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**ROMAINE BOSTICK, BLOOMBERG:**

Meanwhile, we go back to the big story of the day, which was that monthly jobs report that we got this morning, 8.30 a.m. Washington time, a surprise to the downside. But for some, it's a welcome surprise and an orderly decline in economic conditions, one at least some folks think might help us avert recession. Tiffany Wilding is joining us right now, PIMCO US Chief Economist and Managing Director there. And looking through these numbers, Tiffany, I mean, always with that asterisk by this that in any other environment, 187,000 jobs created would actually be considered a relatively good report. Did you find a lot of good in this report?

**TIFFANY WILDING, PIMCO:**

Yeah, you're absolutely right. 187k jobs, just taking a step back is where we were prior to the pandemic. It's a pretty solid pace of job gains. Now, of course, everything's relative. And coming down off of 700,000+ job gains when we were really recovering from the pandemic, this is actually down quite a bit. I think when we look at the broader trends in the labor market, I think what stands out to us is a couple of things. The first is the labor market is slowing. You are seeing payroll growth that is slowing. And that should continue as we have just the broader economy which is slowing. I think the other thing, though, is that wage inflationary pressures, although they've come down, more recently, they've kind of been stuck, according to average hourly earnings, which is the wage data that's reported with the labor market report. So I think the key question here is still, how much labor market softening do we really need to get wages that are back down with more central bank mandate consistent levels? And unfortunately, this report didn't give us a lot of information on that.

**BOSTICK:**

Well, what do you make of some of the comments that we heard today? David Westin had a chance to catch up with the Atlanta Fed president as well as the Chicago Fed president and both of them kind of saying the same thing here, though, that they're seeing the disinflation, but they're seeing it in a much more orderly fashion that, at least in their eyes, they think maybe gets us to that soft landing, though I should point out they didn't use that phrase.

**WILDING:**

So I think you have to be a little bit careful. So the way that we're thinking about this is that there were myriad factors, post-pandemic, that resulted in what we call a one-off price level adjustment. Whether they were fiscal factors, which were exacerbated by supply, bottlenecks, and factors, but that adjustment has basically, we think that's more or less happened. So that means that basically inflation should be coming down as those pandemic-related effects fade. Now, there's another underlying issue here, though, which is that wage inflation or wage levels have not caught up to that increase in price level since we've seen in the pandemic. So people from a real basis are still down relative to others. So they want to continue to catch up. And obviously, we're seeing this with the strikes that are coming out. The UAW, obviously, just came out with a pretty demanding list, the United Auto Workers. And so with tight labor markets, it looks like there's a bit of labor bargaining power out there. And so the question is, does that keep wages and wage inflation more sticky? In which case, you can have a situation where price level inflation starts to really moderate in the back half of this year, but eventually kind of accelerates back up because wages aren't moderating.

**KATIE GREIFELD, BLOOMBERG:**

Tiffany, I'm hoping you can solve a little bit of a mystery for me because when we think about the data that we got this week, of course, we got ADP absolutely crushing it at about 325,000 jobs. And then you look at what we got from NFP, 187,000. And there's been a lot of talk about how there's usually a disconnect between those two data sets. It feels particularly pronounced this last month. How do you think about the relationship between those two numbers?

**WILDING:**

I think that the ADP numbers, quite frankly, are really, really hard to interpret. We look at other data from a company called Paychex, which has a sample of small companies that they service. And the data that's coming out of their database is suggesting also opposite trends as to what we saw in the ADP report for small businesses. It basically suggested that some of the reacceleration in ADP payrolls was small and mid-sized businesses within the leisure and hospitality sector, in particular areas in New York, where these other data sources are putting small businesses on a pretty decent downward trend. So it's really hard to read the ADP data in general. We really try to focus on the NFP data. And I think there, again, the story that comes out of that is that you are seeing the labor market slowing. Now, I don't want to get too wonky, but there are other things, other source data that the government uses that actually suggests that payrolls actually might be overstating what's actually happening in the economy. So if you look at, on a lag, unemployment insurance records and things like that, it suggests maybe the labor markets aren't as hot as what the labor market report suggests.

**GREIFELD:**:

Tiffany, I'm hearing what you're saying. And it sounds like I can ignore ADP going forward. So I like that. We don't have much time left, but I do want to push ahead to next week when we do get the July inflation numbers. And if you look at CPI, what's expected on a year-over-year basis, expected to see a little bit of a reacceleration from 3% to 3.3%. I know a lot of that comes back to base effects, but is that a dynamic you expect to see? Continued reacceleration?

**WILDING:**

Well, as I said before, I do think you will see in the year-over-year rates, I think core is the one that everybody should really focus on here. Because as you said, we had a lot of volatility in energy prices last year. And that's resulting in volatility in how the year-over-year rate moves now, because those prints are falling out of the calculation window. But core, you don't have as much noise. So really focus on core here. And we do think core inflation can decelerate down. CPI core inflation can decelerate down to three or three and a half by the end of this year. Now, but again, some of the things that are causing that, they're a little bit one-off in the sense that you are having used car prices that are falling now, and falling pretty fast. But that's not going to happen forever. At some point, used car prices will stop falling, and that downward pressure on core inflation will subside. So we do think you can see some reacceleration in inflation next year. That's going to depend on wage inflation, but that's a next-year story.

**BOSTICK:**

All right, Tiffany, always great to catch up with you. Have a wonderful weekend. PIMCO Economist Tiffany Wilding helping to kick off today’s program.