**MEDIA: Television**

**STATION: Bloomberg**

**MARKET: National**

**DATE: 2023-09-01**

**TIME: 10:32 AM ET**

**PROGRAM: Markets**

**SUBJECT: Tiffany Wilding - US Jobs Report**

**PAGE COUNT: 5**

**ALIX STEEL, BLOOMBERG:**

For more now on the jobs report, we are joined by Tiffany Wildling, PIMCO economist. Tiffany, what was your broad take on the job market? I was mentioning it to Secretary Su, that we have- good news is finally good news. And that seems to be reflected in the market and the economy. Do you agree with that?

**TIFFANY WILDING, PIMCO:**

Yeah, I mean, I think this job- jobs are, I mean, obviously you never want to, you know, put too much emphasis on any one report. But overall, I think the messages that came from this report were overall pretty good. You know, both in terms of labor supply and labor demand, it looks like it's coming into better balance as Federal Reserve officials want. You know, so we are seeing some slowing in job gains that's become very clear. The Labor Secretary suggested that the three month moving average is 150K. That's down quite tremendously from this time last year. That's good news. But at the same time, you're seeing labor supply increase with the participation rate moving up, you know, and steady gains there as well. So all of this is good news for the Fed. In terms of monetary policy, it certainly takes the pressure off the Fed to hike again in September.

**DANI BURGER, BLOOMBERG:**

And it was good news for the bond bulls until the ISM data came to ruin the party. Stronger than expected, you have things like new orders, still outstripping inventories, a ratio which usually collapses ahead of a recession. What do you make of that data? Does that challenge the idea that things are starting to get softer at this point?

**WILDING:**

Well, you know, I think you have to be a little bit careful about the ISM data. I mean, overall, you know, it is going to be impacted by what the dollar is doing. The manufacturing sector is part of the global manufacturing sector. And you do get lagged effects when the dollar appreciates or depreciates. Obviously, there was a big appreciation of the dollar last year and that came off this year. And I think it's giving you a little bit of a boost to the manufacturing sector. Now, keep in mind, however, though, you know, things in China look much worse lately. And I think the downside risks there have certainly grown. And that's going to put, you know, downward pressure on the global manufacturing sector. China does tend to lead that, you know, so I would just be a little bit careful of overly extrapolating some of the bounce in the ISM.

**STEEL:**

That’s what we do, we’ve got to make news every day, even on Friday before Labor Day! So you mentioned pause for September. What about November now? What's your call on that?

**WILDING:**

Yeah, I mean, we think there's a lot of headwinds to the economy overall in the back half of this year. You know, obviously, there's been a lot of discussion around student loan prepayment starts. You know, but in addition to that, you know, just the fact that we've seen tighter credit conditions, you know, that also impacts the economy with the lag. Loan growth this year has been pretty stagnant. And so you are going to start to see those effects. We think they will become more clear in the back half of this year. And in that kind of environment, it's not necessarily clear that the Fed needs to hike again. You know, now, nevertheless, they're going to come out with another forecast or Summary of Economic Projections in September. You know, and it's not that, you know, it's not clear to us that they actually take out a rate hike, but whether that's actually realized or not is less clear to us. The other big headwind for the back half of this year is the potential for the U.S. government to shut down. So that'll have a temporary effect on the economy, but in the past has caused the Fed, you know, to kind of change course a little bit.

**BURGER:**

Tiffany, can I tell you a game that I secretly miss? And I guess not so secretly anymore because I'm telling you and all of the viewers, debating what shape this recovery is, what the economy looks like. And what struck me was this report of SNAP users, so the food subsidies for those at or below the poverty line, that 42% of them skip meals in August, 55% eat less because they couldn't afford food. That's more than double of last year's share. Tiffany, these numbers are depressing. I mean, is the recession already here for those that are worst off among us?

**WILDING:**

Yeah, I mean, there's definitely a bifurcation within the economy right now in terms of frankly the haves and the have nots. So we are seeing, you know, the lower income folks, they are certainly struggling. You know, they don't have any of the pandemic related savings, you know, and the increase in credit card balances that we've seen, you know, just from an economy wide perspective, you know, suggest to us that people are, you know, taking out additional credit in order to, you know, to try to smooth over their consumption. That's not sustainable. We also see that in the savings rate data, you know, the data that came out earlier this week, the savings rate actually dropped and it's at historically low levels. At some point, that's going to have to correct. And when it does, it's going to mean consumption growth, you know, is going to decelerate. And so, you know, although it's difficult to know exactly when the consumer pulls back, you know, because there's a psychological element there, you know, at some point they're going to have to. And that's going to mean additional slowing for the economy.

**STEEL:**

So Tiffany, wrap in then a potential United Auto Worker strike. And I appreciate that we're gaming something out. But nonetheless, talking about lower income consumers already struggling and then we're going to have 150,000 potential people out of work because of a strike. How do you think about that in terms of the economy?

**WILDING:**

Yeah, I mean, so the strike has, you know, I think many, many dimensions to it in terms of potential economic implications. You know, so on the one hand, you know, if they're able to get the wage demands that they're asking for, you know, I mean, that just is symptomatic because the labor markets are tight. And people are able to bargain to get back some of the real wage gains that they lost since the pandemic. And so, you know, ultimately that's good for the welfare of those folks. Of course, there's going to be some volatility in the meantime as you have negotiations that are happening. You know, and there could be some production disruptions in the auto sector. You know, so that will be, you know, put some upward pressure potentially on inflation, downward pressure on growth as that's happening. So, I mean, this is one- you know, economists always have to smooth through noise. Not to say that this is noise, but this is temporary, you know, probably going to be temporary. We've got to smooth through this to try to see where the underlying momentum in the economy is.

**BURGER:**

What about higher gasoline prices? To what extent does that represent the threat of rebuilding inflation again?

**WILDING:**

Yeah, I mean, so, you know, I think the inflation, you know, obviously, you know, I think the bigger picture for inflation here, you know, energy prices will always be volatile. You know, and certainly higher energy prices matter for consumers' disposable incomes. And so that is hurting as we discussed. But in terms of, like, you know, what the Fed officials are concerned about, they want to know where the underlying trend in inflation is. You know, we kind of define that in the context of the underlying trend in inflation absent any increase in the unemployment rate. And that still looks like it's maybe like three and a half percent. You know, so I think there, you know, we still are seeing higher wage inflation as you suggested. And although these pandemic related effects are fading, and that's putting downward pressure on inflation, you know, you still have to be cognizant of those underlying trends and where they are versus the Federal Reserve's target. I think ultimately that's why they're in restrictive territory. And, you know, they're sort of signaling that they're going to remain in restrictive territory for a little while here.

**BURGER:**

Tiffany, I know it's still morning there, but hopefully now that we have both the ISM and the jobs number, you can go enjoy your Friday. Thank you for joining us. Thank you for starting it here. Tiffany Wilding of PIMCO.