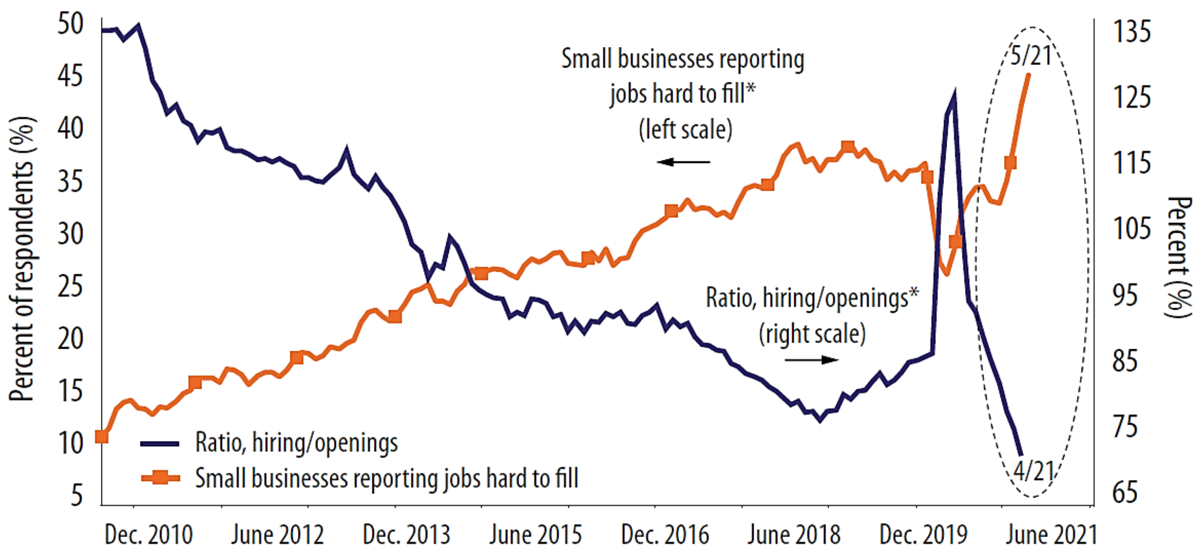
WELLS FARGO Investment Institute

Chart of the Week

Weekly market analysis on key market indexes | June 15, 2021

Why we expect hiring headaches to continue



Sources: U.S. Bureau of Labor Statistics, National Federation of Independent Businesses, and Wells Fargo Investment Institute. Data as of June 10, 2021. *Three-month moving average

Ratio of hiring to job openings has fallen, while more small businesses report challenges filling jobs

We expect labor-market conditions to remain tight in coming months, as strong economic growth collides with a limited supply of available workers. The paradox of worker shortages despite an unemployment rate that is more than 70% above its pre-pandemic low speaks volumes about labor-market dislocations aggravated by booming demand.

Some of the shortfall is structural, including shifts in demand, a chronic shortage of transportation and other skilled labor, and the early retirement of older workers during the pandemic. And some of the shortfall may reflect enhanced unemployment insurance discouraging workers from returning to their jobs and the impact of the pandemic on childcare availability and concern over returning to work.

What it may mean for investors

- Our expectation is that strong economic growth, with labor-market supply constraints, will remain in place through the second half of 2021.
- We expect the unemployment rate to finish the year at 4.7% — more than a percentage point above the pre-pandemic low of 3.5% — for several reasons: the permanent loss of business establishments that closed during the economic shutdown; lingering dislocations between unemployed and labor demand; and structural changes in the economy that were caused by the pandemic.

Global Investment Strategy Team

This chart was excerpted from the June Asset Allocation Strategy report dated June 15, 2021

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