

LABOR MARKET AND ECONOMIC UPDATE

MAY 2022

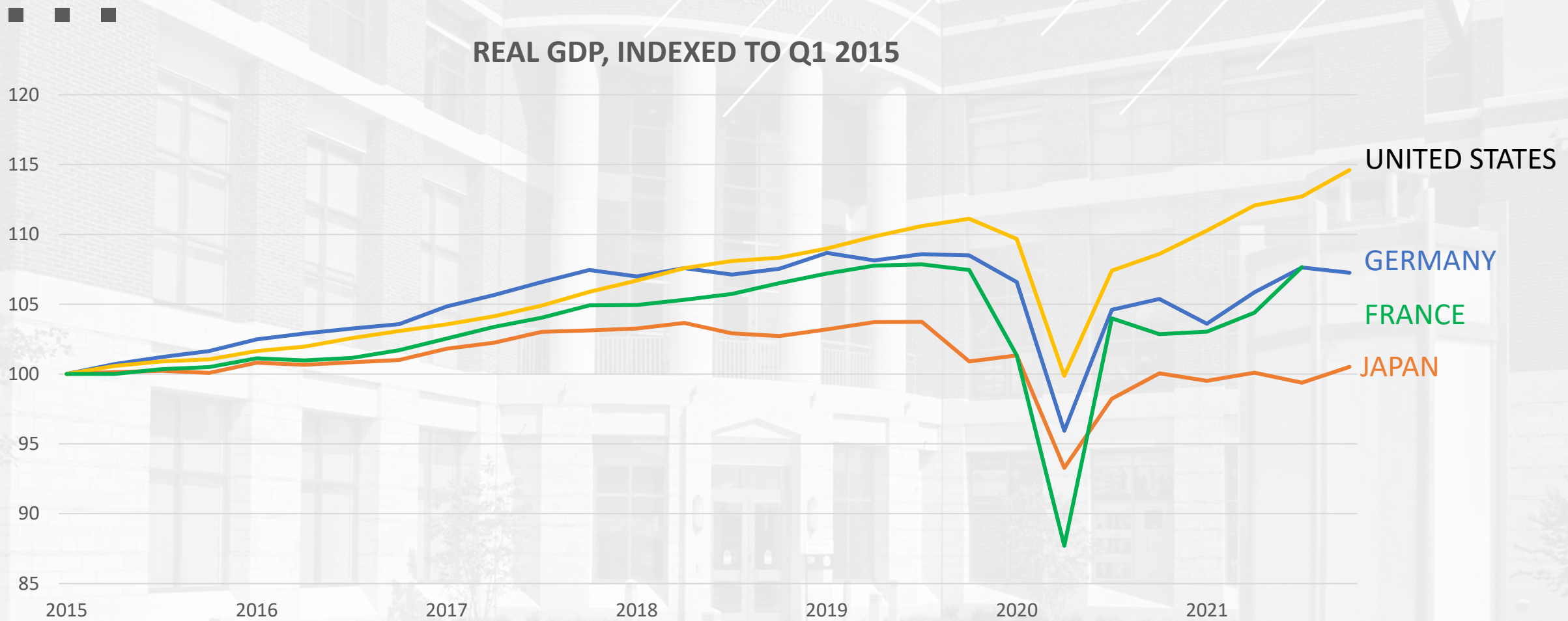


HASLAM
COLLEGE OF BUSINESS
THE UNIVERSITY OF TENNESSEE, KNOXVILLE



THE HOWARD H.
BAKER JR.
CENTER
for PUBLIC POLICY

THE U.S. OUTPUT RECOVERY IS INTERNATIONALLY EXTRAORDINARY

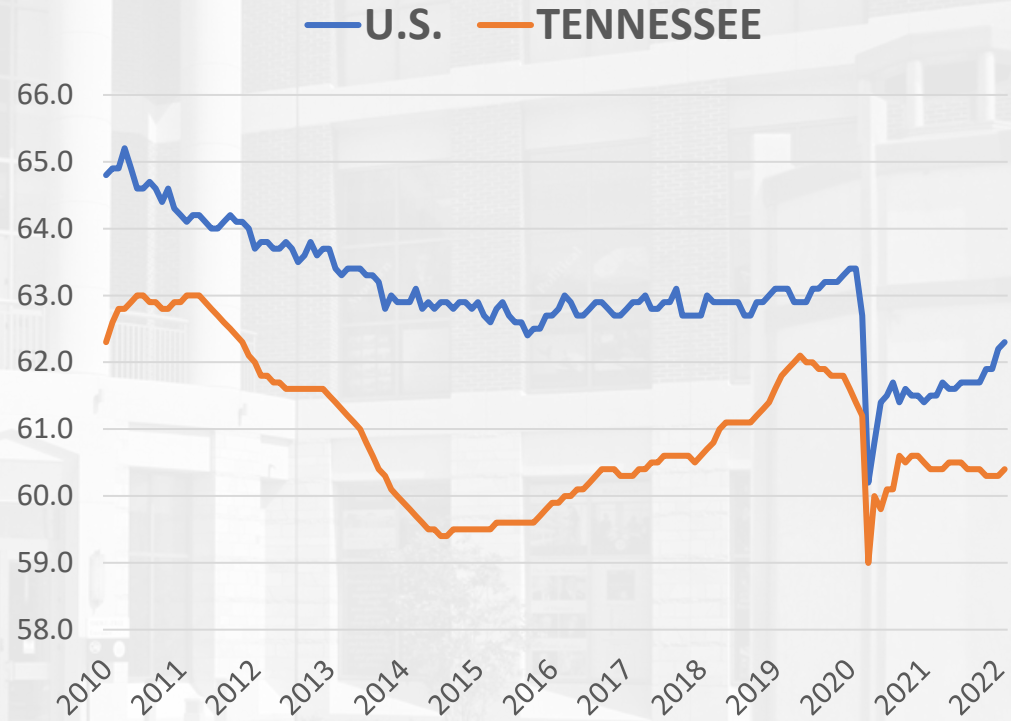


... AND FOR ABOUT 15 MONTHS, LABOR SUPPLY WAS OUR BIGGEST CHALLENGE

UNEMPLOYMENT RATE

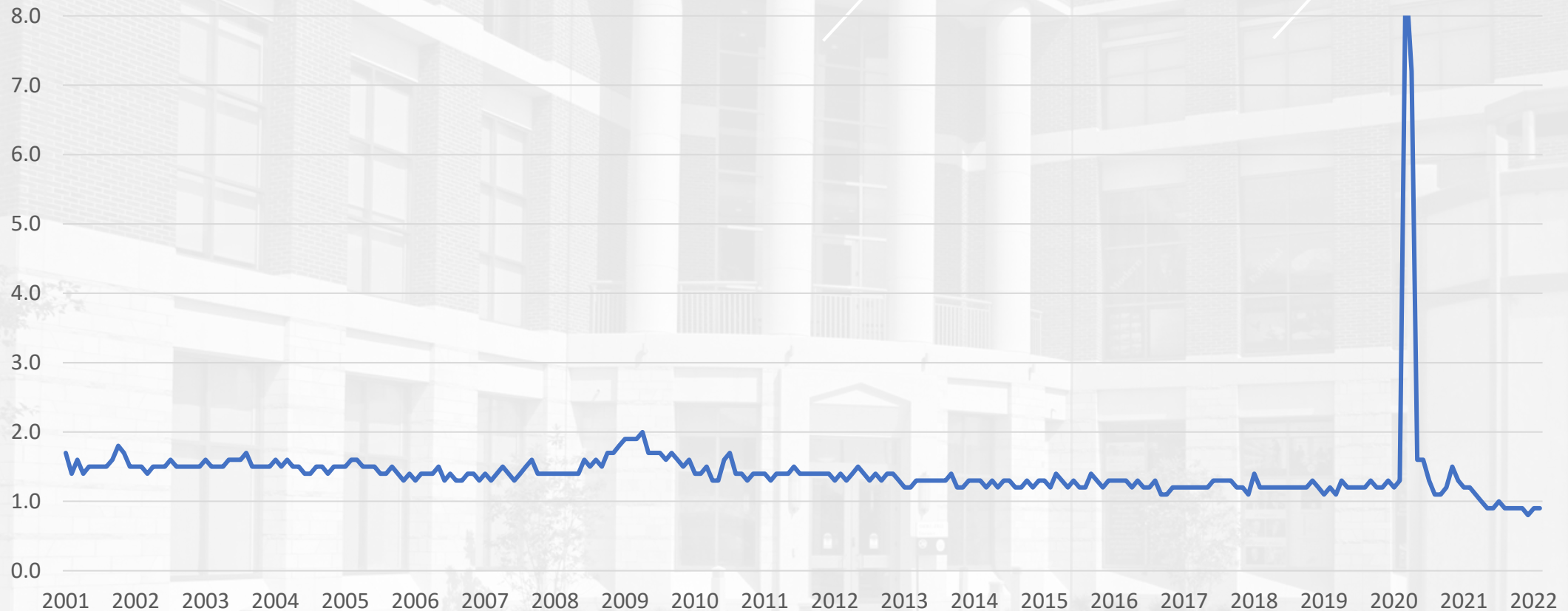


LABOR FORCE PARTICIPATION RATE, SEASONALLY ADJUSTED



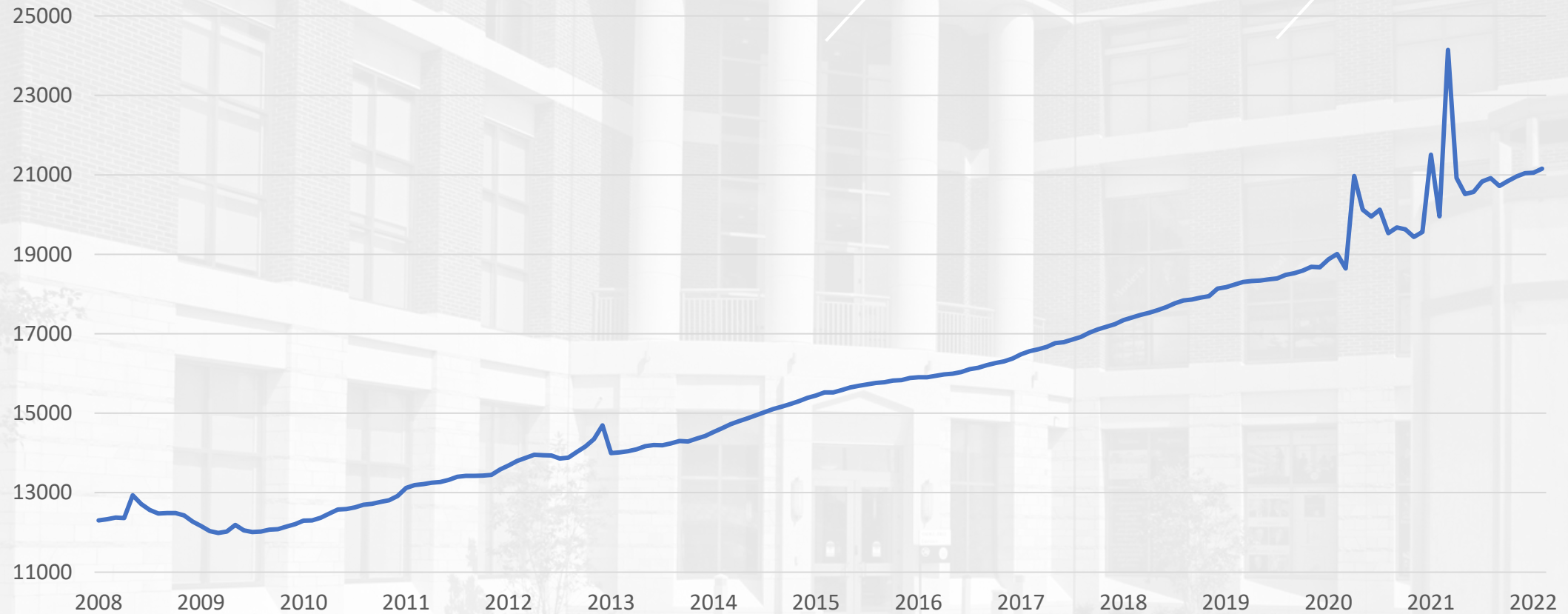
EMPLOYERS CONTINUE TO HOARD LABOR AT UNPRECEDENTED RATES

U.S. DISCHARGES AND LAYOFFS, AS PERCENT OF NON-FARM EMPLOYMENT (%)



FISCAL SPENDING BOOSTED SPENDING AND EMPLOYMENT . . .

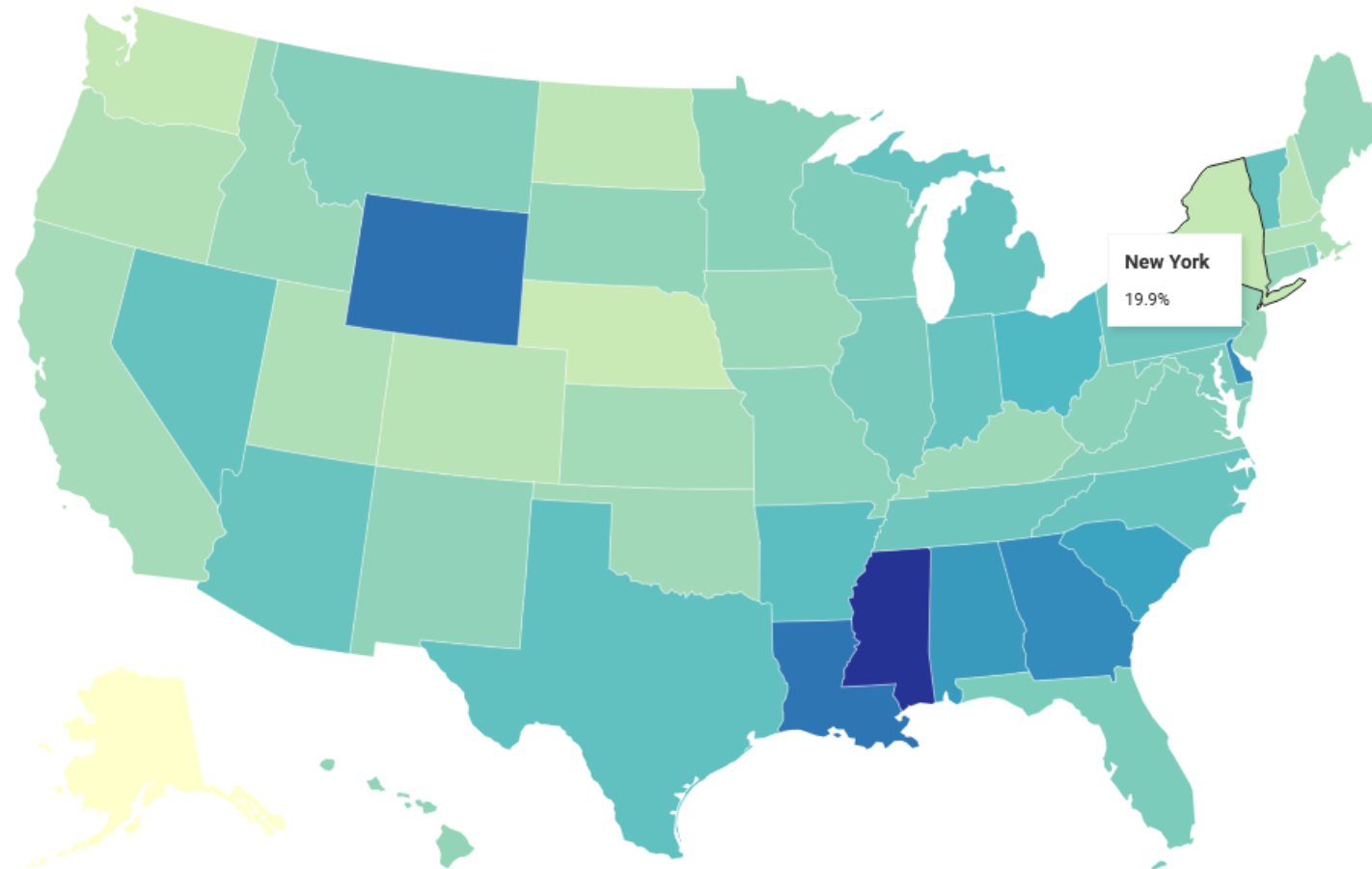
PERSONAL INCOME (\$B)



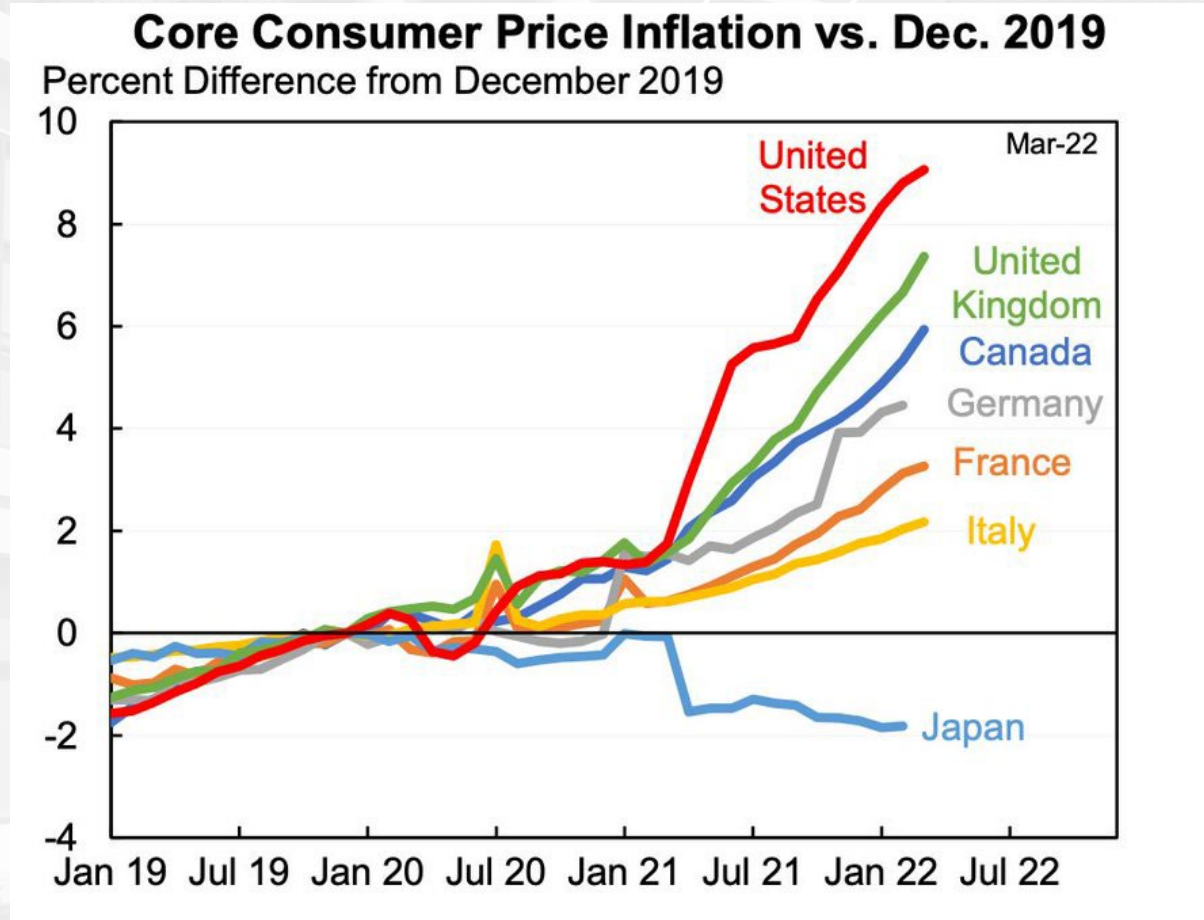
GENERATED A LOAD OF “SIDE HUSTLES” FROM EXCESS SAVINGS . . .

Growth in total annual likely employer business applications, 2019 to 2021

1.7% 88.5%

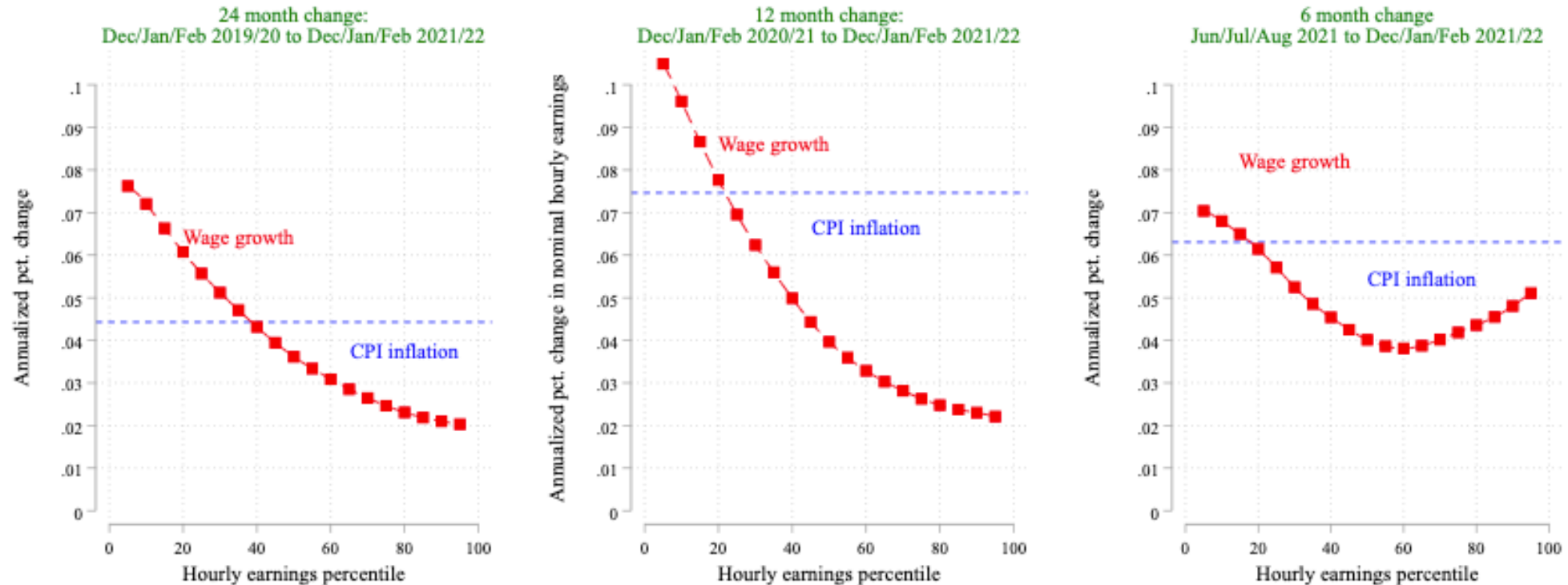


... BUT ALSO BOOSTED INFLATION IN THE U.S. ABOVE THAT IN OTHER COUNTRIES ...



... AND ABOVE WAGE GROWTH FOR ALL BUT THE LOWEST WAGE EARNERS

Annualized percent change in nominal hourly earnings by earnings percentile over 6,12 and 24 months, adjusted for composition



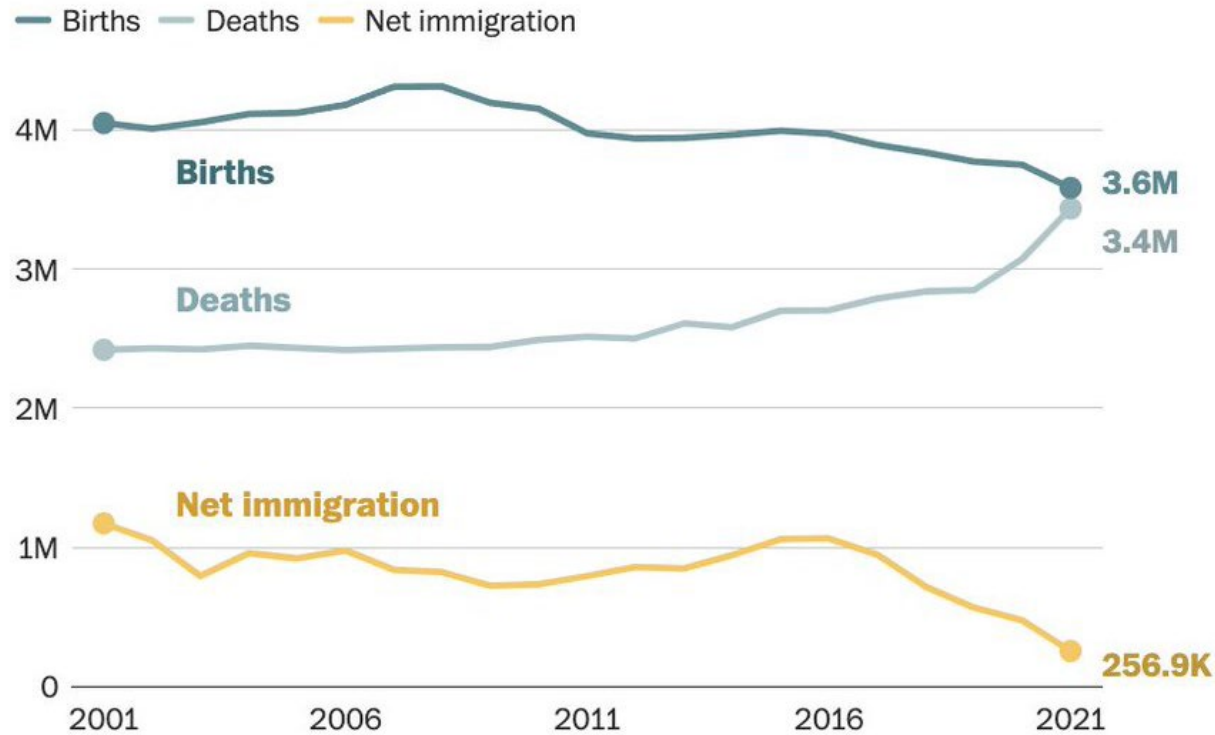
Note: CPS ORG data. Not-seasonally adjusted, all workers. Hourly earnings winsorized at \$5 and \$100. Wage percentiles smoothed with lowess. Composition adjustment using inverse probability weighting based on age, education, race/ethnicity, gender, marital status, citizenship, country of birth, 4-part region, and detailed industry and occupation codes. CPI-U annualized. Analysis by @arindube



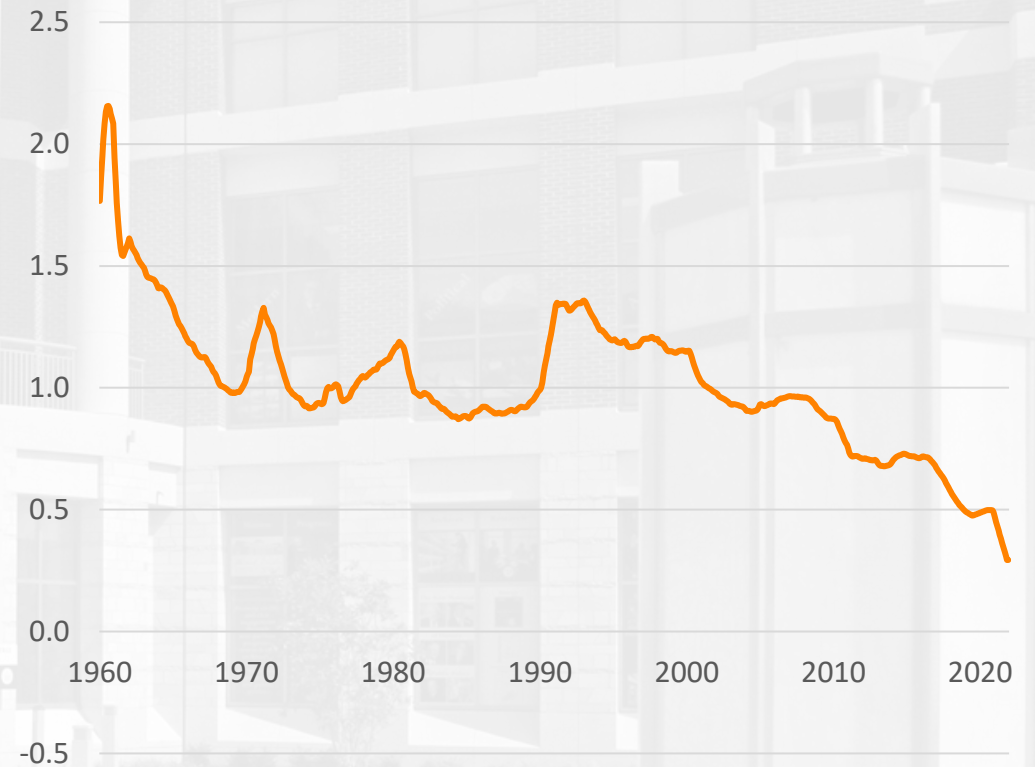
WHAT WILL WE DO ABOUT LABOR FORCE?

LONGER TERM, THE U.S. HAS A FUNDAMENTAL POPULATION GROWTH PROBLEM

12-month totals ending in July of labeled year



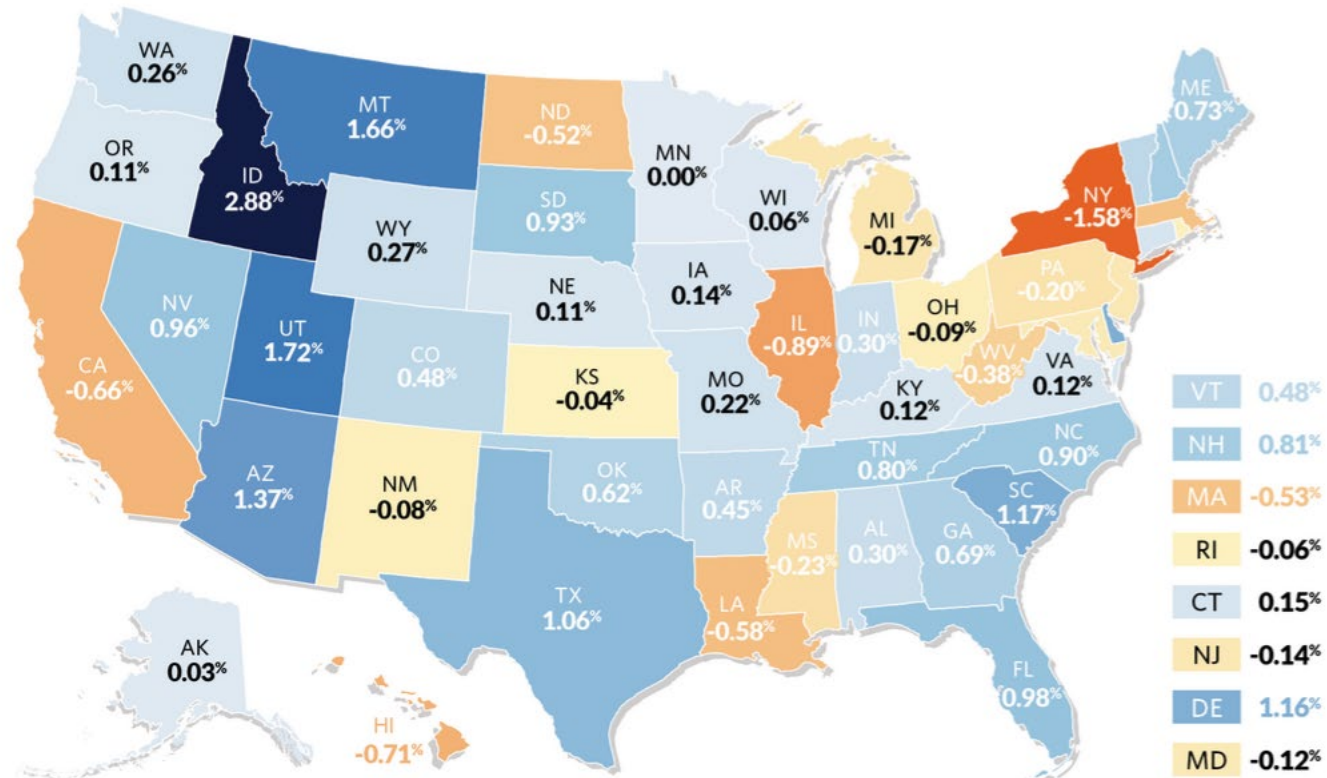
RATE OF POPULATION INCREASE
(ANNUAL % CHANGE)



ONE-THIRD OF U.S. STATES ARE SHRINKING; TN IS NOT AMONG THEM

17 States Lost Population Over the Past Year

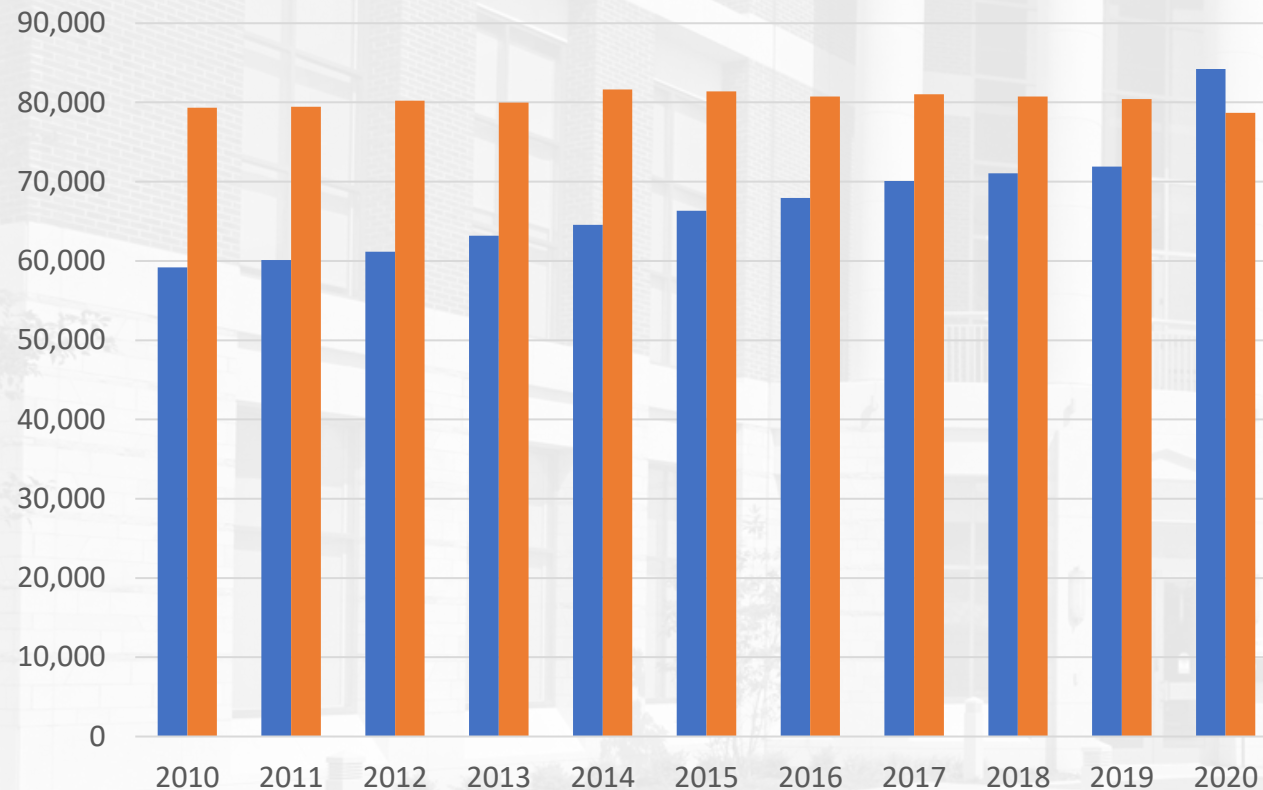
Percentage change in state population, 2020-21



TENNESSEE'S NATURAL POPULATION GROWTH IS UNDER PRESSURE

TENNESSEE BIRTHS AND DEATHS

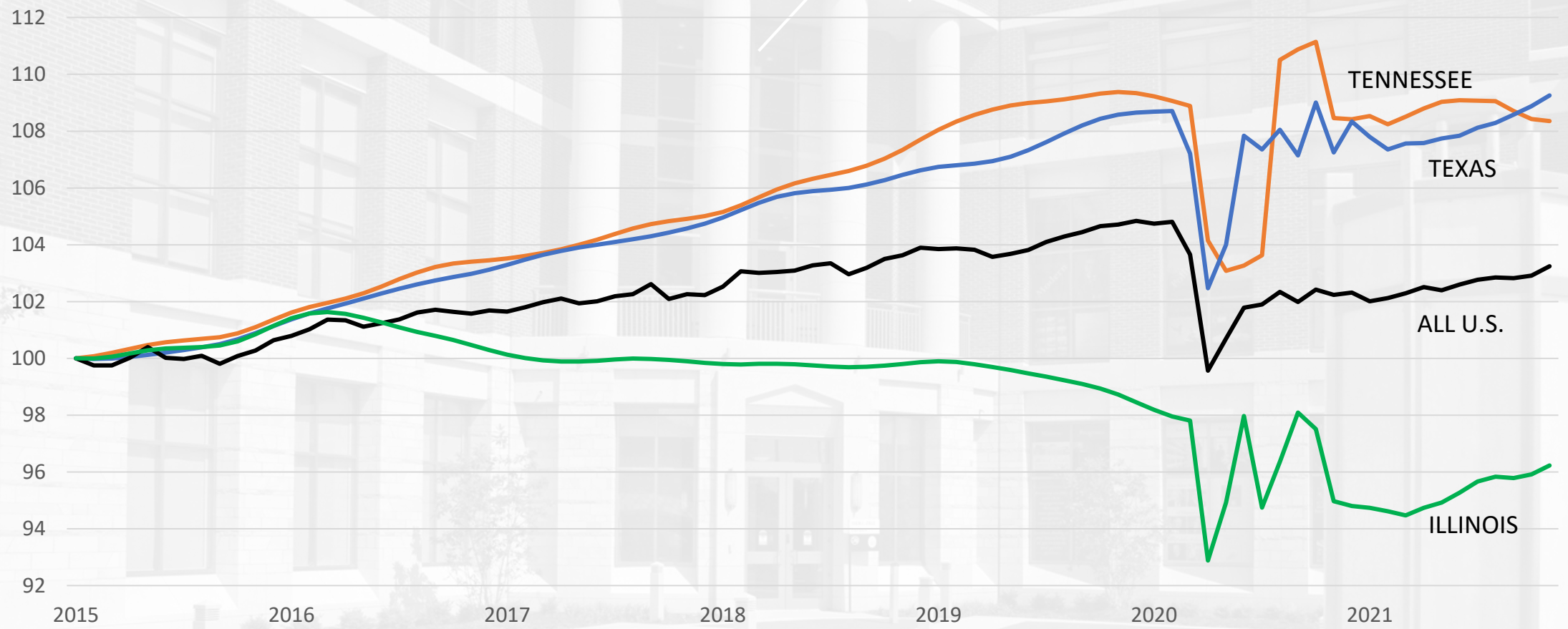
■ TENNESSEE DEATHS ■ TENNESSEE BIRTHS



Even without the surge in deaths related to Covid, the natural rate of increase of the TENNESSEE population was set to be zero by 2024.

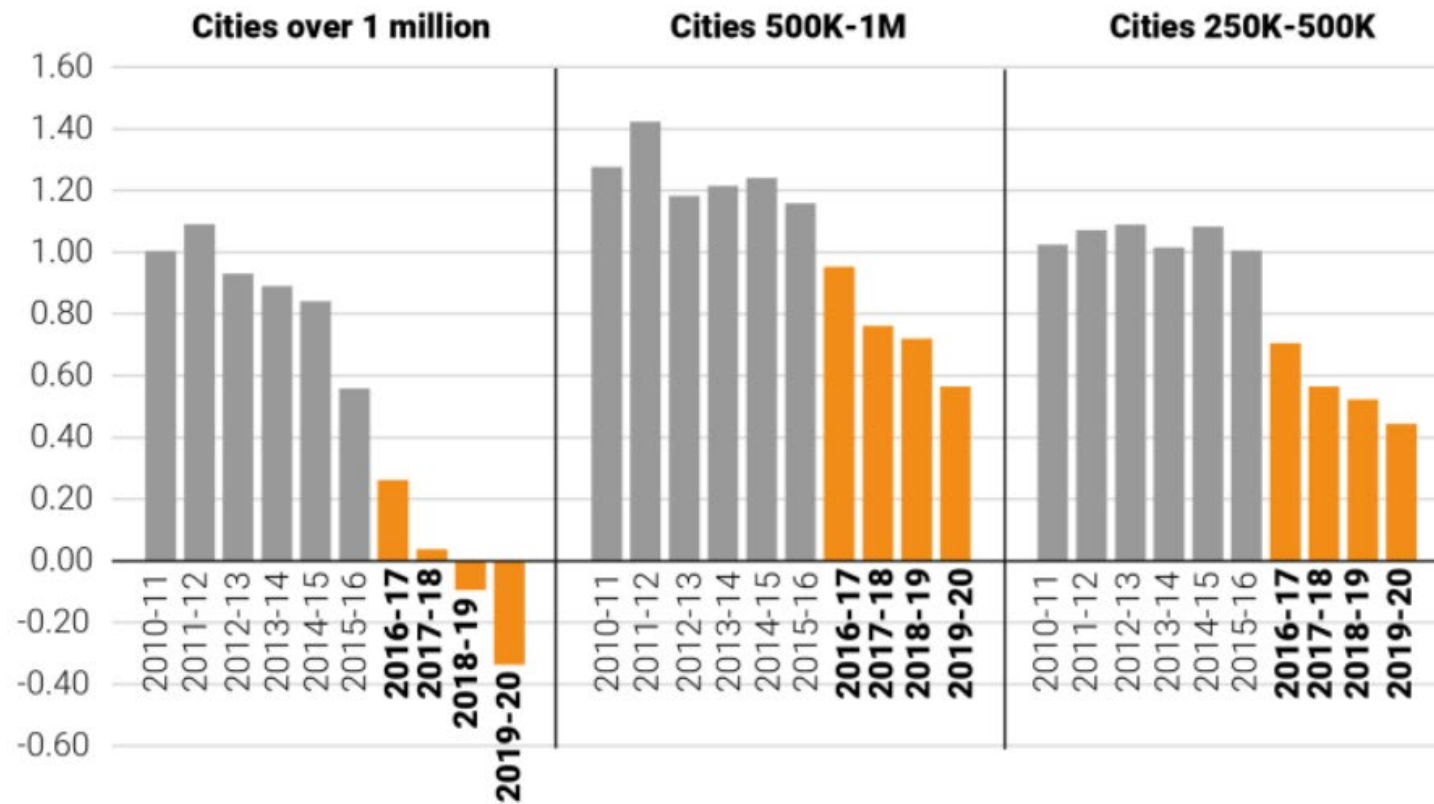
IN-MIGRATION HAS HELPED TN AVOID DEMOGRAPHIC CONSEQUENCES

SIZE OF LABOR FORCE, SEASONALLY ADJUSTED, INDEXED TO JANUARY 2015



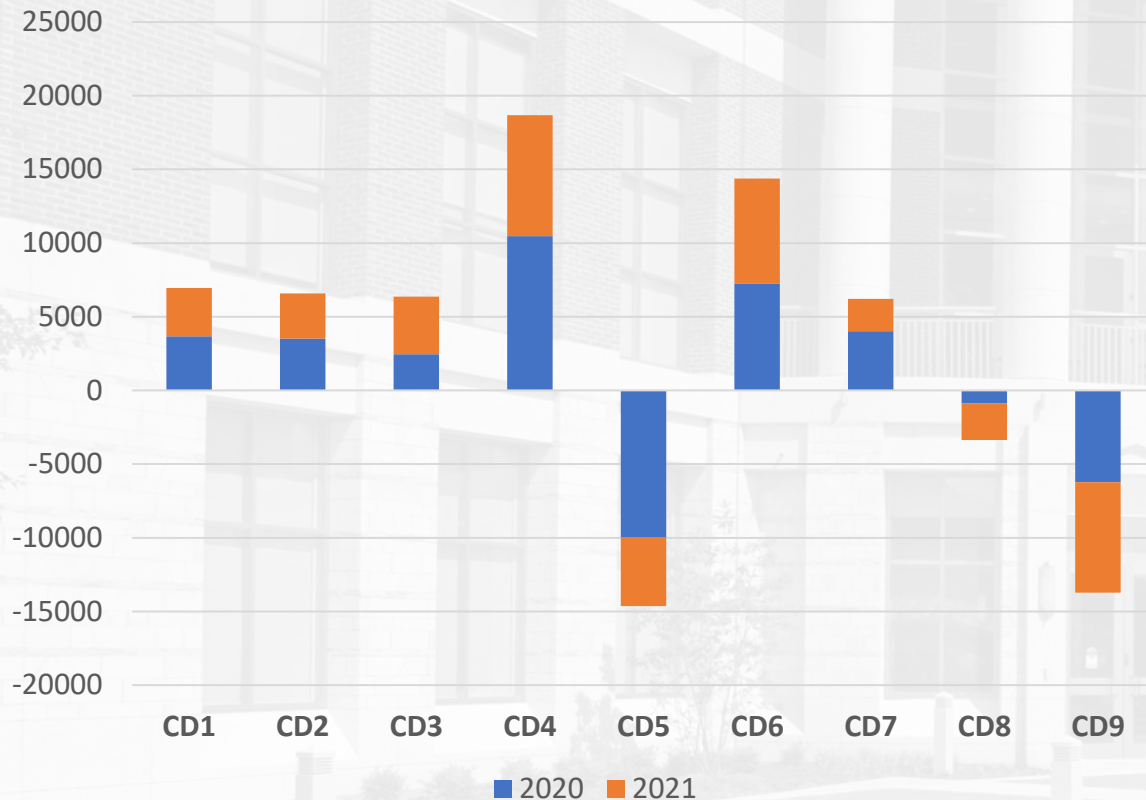
THE PANDEMIC EXACERBATED PREVIOUS MIGRATION AND POPULATION GROWTH PATTERNS, BENEFITTING SMALLER CITIES

Figure 1. City populations by size category, annual growth 2010-2020



TENNESSEE'S POPULATION IS UNDERGOING A DRAMATIC RESORTING

NET FAMILY AND INDIVIDUAL IN-MIGRATION
(UNIT OF MEASUREMENT = A MOVE)



MSA GAINS/LOSSES (2020 + 2021)
TN POPULATION ONLY
UNIT OF MEASUREMENT = A MOVE

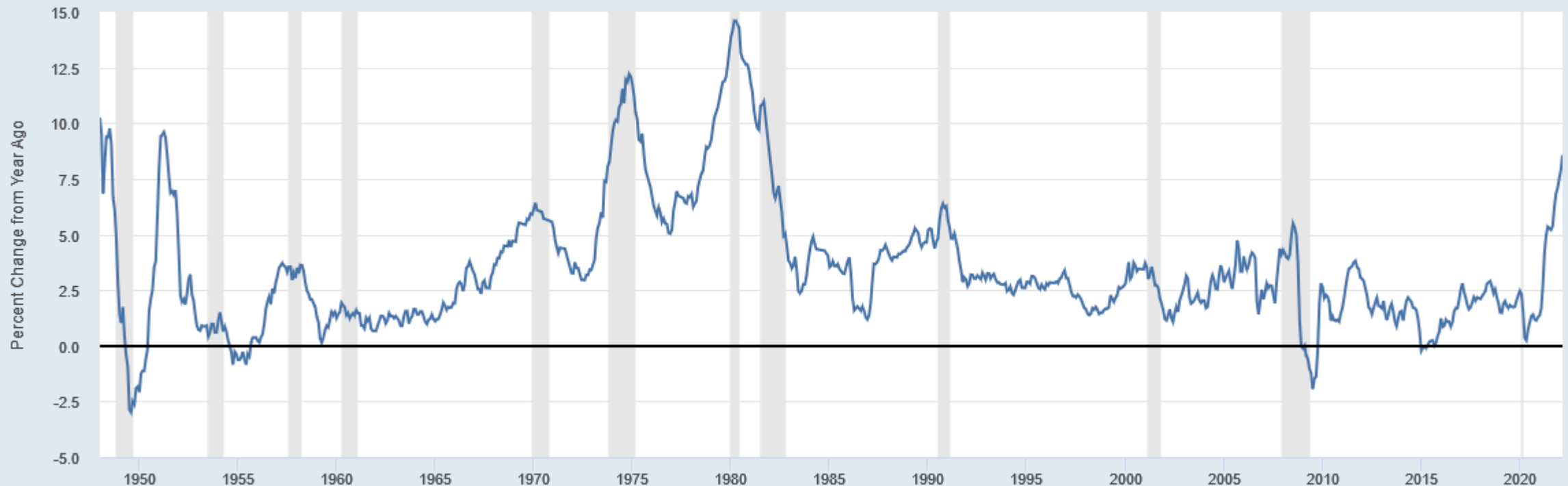
CHATTANOOGA MSA	-398
JOHNSON CITY MSA	+1,484
KINGSPORT-BRISTOL MSA	+3,446
KNOXVILLE MSA	+8,202
MEMPHIS MSA	-8,555
NASHVILLE MSA	+873



**WHAT WILL WE DO ABOUT
INFLATION?**

INFLATION THIS HIGH IS NEARLY IMPOSSIBLE FOR THE FEDERAL RESERVE TO MANAGE

FRED — Consumer Price Index for All Urban Consumers: All Items in U.S. City Average




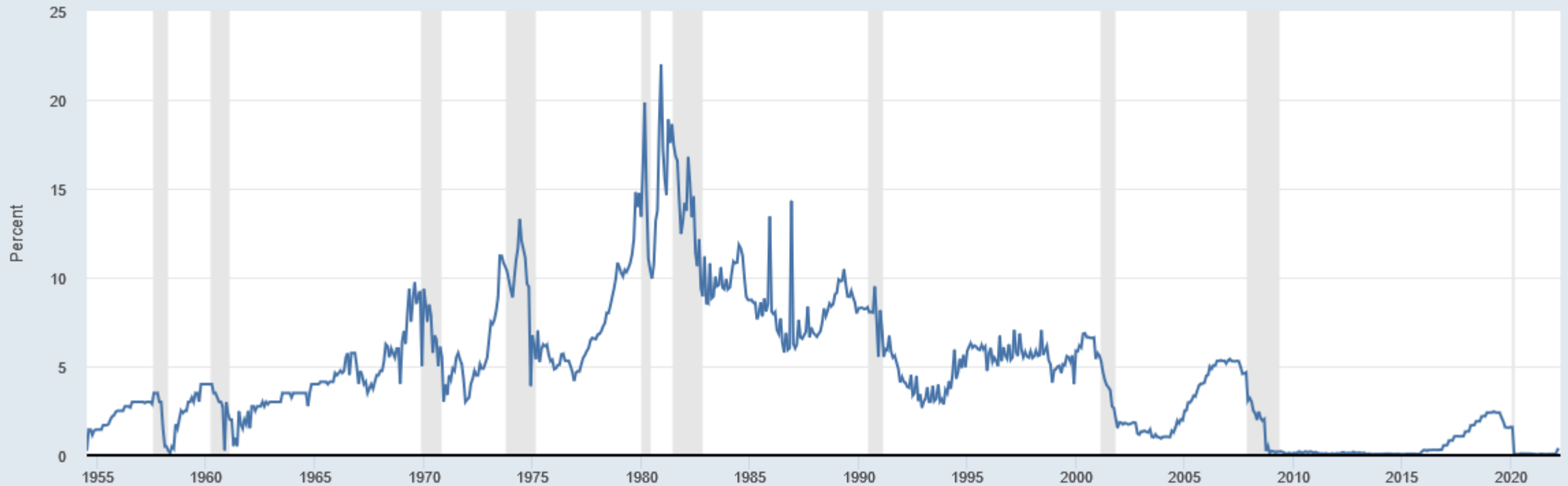
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

INFLATION THIS HIGH IS NEARLY IMPOSSIBLE FOR THE FEDERAL RESERVE TO MANAGE

FRED  Federal Funds Effective Rate



Shaded areas indicate U.S. recessions.

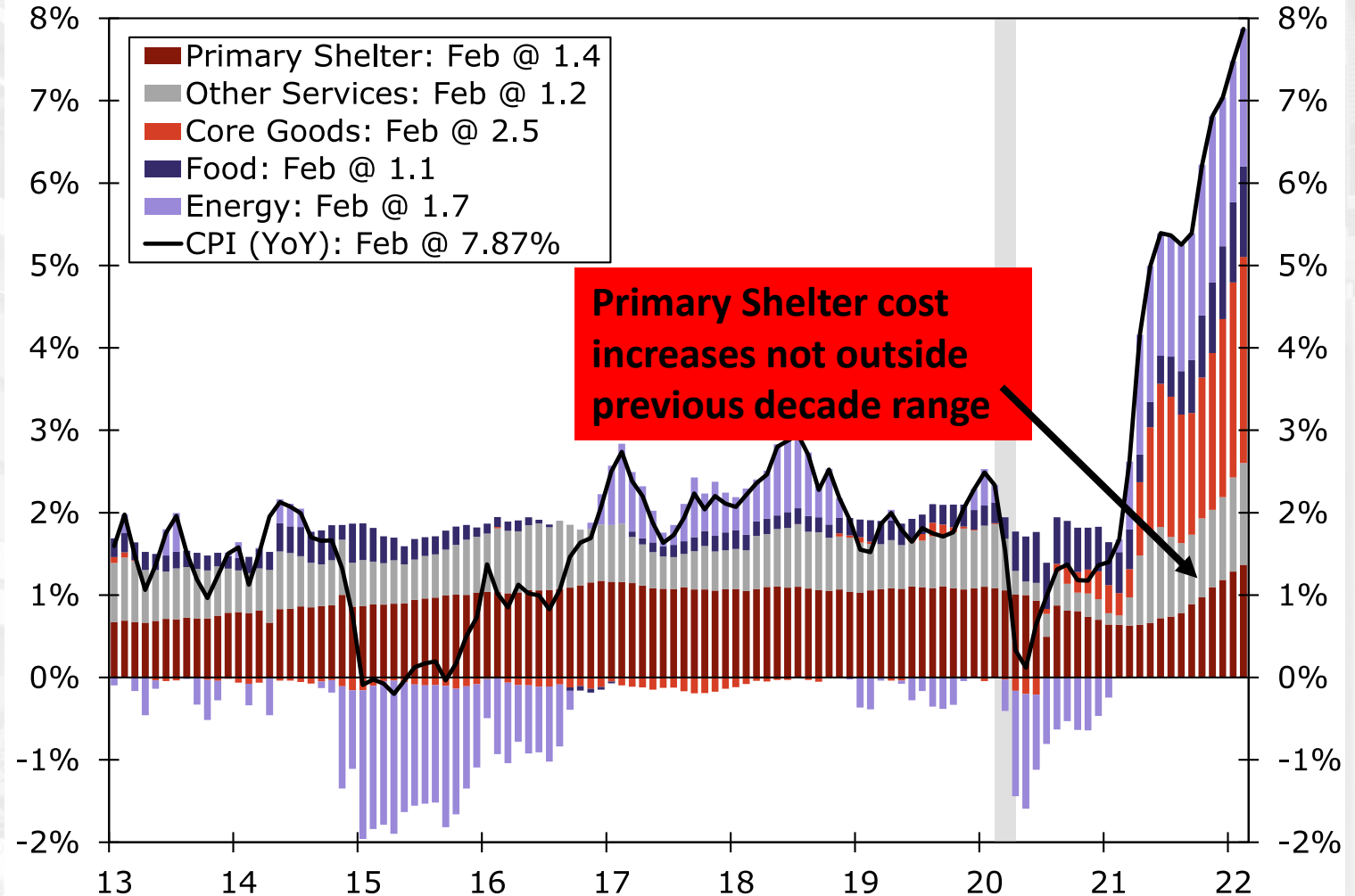
Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org

**PRIMARY
SHELTER
+ OTHER
SERVICES
CPI IN
LINE WITH
PRIOR
YEARS**

Consumer Price Index

Percentage Point Contribution to Year-over-Year Change

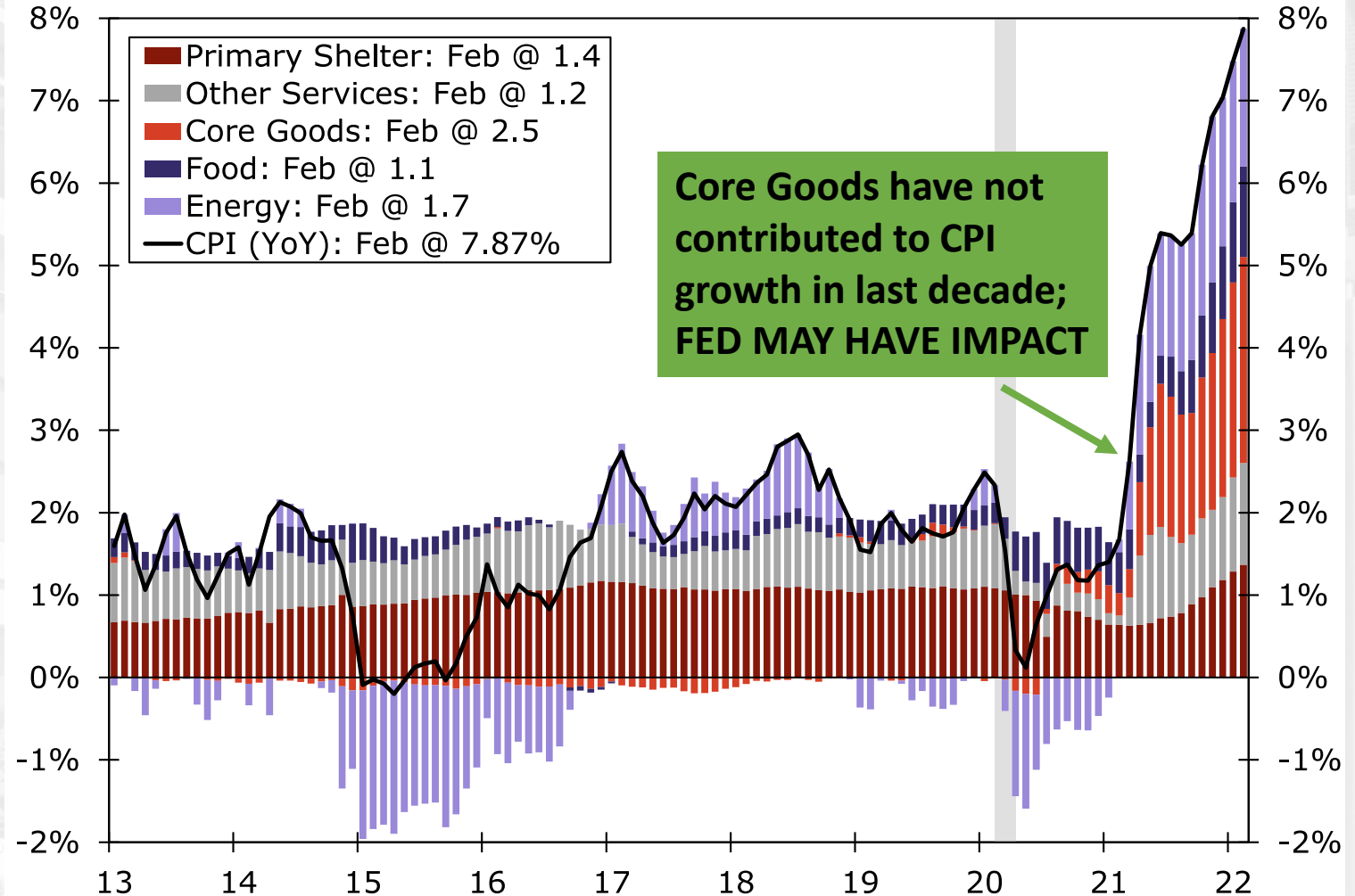


Primary Shelter cost increases not outside previous decade range

**CORE GOODS
INFLATION
DRIVEN BY
AUTOMOBILES
(12.4% FOR
NEW; 41.2%
FOR USED)**

Consumer Price Index

Percentage Point Contribution to Year-over-Year Change

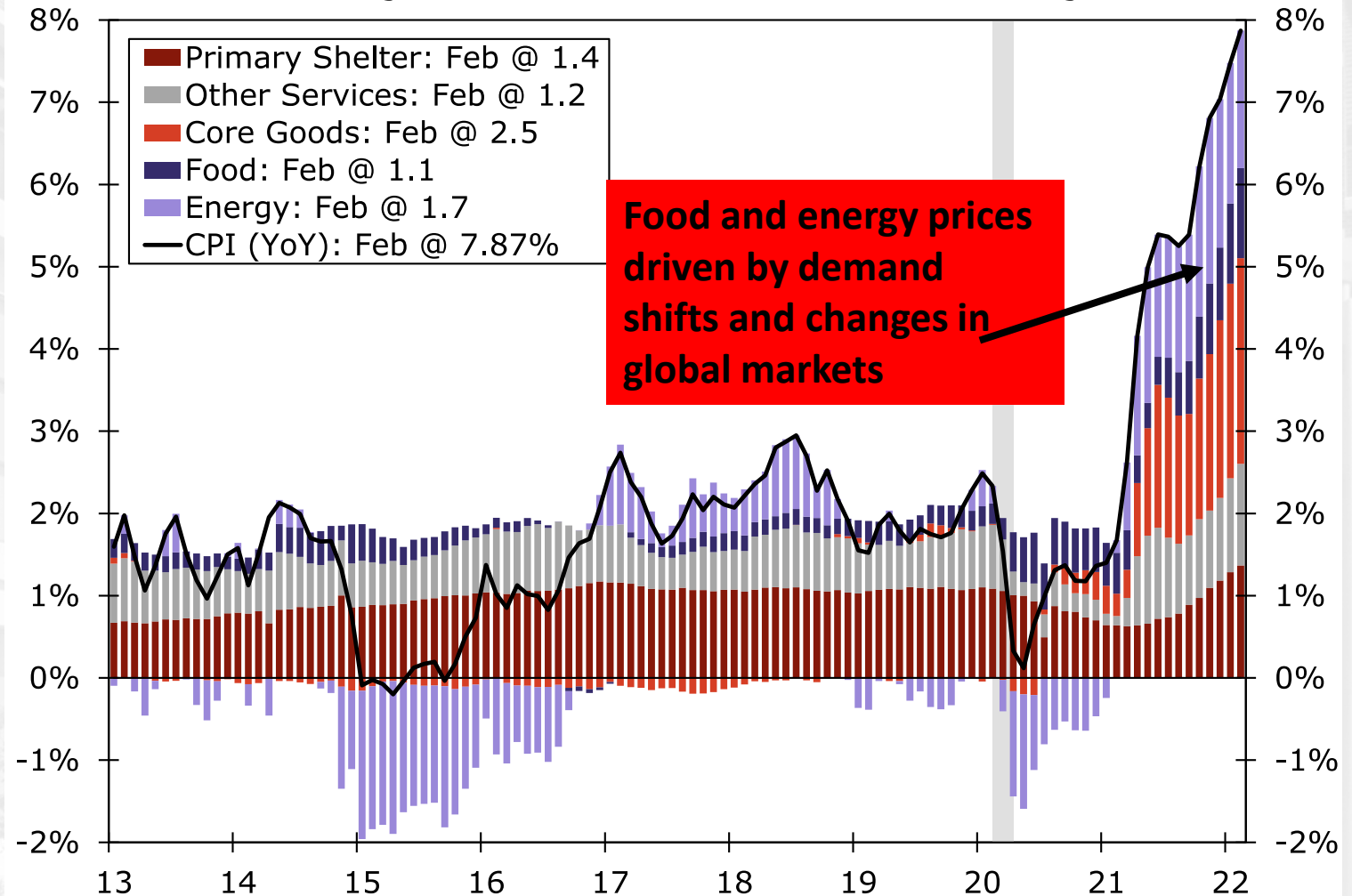


**ENERGY
PRICES UP
25%, even
before full
Ukraine
crisis effect
is priced in**

**FOOD PRICES
UP 8%**

Consumer Price Index

Percentage Point Contribution to Year-over-Year Change



**Food and energy prices
driven by demand
shifts and changes in
global markets**

INFLATION WILL CONTINUE TO RUN HOT IN 2022

- U.S. demand will continue to be above trend.
- Worldwide disruption from Omicron is just getting started.
- Ukraine/Russia is not helping anything.