

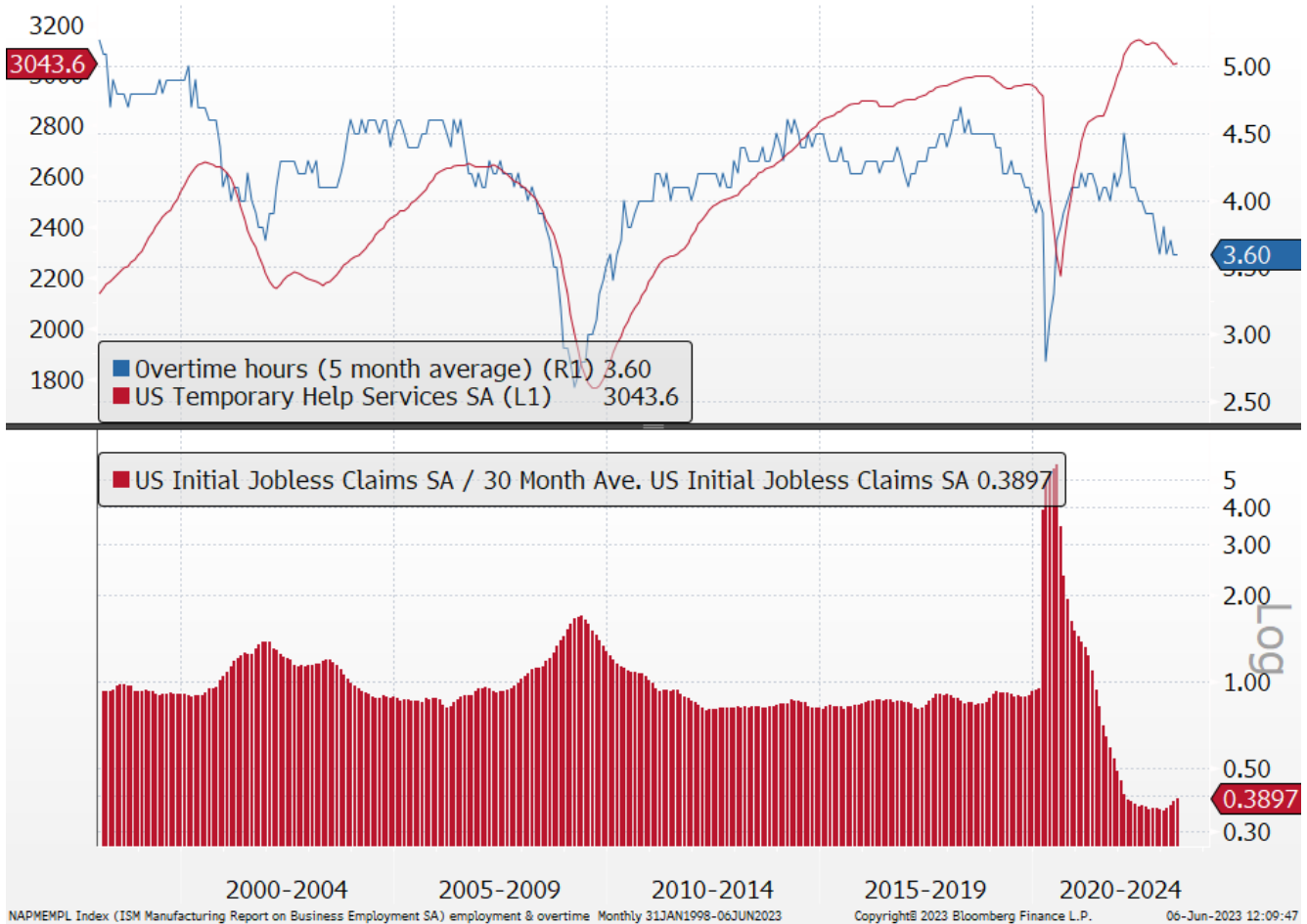
# SOMERSTON INSIGHTS

Employment 6<sup>th</sup> June 2023

Crude oil has fallen 46% from its March 2022 peak. Inflation has also moderated but not as fast as we would expect looking at energy in isolation. This can largely be attributed to three aspects. Firstly, the huge rebound in property prices propelled shelter inflation significantly higher. Secondly, there has been high pent up demand from consumers - the so called 'revenge holiday'. Finally, the 'great resignation' has contributed to tight labour conditions. All three are now moderating and despite 'noisy' employment reports, as the chart below shows, leading indicators of employment conditions such as overtime hours and part time services have clearly peaked. Initial jobless claims are beginning to rise.

As we have said many times before, we are in an unusual economic cycle with sequences out of kilter to what we have been used to. However, should employment start to meaningfully deteriorate, the interest rate cycle will decisively turn.

## Employment



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