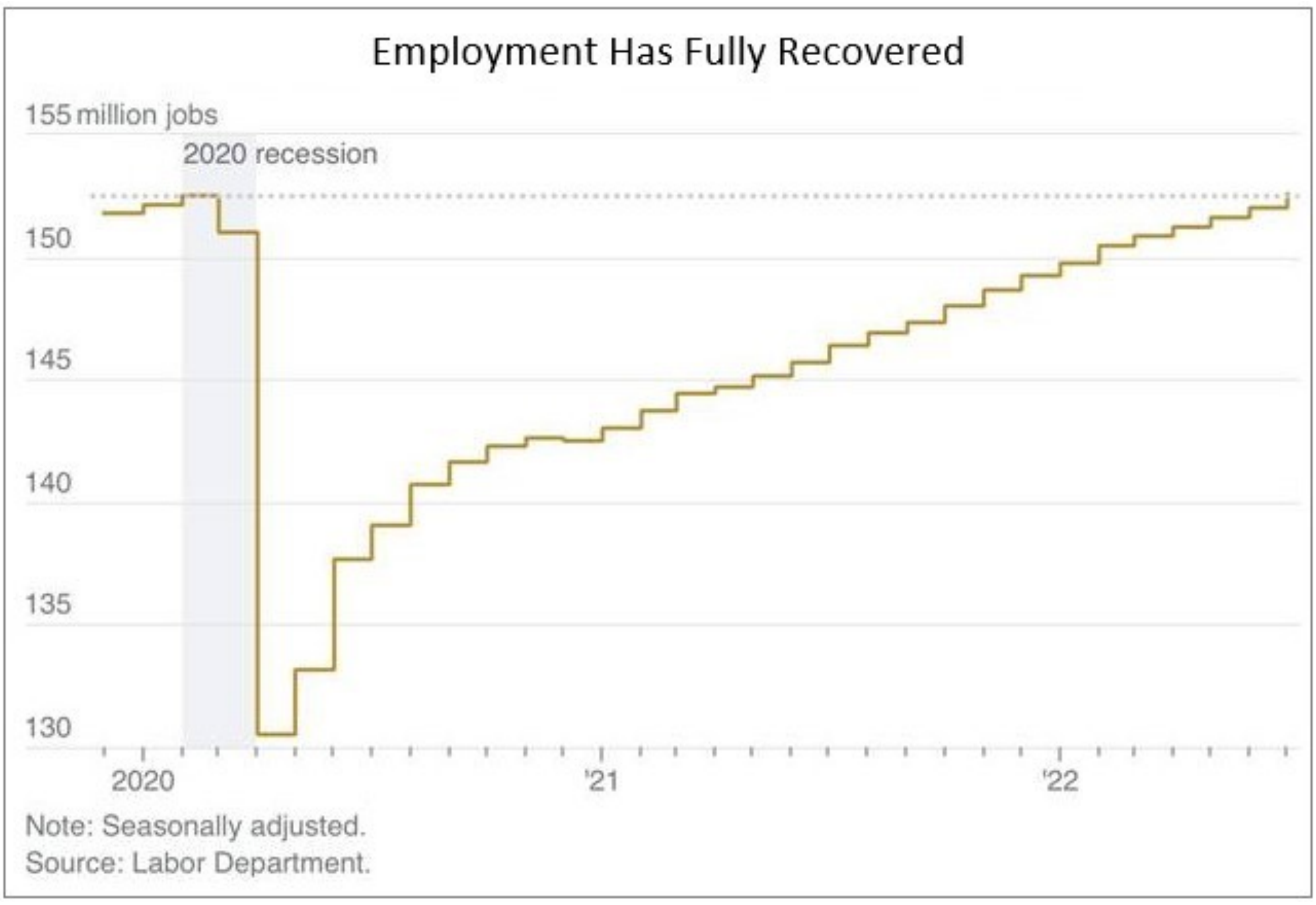
Chart of the Month

August 2022



On Friday, the U.S. Bureau of Labor Statistics reported payroll employment rose by 528,000 jobs and the unemployment rate edged down to 3.5%, matching a 50-year low. As shown above, employment, having regained the 22 million jobs lost in the pandemic, is now back to its prior high.

While real GDP declined 1.6% and 0.9% in the first two quarters, setting up the debate as to whether the economy is in recession, the strong labor market indicates that the economy is still expanding rather than contracting. The economy has added 3.3 million jobs this year for an average of 470,000 per month.

As detailed below, there has never been a recession in a year in which the economy created over three million jobs (like it already has in 2022). There have been 17 such years and not one recession. In fact, there has only been one year (1972) that produced a recession the following year (1973).

In addition, all six variables (personal income, nonfarm payroll employment, household survey employment, industrial production, wholesale/retail sales, and consumer spending) used by the National Bureau of Economic Research, the official arbiter of business cycles, to make its recession determination have *expanded* this year. Other than real GDP, which adjusts for inflation, there are no signs that the economy is in recession.

To wit, *nominal* GDP increased 7.8% in the second quarter, yet *real* GDP decreased 0.9%. The 8.7% difference is basically the rate of inflation. In other words, inflation ate up all the gains and caused negative real GDP. The bottom line is that the economy is growing in nominal terms and declining in real terms.

All eyes will turn to the highly anticipated July inflation report tomorrow morning. A “hot” number will incentivize the Federal Reserve to remain hawkish in its efforts to curb inflation while a better-than-expected print will give the Fed an excuse to be somewhat more dovish in raising interest rates at its next meeting in September and beyond. A continuation of higher and higher rates would add to the risks of creating a harder landing (recession) rather than a softer landing (slowdown).

Years With Over 3 Million Jobs Created
1941-2022

Year	Jobs Created	Recession?	Recession The Following Year?
1941	3,930,000	No	No
1942	3,811,000	No	No
1946	4,269,000	No	No
1950	3,339,000	No	No
1972	3,159,000	No	Yes
1977	3,962,000	No	No
1978	4,261,000	No	No
1983	3,459,000	No	No
1984	3,877,000	No	No
1987	3,152,000	No	No
1988	3,237,000	No	No
1994	3,851,000	No	No
1997	3,406,000	No	No
1998	3,047,000	No	No
1999	3,176,000	No	No
2014	3,004,000	No	No
2021	6,743,000	No	No
2022*	3,296,000	?	?
	No Recession	17/17	16/17

*Year Isn't Over Yet
Source: Carson, Bureau of Labor Statistics (BLS), National Bureau of Economic Research (NBER) 8/5/22

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