

Macro Roundup Article

Headline: [Another Path](#)

Article Link: <https://fedguy.com/another-path/>

Author(s)	Joseph Wang
Publication	Fed Guy Blog
Publication Date	May 07, 2024

Tweet: [. @FedGuy12 notes that the US labor market is softening while labor supply is rising due to immigration, and sees a possible spike in unemployment, implying the "probability of more rate cuts is increasing."](#)

Summary: While the Fed expects the labor market to soften this year, the unemployment rate can easily rise by more than they expect. The unemployment rate has steadily risen over the past year and now sits at 3.9%, just shy of the Fed's expected 4% unemployment rate for year-end 2025. An observation made by Dudley and Sahm is that the unemployment rate exhibits momentum, so increases tend to foretell further increases. In addition, the influx of millions of migrants places persistent upward pressure on the unemployment rate. Many of these migrants have limited skills and lack English proficiency, so they may be particularly vulnerable to weaker labor demand. A large but opaque increase in labor supply combined with a bout of weakening demand could move the unemployment rate upwards faster than anticipated.

Related Articles: Is Nominal Wage Growth Starting to Slow? and Global Views: Friendly Baseline, Greater Risks and The Active Role of the Natural Rate of Unemployment During Cyclical Recoveries

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Monetary Policy, Op-Ed/Blog Post, Unemployment/Participation, Workforce

Permalink: <https://www.edwardconard.com/macro-roundup/fedguy12-notes-that-the-us-labor-market-is-softening-while-labor-supply-is-rising-due-to-immigration-and-sees-a-possible-spike-in-unemployment-implying-the-probability-of-more-rate-cuts-is-incre?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2024/05/20826-another-path-featured-image.png>