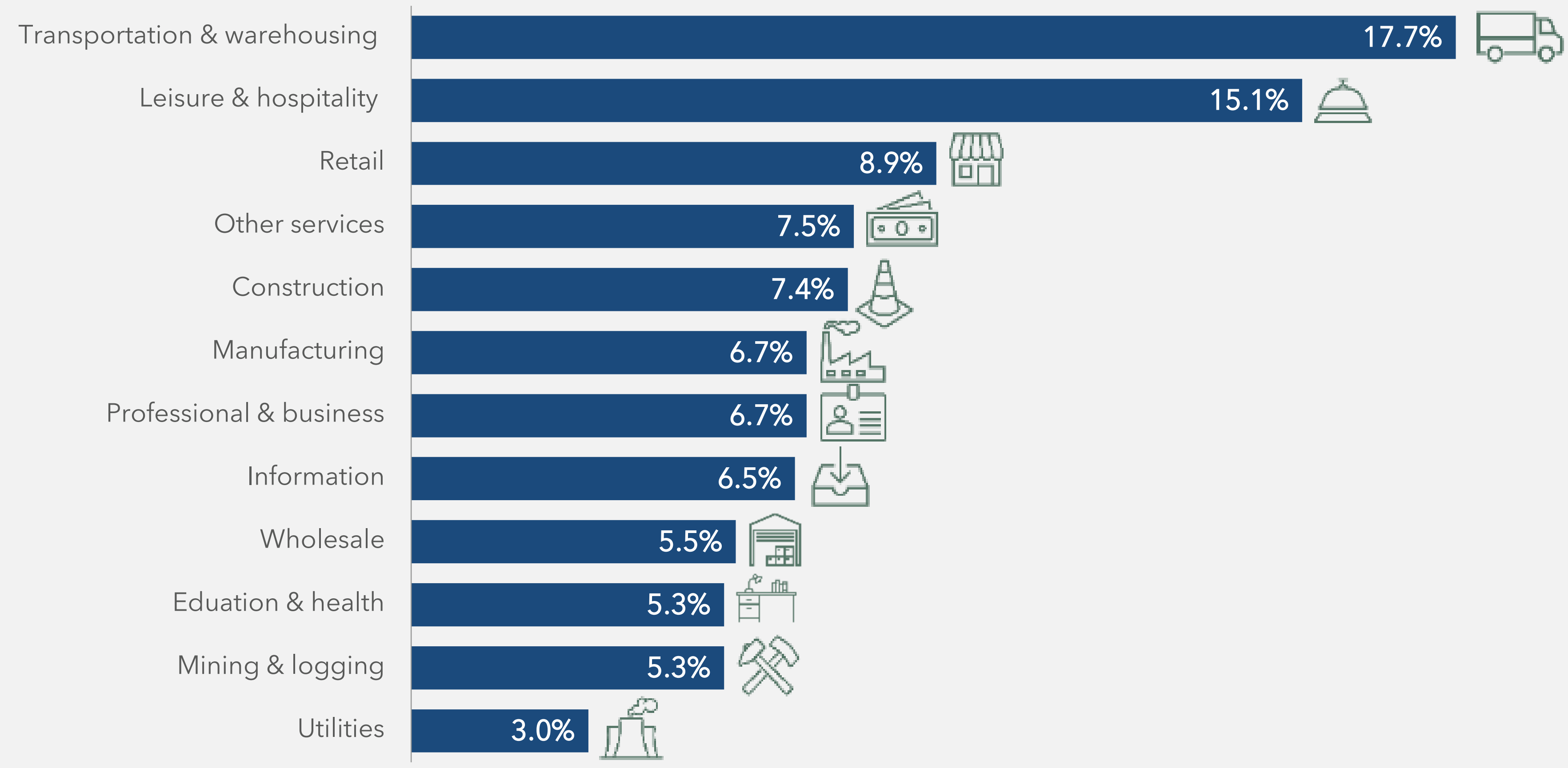
As the US economy experiences the largest demand shock since WWII, many businesses are struggling to hire or re-hire enough employees to meet demand. In an effort to attract qualified candidates, employers are raising wages, particularly in traditionally lower wage sectors. Overall hourly earnings have increased 5.9% on an annualized basis over the last three months, more than double the 2.4% average of the last economic cycle.

Labor market shortages in the US economy have been driven by a myriad of COVID-related and demand shock forces that extend well beyond expansive unemployment benefits. In particular, the rapid improvement in labor market conditions over the last 6 months has been highly correlated statistically with progress on the vaccine rollout. As such, we expect labor market shortages to continue for several months after the extended unemployment benefits expire on September 6th, with resolution more likely in 2022.

We have attached, once again, our comprehensive presentation from last week called "The Case for Transitory Inflation" which addresses in more detail both the temporary and more persistent inflation forces running through the US and global economy at this time.

Some sectors, such as leisure & hospitality and transportation & warehousing are experiencing wage inflation over 15% on an annualized basis

Average hourly earnings by industry, 3-month annualized rate



Source: (1) Axios. US Department of Labor.

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