Moody's ANALYTICS

News

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MOODY'S ANALYTICS U.S. MACRO OUTLOOK: LABOR MARKET REVS UP, BUT UNEMPLOYMENT STILL HIGH

NEW YORK, June 11, 2014 — Moody's Analytics, a leading independent provider of economic forecasting, today released Chief Economist Mark Zandi's US economic outlook for June 2014.

According to "US Macro Outlook: How the Labor Market Heals," the US recovery looks set to accelerate in the coming months, although significant challenges still remain. The recovery is five years old this month, reaching the average expansion period, says Moody's Analytics.

Payroll employment rose to a new high in May as the US finally replaced all of the 8.7 million jobs lost during the recession, and job growth has accelerated above 200,000 per month since the start of the year.

In addition, real GDP is tracking near 4% in the current quarter, and while this exaggerates the economy's strength—it comes in part from a temporary rebound from the weather-impacted decline in GDP during the first quarter—it likely signals consistently stronger growth in coming quarters.

"Although the labor market has improved, unemployment and underemployment remain frustratingly high," said Zandi. "Job-market slack is estimated at nearly 2% of the labor force. For context, in the wake of the tech-bust in 2000, job-market slack peaked at no more than 1% of the labor force."

According to the report, job market slack is tied to the high number of people out of work more than six months, as well as those who have left the labor force. While some of the long-term unemployed may have left the job market force permanently, many remain employable. These will fill jobs created as construction companies and state and local governments resume hiring once the hiatus imposed by the financial crisis ends.

Finally, Moody's Analytics says that wage growth may revive sooner than expected as employers have been unwilling to slow wage growth below the inflation rate, and will pay more as the market tightens. Economy-wide wage growth may accelerate before the job-market slack is completely absorbed.

For more information, visit Moody's Analytics Dismal Scientist.

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including the proprietary analysis of Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of $3.0 billion in 2013, employs approximately 8,500 people worldwide, and has a presence in 31 countries. More information is available at www.moodysanalytics.com.

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