



Basis Points – April 22, 2021

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Above the Fold

Why the Labor Market May Not Have Gotten the “Recession Memo”

Normally, when the economy slips into recession, unemployment rises, wages fall and job vacancies also drop as companies scale back and hunker down for tough times. Typically, the effects are felt across the majority of sectors and industries as overall credit, spending and wealth all feel the pinch. And even though the unemployment rate spiked nearly 50% higher in 2020 than it did when it peaked near the end of the Great Recession, the labor market actually seems extremely tight.

On the surface, employment data still doesn't look great, with total employment off nearly 8.5 million from its pre-pandemic peak and the labor force participation rate down at levels not seen since the mid-1970s. Using historical standards, the current participation rate of just over 61% means that "real" unemployment could be as high as 24%. If you're not familiar with it, the participation rate tells us how many Americans are employed or actively looking for employment. By definition, 39% of the eligible workforce are unemployed and/or have given up looking for work. By the numbers, our economy should be in shambles...

But when you dig deeper, you'll find that wages are still growing near pre-pandemic levels and the Fed's Beige Book report, an anecdotal economic survey, showed labor shortages across many sectors. Backing those surveys is the fact that job openings are actually above pre-pandemic levels, along with a continued housing boom and improving consumer savings (none of these are recession-type trends). Undoubtedly, unemployment compensation boosts, and a flexible, less trackable gig-economy all helped buffer the negative effects. But given the immense amount of job openings, declining pandemic social restrictions, and consumer confidence rising, America should have a recipe for an increasingly strong labor market.

Three Things

1. *Does Warmer Weather and Increased Social Interaction Mean Less TV?* – After a blockbuster year, Netflix announced weaker than expected subscriber growth in the first quarter. The company also faces content and product competition from a growing number of competitors like Apple, AT&T, Amazon, HBO and others.
2. *Apple Drops Latest Gadgets and New Podcast Spin* – The tech giant refreshed its iMac line with cool colors and its new in-house processor, along with a powerful, new iPad Pro with the same chip. Apple will also start selling wireless tags to track devices and unveiled a new subscription podcast service that will rival competitors like Spotify.
3. *This Ain't Your Grandpa's Caddy!* – Cadillac just announced details for its first all-electric vehicle (EV). The Lyriq SUV (sport utility vehicle) will go on sale in the back half of 2021 with a starting price of just under \$60k. The EV will start delivering in 2022 and is a showcase for all the latest and greatest General Motors tech available, while boasting a reported 300-mile+ range.

Did You Know?

The 120-Year-Old Electric Car

Around the turn of the 20th century, as many as 1,800 different manufacturers were cranking out cars; and battery-powered vehicles were all the rage. Unlike their internal combustion counterparts, electric vehicles were quiet, smooth and didn't require gear shifting and cranking to start. By 1900, electric cars actually accounted for a [third](#) of all vehicles on the road. Oliver P.

Fritchle produced one of the more popular models that could go 100 miles on a charge! Electric car production peaked in 1912 as gas-powered cars became more efficient and much less expensive.

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