Macro Roundup Article

Headline: Signs of a Broadening Labor Market Slowdown?

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Tweet: According to @BankofAmerica microtransaction data, the proportion of customers with a 3-month gap in payroll deposits is now above its level during 2018-19, suggesting a weakening labor market.

Summary: Pay disruptions have been rising over most of 2023 Using Bank of America data, we define the 'Payroll Disruptions Rate' as the proportion of customers who previously had 12 months of regular payroll payments into their accounts, but then had three months of no payments, relative to the total number of customers with 12 consecutive months of payroll. The rate has been rising over most of 2023. Even with a drop back in the latest October data, the Payroll Disruptions Rate is higher than the two years prior to the pandemic. Pay disruptions will likely occur for a number of reasons. Most obviously if someone loses their job and takes over three months to find another. If someone exited their job for other reasons, such as the need to take care of children, this would also increase the Payroll Disruptions Rate, as would someone taking over three months to set up a direct payment into their account. But a persistent rise in the rate, is likely to indicate a weakening labor market. It remains to be seen if the October drop is just noise, or a more consequential break in the upward trend.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Other Source, Unemployment/Participation, Wages/Income, Workforce

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