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**TOM KEENE, BLOOMBERG:**

Recalibrating is Tiffany Wilding, PIMCO Economist. It's going to be a fascinating recalibration into September. How do you adjust Tiffany, off the jobs report today and just as much off the Fed guessing game of September and November?

**TIFFANY WILDING, PIMCO:**

Yeah, I mean, obviously every report is going to have a little bit of noise in it. We know the Screen Actor's Guild strike created some noise in this report. But I think it's useful just to smooth through the numbers. If you do that, three month moving average payroll gains of 150 is well below the 12 month moving average, for example, or even the six month moving average. So the bottom line to me is that the labor markets are slowing. That's honestly great news for the Fed. They're slowing, but they're not falling off a cliff. Add to that the fact that you had the participation rate increase today, as prime age folks are coming back to the labor market, you know, this is really a Goldilocks report for the Fed. You know, I definitely think it takes the pressure off them to hike again in September. You know, and potentially it could even take some pressure off them to hike in November as well.

**KEENE:**

That's a drinking game, John.

**JOHN TUCKER, BLOOMBERG:**

Four “Goldilockses”!.

**KEENE:**

Tiffany, we're having a drinking game out here on a Goldilocks report, you know?

**TUCKER:**

Remember, that was a story that also had three bears in it. I would point out parenthetically.

**KEENE:**

Every time we hear the word Goldilocks, we have a sip of tang. John?

**TUCKER:**

Can I shift just a moment to the consumer? I mean, it's hard to count out the American consumer and the spending. But where's the money coming from?

**WILDING:**

Yeah, I mean, I really do think that you hit the nail on the head in terms of the key question for the outlook. You know, so the savings rate has actually dropped in the last couple of months. So that suggests that consumers, you know, are spending more than what their incomes would suggest. We're also seeing that in credit card data, you know, so you've seen credit card balances, overall, and the economy really starting to tick up. So these kinds of trends aren't really sustainable. And the reason why we've all argued that the savings rate has been lower over the last year is because consumers still had this big pot of money, if you will, from, you know, the pandemic related handouts from the government. And the big pot of money is basically what's sustaining their consumption. That is going to run out. Nevertheless, exactly when that runs out is kind of a key question. There's a lot of uncertainty around that. The Federal Reserve has put out various studies, you know, but I think you can calculate anywhere from, you know, one and a half trillion all the way down to that's completely depleted on a real basis. So there's a lot of uncertainty around that. But when that does run out, you know, you should see consumption that's really starting to slow. So that's key to the overall outlook.

**TUCKER:**

Who's got the bargaining power right now? Employees or employers as they're trying to get a reboot back to the office?

**WILDING:**

Yeah. Well, I mean, it does seem like from, you know, we are seeing these strikes, you know, as you kind of allude to, you know, labor markets are tight. And, you know, the thing that we've been arguing is that, you know, price levels since the pandemic are much higher. This is an obvious statement. They've adjusted a lot. Wages, though, nominal wages on average have not adjusted by as much. So although real wages have been positive more recently as inflation's moderated, there's still some ketchup to do. And, you know, if the average worker in the United States, if they can bargain for more in order to get that catch up, then they're going to do it. So, you know, I do think, you know, wage inflation probably will, you know, even, you know, even as the economy cools, wage inflation could stay elevated just as, you know, as these workers sort of start to continue to bargain to just make up for loss ground since the pandemic.

**TUCKER:**

Okay. Can I still call my financial advisor in PIMCO and get a good rate, or did I miss the boat with all my money?

**WILDING:**

No, I mean, I would say, you know, interest rates are elevated, right? I mean, they're definitely elevated relative to pre-pandemic levels. You know, I know that relative to, you know, kind of the 2000s, obviously, you know, kind of getting back to those norms. But now, you know, over the last 10 years, you've basically been earning zero in the bond market. And now, you can get some yield. You know, so highly rated, securitized products, AAA, securitized products, you know, can give you juicy yields, dare I say. So, you know, we've been arguing, you know, why go outside the bond market right now? When you can get a pretty decent yield, and the economic adjustment that we know we need to get as a result of this elevated inflation hasn't happened yet. And when that happens, usually that's not good for equities or lower quality bond markets.

**KEENE:**

Tiffany Wilding with us with PIMCO, we continue with Tiffany. We are waiting for the Acting Director- or the Acting Secretary, I should say, at the Department of Labor, Julie Su, who's hughley qualified. Both of them are in California, which I think is sort of a cool thing as well. Tiffany, we're going to get the word from the Labor Department that it is a buoyant American economy. You have the unemployment rate, suddenly 3.8%. At what level of unemployment rate do we impinge on our fully employed America? Is it 3.9? Is it 4? Is it 4.2? Dare I say is it 5%, where does the angst click in on the unemployment rate?

**WILDING:**

Well, so there's, I think there's two questions here in terms of what matters, and actually we would argue both matter, but it's how fast is the unemployment rate going up? You know, obviously, historically, if you've had an unemployment rate that increases by more than 50 basis points, you know, over, you know, kind of a three month moving average period, and that's been usually consistent with the economy going into recession. But, you know, we are, you know, overall, I think we are well under- the labor market is operating above capacity, and that we are well under that normal level of employment that you'd expect. And so we do need to get back to those levels, the labor market does need to get back into better balance. The question is just like, how disorderly is that? Are we going into recession? Or can we do it in this nice, smooth way, like federal reserve officials are expecting?

**KEENE:**

We continue on this American economy with union organizer Tiffany Wilding of PIMCO. And Tiffany, academic 101 is the atomization of the American labor economy. Do unions all of a sudden have an upper hand of my youth?

**WILDING:**

Well, you know, I think it's just overall you have a very tight labor market, and when you have a tight labor market, you know, people can just bargain for higher wages. You know, and obviously that includes unions. And if you just look historically, you know, over the last, you know, 20, even 50 years, real wage gains in the United States have been extremely stagnant, and in particular in the lower, you know, kind of in the lower wage level jobs. So, you know, I think unions are just really capitalizing on the current environment and just trying to make up some of those gains. And that's kind of what they're there to do, you know, and that's what happens in a tight labor market, you know, and that's why, you know, kind of I guess more recently, the Federal Reserve officials have suggested, “Hey, maybe we want a tight labor market.”. You know of course, inflation has been so elevated as a result of pandemic-related factors now that you want to be a little bit careful about, you know, the level of wage gains that you're continuing to get, and you want to make sure they're at mandated consistent levels. You know, but overall, you know, real wage gains increase the utility and the welfare of the broader economy.

**KEENE:**

Where are you on Work from Home? Do people at PIMCO work from home? I mean, I just don't see it. I mean, it's a sweatshop.

**TUCKER:**

They're in Newport Beach. Why would they work from home?

**KEENE:**

Exactly. Work from Cabana? I mean, Tiffany, where are you on the updated Work from Home? I mean, Nick Bloom's publishing up a storm at Stanford and others, and I would say there's been a percolation late August that- and John, you've been very good about this; it's sort of the move back to office has quieted. Am I right on that, Tiffany?

**WILDING:**

Yeah. I mean, so if we look at, you know, indicators from these larger buildings, of how many people are actually swiping into those buildings, right? Those indicators still suggest that the buildings, you know, that people used to go to the office. Those buildings are still maybe at half capacity. You know, that's happening, you know, in Houston, as well as in New York and San Francisco and LA. It's kind of happening everywhere. So I do think that the work from home, you know, it's not maybe at its pandemic-related peak, right? But people are back to the office, but there's still more working from home that's happening, you know, relative to what we saw pre-pandemic. You know, and that is actually having an impact on the labor market. You know, we've actually argued that's kind of creating some frictions, because when people work from home, you know, they don't go out to lunch in big cities, or they don't get their haircut, or go out to, you know, maybe they have to buy, you know, something, they pick up something on the way home or whatever, they're now doing that in the suburbs, or wherever else they're working. And so that's creating demand for, you know, for those kinds of services, leisure, restaurant types of services in a different place, they're no longer in city centers. And so that just creates a little bit of friction in the labor markets, and that doesn't look like that's going away to us. So that's kind of an interesting, you know, little local area dynamic that's still happening.

**TUCKER:**

I’m just getting- and no kidding; an email from the US Department of Education. “John, the COVID-19 student loan relief is ending. Blah, blah, blah, blah.” This is for my kids. Does this matter?

**WILDING:**

Yeah. I mean, we do think the student loan, you know, the student loan payment restart, which will, you know, people will have to start having to make these payments in October officially. If you look at the treasury data on incoming cash receipts, what you're seeing is that actually people are already making, they're prepaying, they're already making loan payments ahead of this deadline. You know, now we've argued that we talked about the consumer a little while ago, you know, we've argued that the consumer, you know, this will have an impact on the consumer. There is some excess savings still for households that they have, but as they have to repay student loan payments, you know, that's going to dwindle much more quickly. The other thing with this is that research has suggested that people that had student loans that they thought were going to be forgiven, actually took out more debt. And so they have these other debts now that they have to service in addition to the fact that their student loan payments are restarting. So we do think that's going to be a growing headwind that's, you know, a slow economy later this year.

**KEENE:**

Tiffany, thank you. Tiffany Wilding there with a brief here at a jobs report.