



THE ONE THING THAT COULD **KILL** INFLATION



Agenda: The one thing that can kill inflation

- Wage growth hot zones
- Wage growth mild zones
- Wage growth cold zones
- Services to Manufacturing and Back
- Locked up employees?

Hot Zones: US

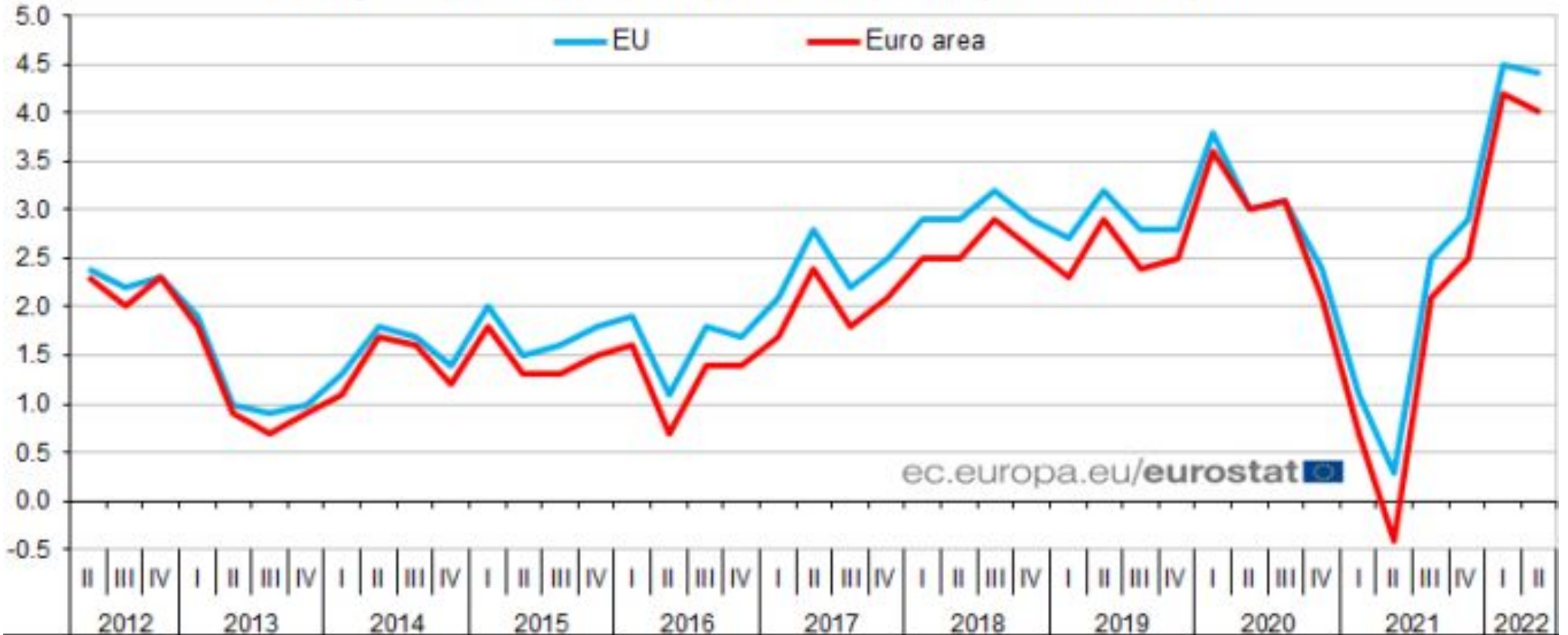


Hot Zones: UK



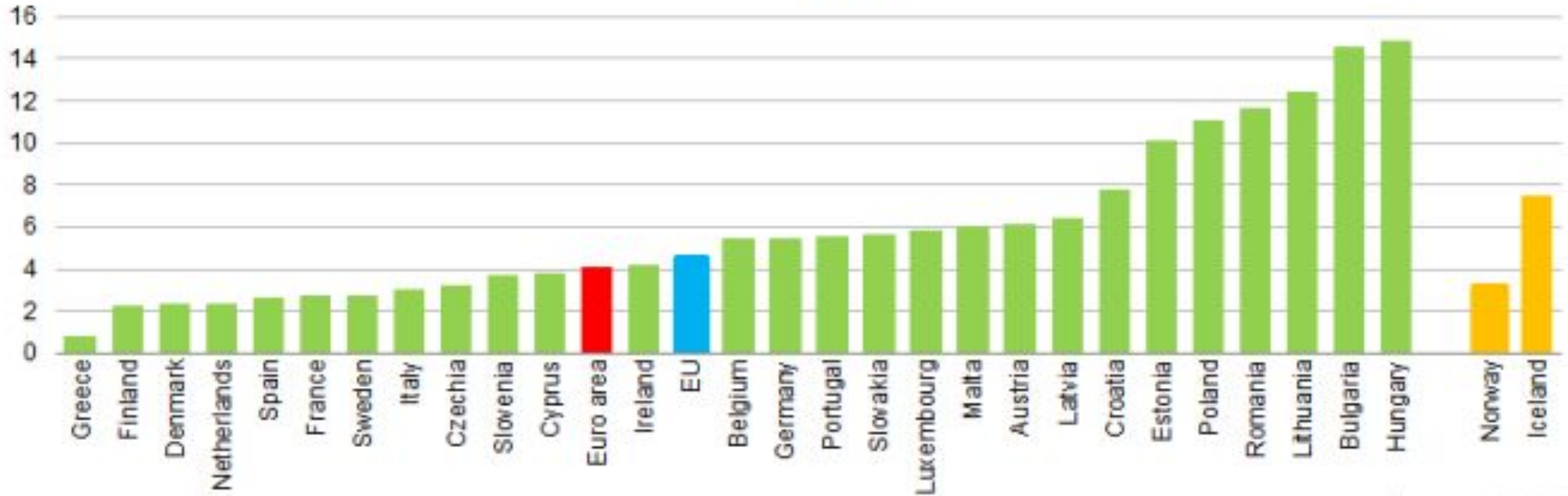
Mild Zones: Europe

Nominal hourly labour costs, whole economy
% change compared with the same quarter of the previous year, calendar adjusted



Mild Zones: Europe

Nominal hourly wage costs, whole economy
% change compared with the same quarter of the previous year, calendar adjusted
Q2 2022



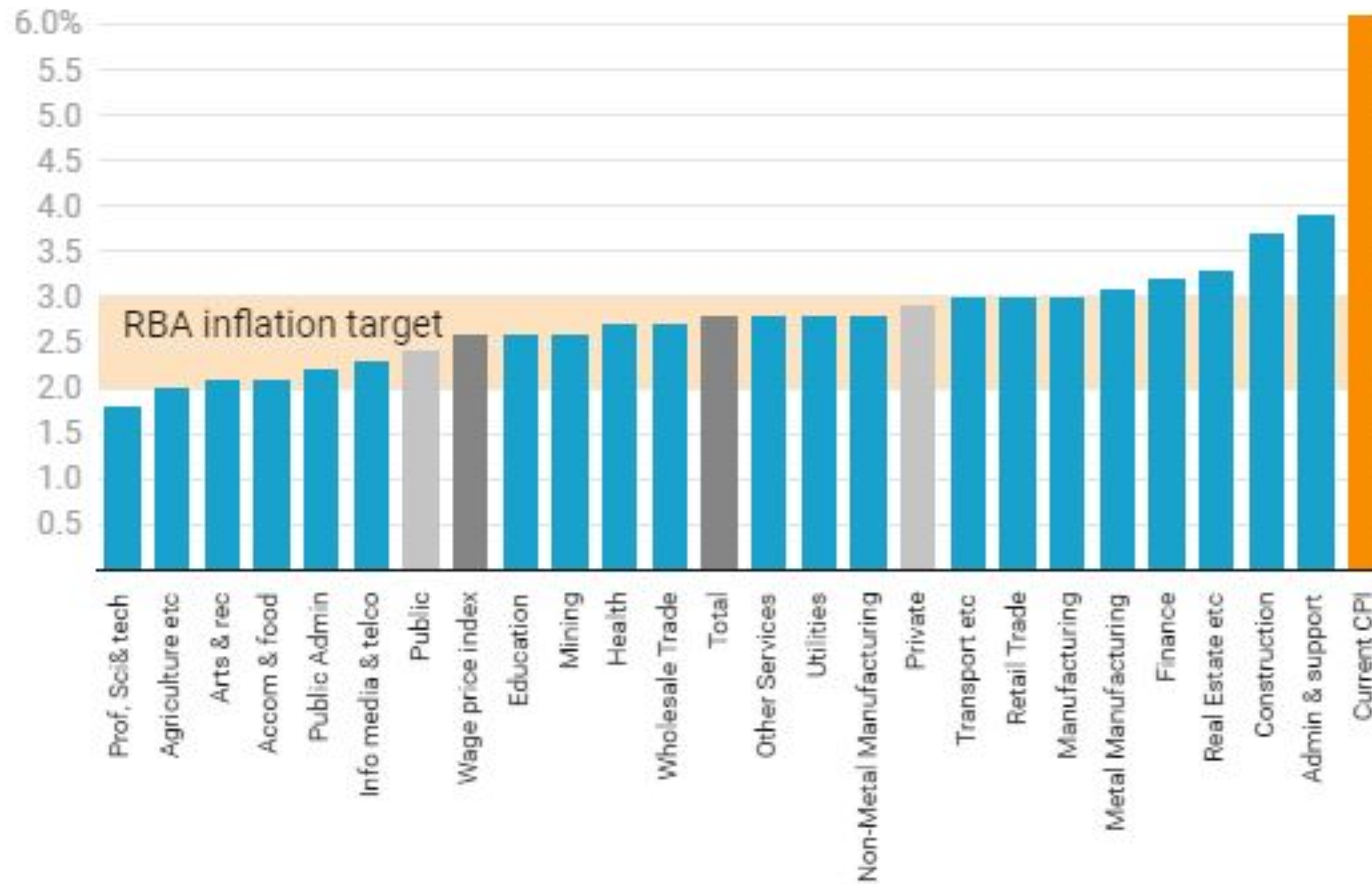
Mild Zones: Canada



Cold Zones: Japan



Cold Zones: Australia



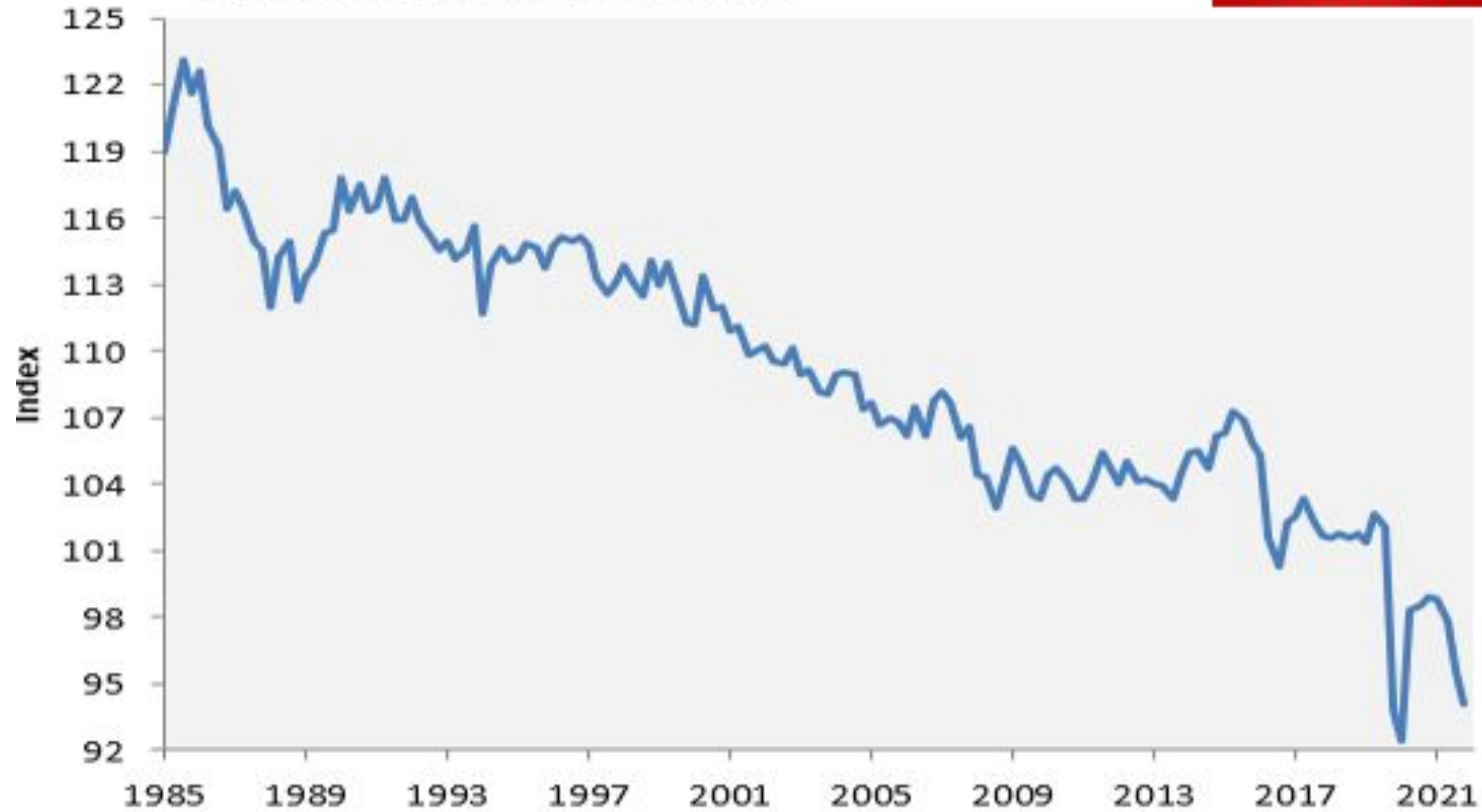
Average annual wage growth over the course of the agreement

Cold Zones: Australia

Real Unit Labour Costs

Source: Australian Bureau of Statistics

MACRO
BUSINESS

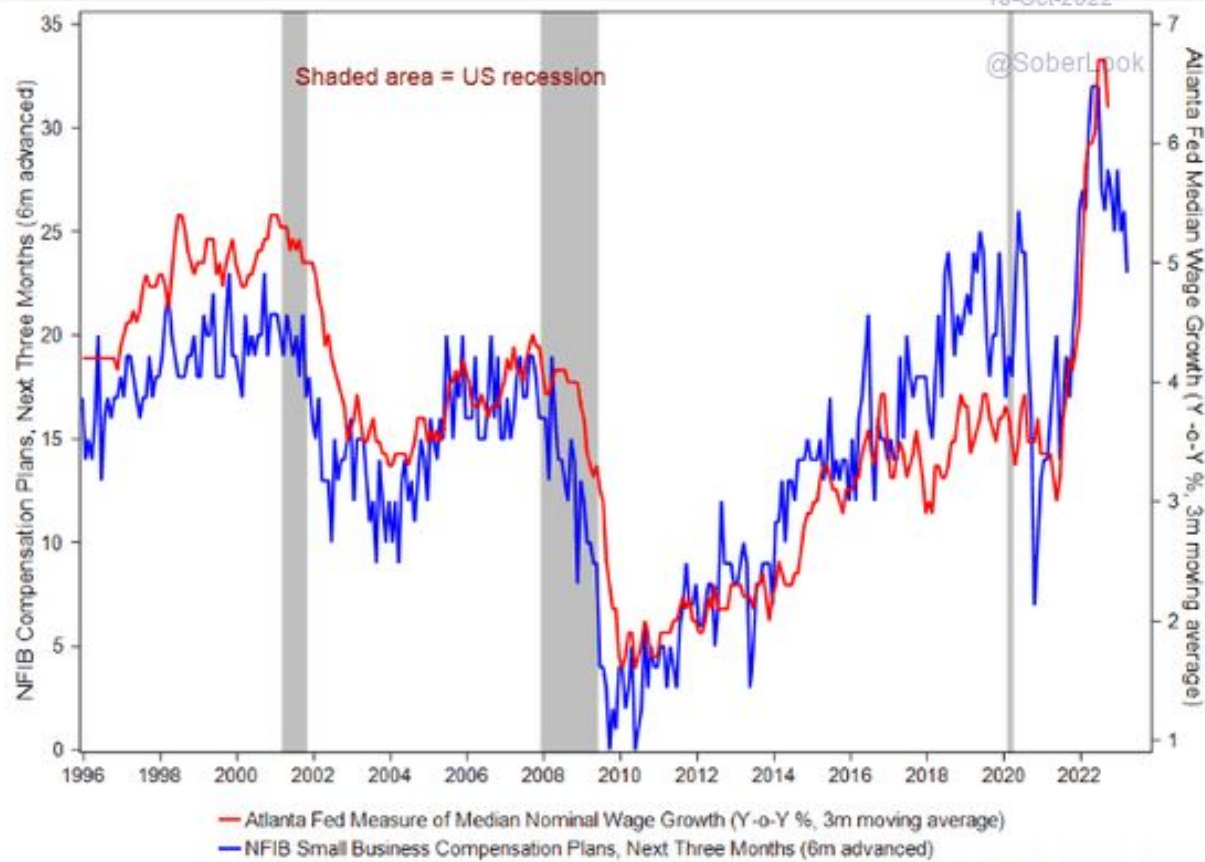


Please see the article mentioned in the show called “[Ignore solar pricing at your investing peril](#)”

<https://nucleuswealth.com/articles/energy-price-parity-no-party-for-coal/>

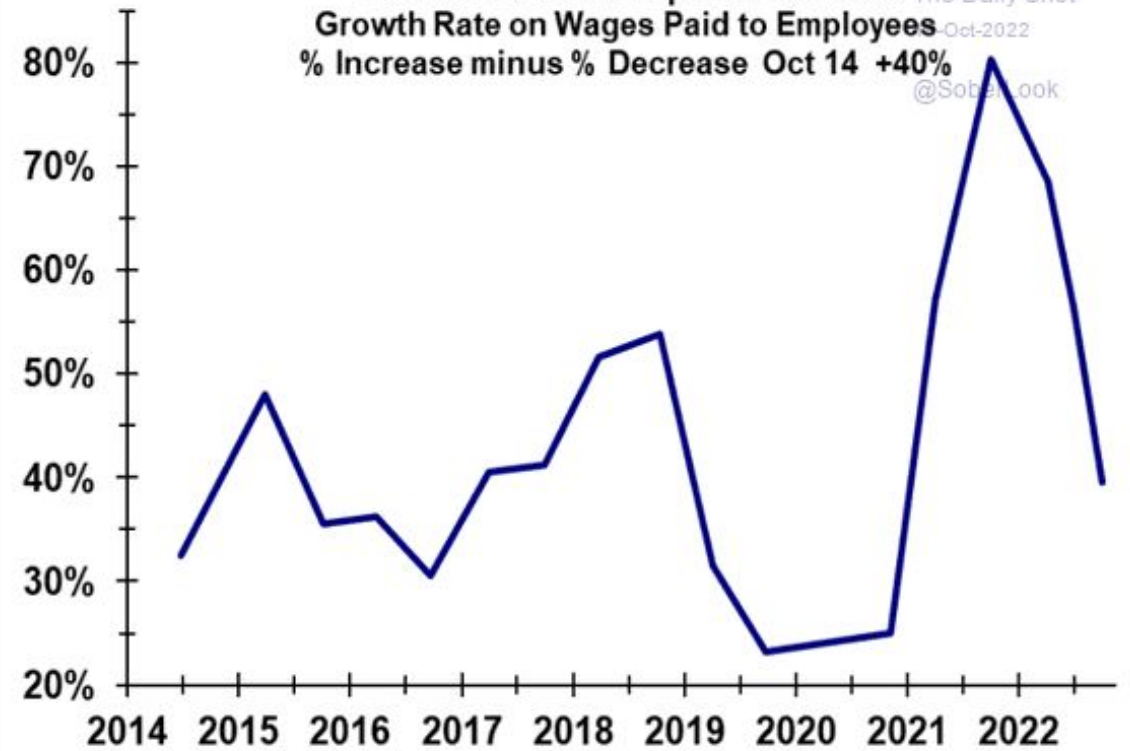
Surveys are weak

FIG 11: NFIB small business compensation plans (6 months advanced) vs. Atlanta Fed median wage growth (Y-o-Y %)



Evercore ISI Company Surveys

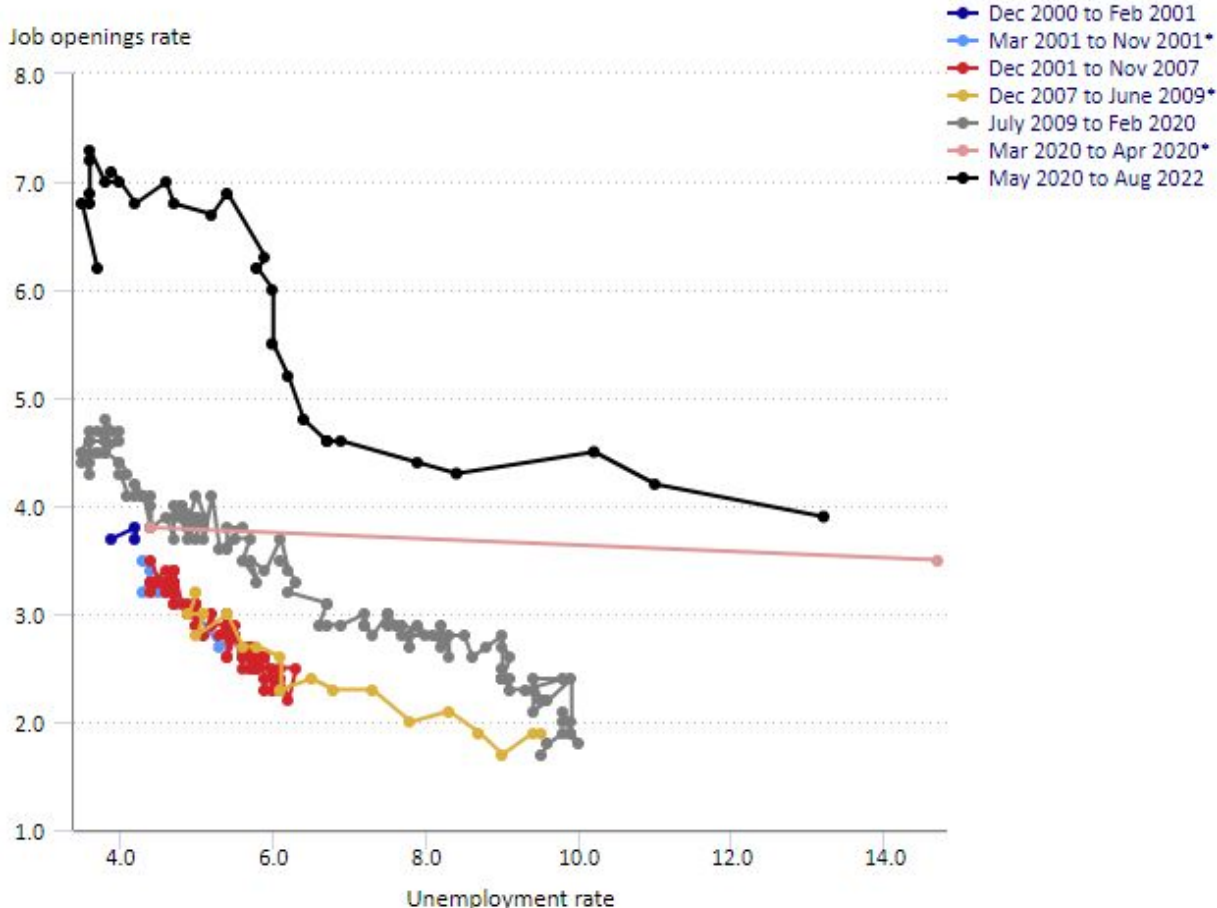
CFO Next 12 Mos. Expectation of the Growth Rate on Wages Paid to Employees
% Increase minus % Decrease Oct 14 +40%



Beveridge Curve

The Beveridge Curve (job openings rate vs. unemployment rate), seasonally adjusted

Click and drag within the chart to zoom in on time periods



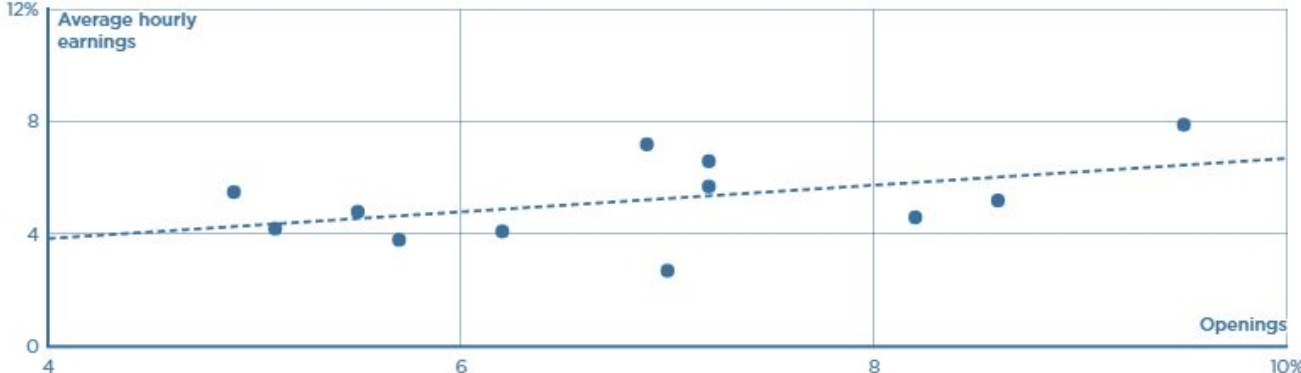
Note: * represents recession, as determined by the National Bureau of Economic Research
Source: U.S. Bureau of Labor Statistics.



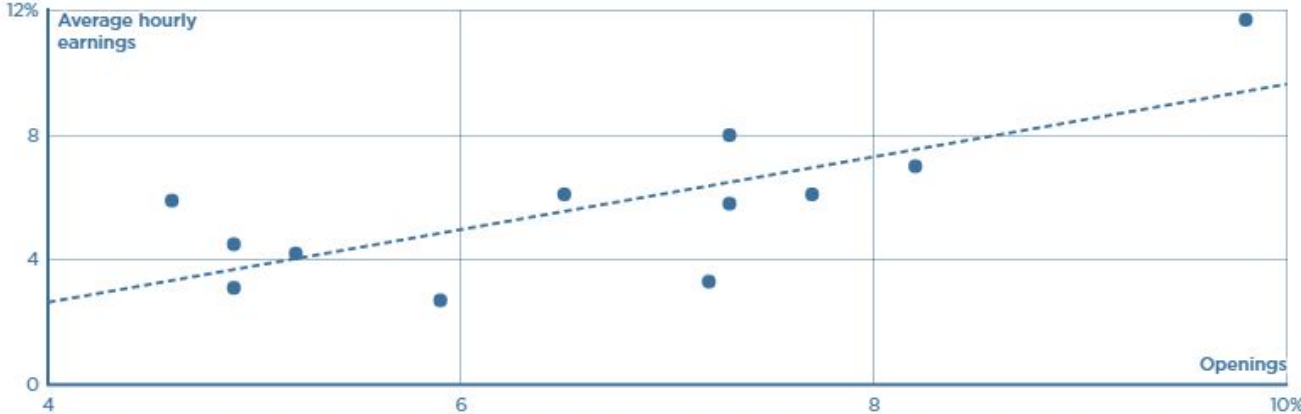
Shortages having less of an effect?

Supply and demand may be playing a smaller role in shaping wage growth across sectors than earlier in the recovery

a. 12-month percent change in average hourly earnings vs. job openings rate by industry sector, September 2022



b. 12-month percent change in average hourly earnings vs. job openings rate by industry sector, March 2022



Notes: Job openings rate is job openings as a percent of total employment plus job openings. Dashed line is linear trend. Job openings rate is average from October 2021 through August 2022 for panel a and April 2021 through March 2022 for panel b.

Source: Bureau of Labor Statistics via Macrobond; authors' calculations.

Old people have left the workforce

US labor force participation still trails its pre-pandemic levels as older workers are reluctant to re-enter the workforce

a. Labor force participation rate for workers aged 25–54, percent



b. Labor force participation rate for workers aged 55 and older

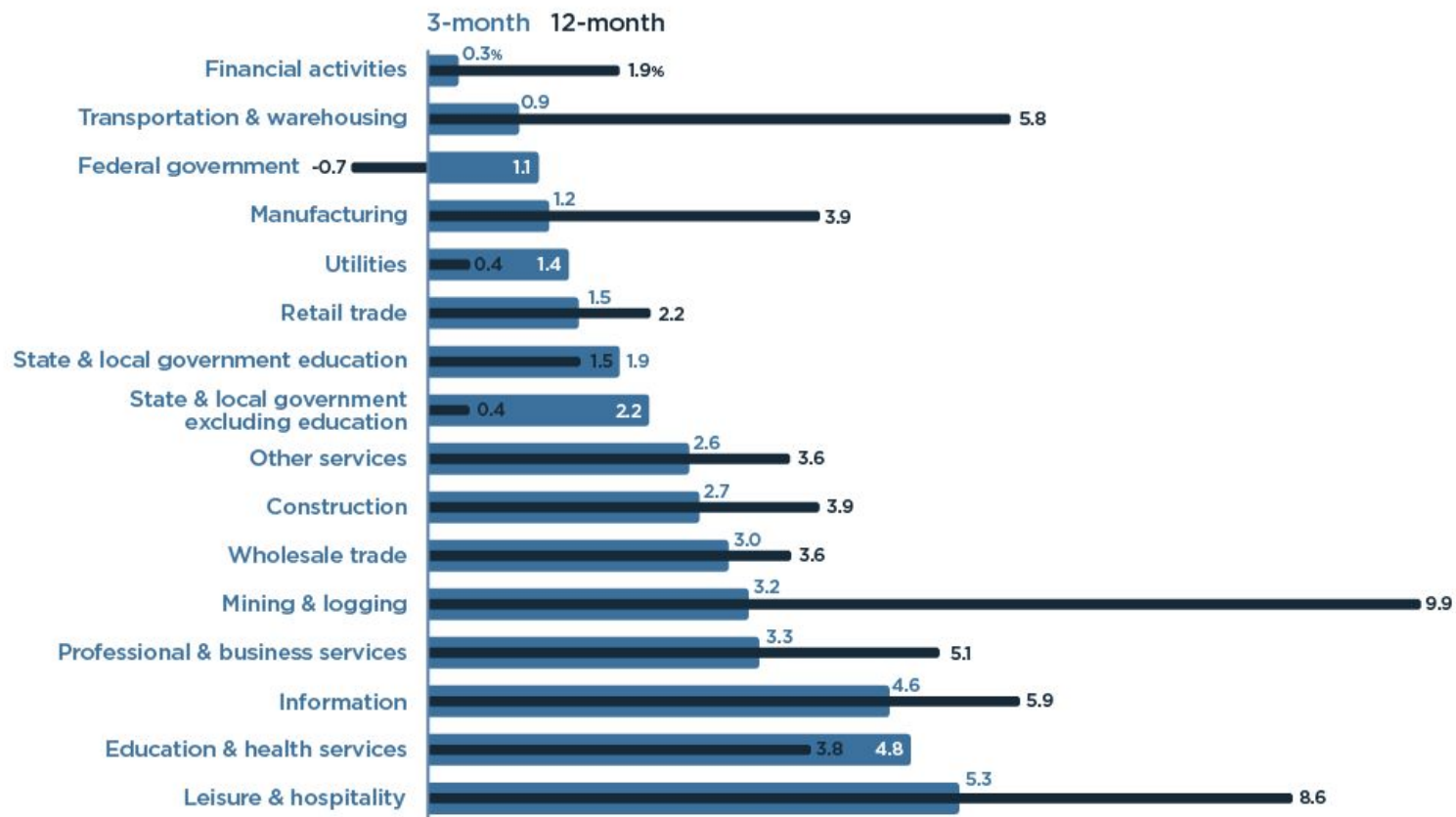


Goods to Services and Back

Figure 2

Payroll growth has slowed across most sectors

Percent change in nonfarm payroll employment by sector, annual rate, September 2022



Other Factors

- Locked up employees
- Wage growth cold zones
- Unionisation
- Structural change, work from anywhere

Viewer question of the week:

Is a wage growth breakout imminent?

Drop your answers in the comments

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