



Actalent

Labor Market & Economy Report

July 2023

Sharp insights for well-rounded people.

Actalent's monthly Labor Market and Economy Report connects important dots between data and trends in engineering and sciences. The report corresponds with the monthly release of the U.S. Bureau of Labor Statistics Employment Situation, though lends further insight into specific employment trends in engineering and sciences. Specifically, readers can expect to learn about:

- + Job growth in engineering and sciences by industry
- + Unemployment trends in engineering and sciences labor categories and industries
- + Labor force participation
- + Job quits and layoffs
- + Engineering and sciences employment trends by industry wages
- + Other important news stories impacting the labor market overall and engineering and sciences specifically



187K

Jobs Gained in July

Employment increased by 187K in July, and June's employment gains were revised down from 209K to 185K. These were the smallest gains since the beginning of 2021 but are still strong compared to historical levels.



62.6%

Labor Force Participation Rate

The labor force participation rate was 62.6% for the fifth month in a row. The share of workers working or unemployed but actively seeking employment has been essentially unchanged for five months.



3.5%

Unemployment Rate

The unemployment rate declined 0.1% to 3.5% in July. The share of the U.S. population who is unemployed but actively seeking work is still very low.



3.8M

June Quits

June quits fell to 3.8M from May's revised level of 4.1M. Layoffs were essentially unchanged over the month at 1.5M, below the pre-pandemic norm.

July 2023 Market Trends

A closer look at
unemployment by industry
and labor category



Overall Unemployment Rate

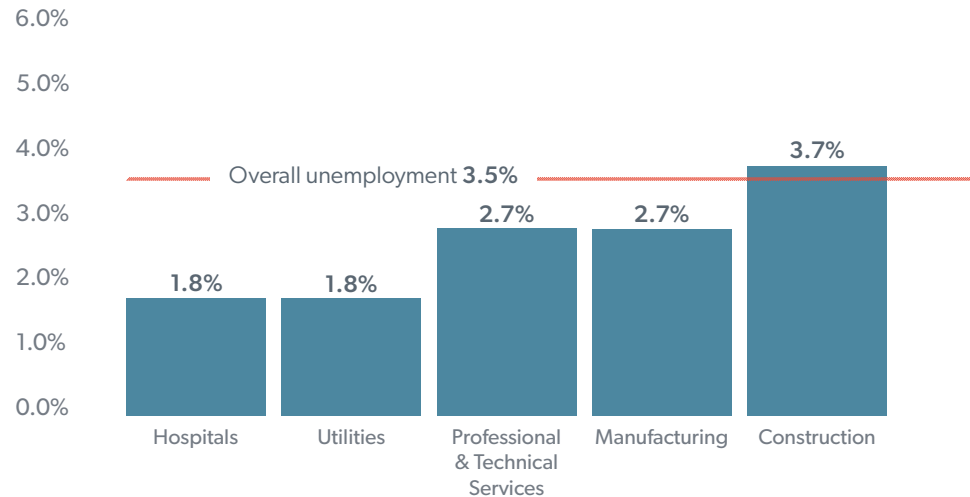


Unemployment Rate for Degreed
Workers

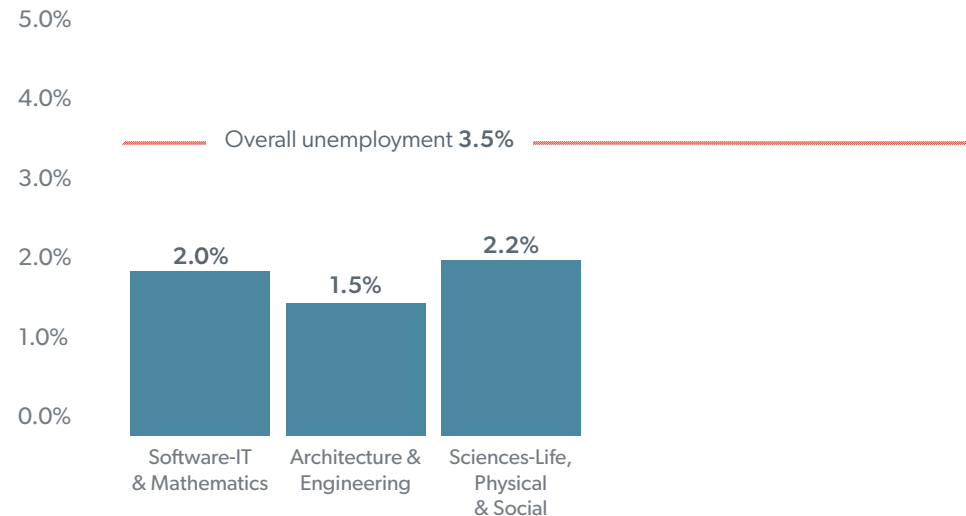


Ratio of unemployed workers
(SW-HW-IT & Mathematics,
Architecture & Engineering,
Sciences) available per job
opening).

Unemployment rates by industry



Unemployment rates by labor category



Due to frequent data revisions and statistical noise on a month-to-month basis, Actalent employs a rolling 3-month average to best represent unemployment by labor category or industry.

Industry Trends

OVERALL ECONOMY

US employment increased by 187,000 jobs in July, the second-lowest gain since December 2020. Still, 187,000 is a higher number in historical terms. This data is neither surprising nor overly concerning: the labor market seems to be slowing down without widespread unemployment, which is an important necessity for bringing down inflation without causing a full-blown recession. While many companies continue to pause hiring or restructure their business in response to high interest rates and the macroeconomic environment, others are ramping up projects thanks to federal funding, emerging technology, and consumer demand for certain products and services, leading to hiring activity.

+187K
MoM

+2.2%
YoY

UTILITIES

High summer temperatures have made the importance of power grid resilience and renewable energy sources even more evident. As demand for electricity has surged to record highs in some states, utilization of hydroelectric, solar, and wind power have grown in states like California and Texas. There is still a lot of work to be done to ensure that US power grids will be able to withstand heat, natural disasters, and other external threats. Despite high demand and policy support for renewables, energy markets have been experiencing volatility and risk. This risk has led many major utilities companies such as AEP and Duke to sell/spin-off their unregulated renewable assets at high valuations to raise capital and focus on transmission & distribution business.

-200
MoM

+0.5%
YoY

CONSTRUCTION

Total construction spending grew 3.5% over the year in June (latest data available), driven by private sector demand for residential and nonresidential construction. Spending was slightly down over the month for power and highway-street construction, which the AGC attributed to project delays caused by regulatory confusion. The CEO of AGC stated, "the sooner the administration clarifies questions around Buy America and the rules around clean energy investments, the sooner construction can begin on many infrastructure and power projects across the country." Turner Construction Company's index for non-residential construction costs increased 6.39% over the year due to high wage growth. Turner's VP said, "Promoting job opportunities in growing markets and offering attractive work environments for the workforce alleviates some of the pressure in a tight labor market."

+19K
MoM

+2.5%
YoY

ARCHITECTURE & ENGINEERING

The AIA/Deltek Architecture Billings Index reported that, in June 2023 (latest data available), architectural billings were essentially flat, inquiries into new work were fairly strong, and the value of newly signed design contracts saw the strongest growth since January. June marked the second consecutive month of growth for architectural billings, and firms in nearly all regions reported improving business conditions. Still, some firms remain cautious, since the Federal Reserve decided to raise interest rates again in late July, which could dampen future architectural services demand.

+800
MoM

+4.3%
YoY

AEROSPACE & DEFENSE

Northrop Grumman attributed its Q2 growth of 9% to strong global demand, increased supply chain deliveries, and successful talent hiring and retention. Their Q2 awards totaled \$10.9bn, with significant awards for space, aeronautics, and mission systems. Contrastingly, Boeing's Q2 results reflected "higher commercial volume and lower defense margins", as labor instability, supply chain disruption, and "certain fixed-price development programs" contributed to a negative operating margin for their Defense, Space, & Security division. The Army awarded \$1.6B in contracts for research, design and prototyping of a new ground combat vehicle to General Dynamics and American Rheinmetall, both in Michigan.

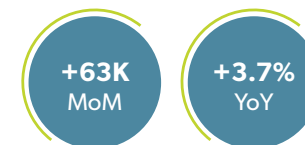
+9.4K
June

+4.9%
June

Industry Trends, continued

HEALTHCARE

More strikes occurred or were planned in July by the staff of several healthcare systems, all of which were related to staffing shortages. M&A activity is said to be regaining momentum in the healthcare industry: 20 announced transactions occurred during Q2 2023, which were the most in a single quarter since the beginning of Covid-19. CMS released April redetermination data in July, bringing total estimated Medicaid disenrollment to over 3.8M. As mentioned in Actalent's May report, an increase in uninsured patients could lead to lower patient volumes, which could have negative effects on both patients' health as well as hospital systems that are already operating at a loss post-pandemic and struggling to pay their staff competitive wages.



SCIENTIFIC R&D

Q2 results revealed that scientific companies are still experiencing mixed conditions. Biogen announced in July that it will reduce its headcount by 1,000 by 2025. Biogen's new CEO has stated that they will be "extremely tough" in choosing what products to develop, and the company has already made plans to pause development of certain drugs to focus on more lucrative opportunities. Boston Scientific's sales exceeded expectations thanks to very strong demand for its medical devices. Thermo Fisher said it will cut \$450M in costs – possibly through layoffs and smaller investments – in 2023 due to macroeconomic challenges, including lower demand from customers like biopharma companies struggling to obtain funding. Pfizer lowered its full-year revenue guidance in response to demand uncertainty and recent tornado damage to a plant in North Carolina. Merck beat expectations and expects a rebound.



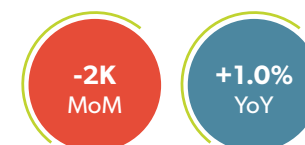
AUTOMOTIVE

Q2 results revealed solid growth for Ford, GM, and Stellantis, mostly due to strong demand for gasoline-powered trucks and SUVs. Each of the Big Three warned analysts about their ability to meet EV production goals due to various pricing challenges, investment costs, and supplier-production delays. Pricing challenges are being addressed successfully with Ford, after recently reducing EV prices, seeing a 6x increase in orders for its F-150 Lightning EV truck. Seven automakers – BMW, GM, Honda, Hyundai, Kia, Mercedes-Benz, and Stellantis – are forming a joint-venture to invest at least \$1bn into building roughly 30,000 EV chargers to address the shortage of charging stations in the US.



C&IP *Manufacturing of Durable Goods, Technology, Chemicals, Food Products, etc.*

In their Q2 earnings call, chip maker Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) forecasted a decline in sales due to higher costs and dampened end market demand. TSMC also delayed the completion of its Arizona factory due to "an insufficient amount of skilled workers" with experience installing semiconductor facility equipment, for which they may need to bring in technicians from Taiwan. Orders for durable goods increased 4.7% in June (latest data available), largely thanks to a massive rise in new contracts for Boeing passenger planes. Contributing to Boeing's demand is a recent order from Air India for 470 Airbus and Boeing aircraft. Excluding transportation, durable goods orders only rose 0.6%. Despite higher material costs leading to higher product prices, Caterpillar's Q2 revenue surged 22% thanks to infrastructure spending and nonresidential projects creating high demand for construction equipment.



Wages in the United States

How they've changed.

+3.2%



Consumer Price Index

Inflation increased 3.2% over the year, which is slightly higher than last month's reading of 3.0%.

+4.4%



Wage Increases

Average hourly earnings grew 4.4% over the year in July. Despite declining inflation, wages are still growing on a monthly basis, suggesting that the tight labor market is still influencing employers to raise pay to attract and retain workers.

+0.3%



"Real" Earnings

After adjusting wages for inflation, real average hourly earnings for all employees increased 0.3% from June to July.

References

Read more about trends in Engineering & Sciences

UTILITIES: [The U.S. Power Grid Withstands the Heat, So Far](#); [Cautious investors and fast cash: Why AEP, Duke and other utilities have sold their renewable assets](#)

CONSTRUCTION: [Monthly Construction Spending, June 2023](#); [AGC Construction Spending in June](#); [Turner Building Cost Index Q2 2023](#)

ARCHITECTURE & ENGINEERING: [ABI June 2023: Firm billings remain essentially flat](#)

AEROSPACE & DEFENSE: [Northrop Grumman Q2 2023 earnings news report](#); [Boeing Q2 2023 Earnings](#); [\\$1.6B Army Ground Combat Vehicle Contracts Awarded](#)

HEALTHCARE: [Tracking healthcare worker strikes](#); [M&A transactions heat up to pre-pandemic levels, Kaufman Hall finds](#); [CMS releases April Medicaid unwinding data. Total disenrollments top 3.8M](#); [Providers brace for financial impacts of Medicaid redetermination](#)

SCIENTIFIC R&D: [Biogen to Lay Off Roughly 11% of Workforce to Focus on Big-Return Drugs](#); [Biogen, working through a 'transition,' plots 1,000 more layoffs by 2025](#); [Boston Scientific raises full-year forecast again, fueled by strong Q2](#); [Thermo Fisher eyes \\$450M in cost cuts due to slowing demand](#); [Pfizer Q2 Results](#); [Merck Q2 Results](#)

AUTOMOTIVE: [Detroit 3's EV growing pains temper big Q2 profits](#); [Ford Sees Orders Boost After EV Price Cut](#); [Seven OEMs Start EV Charging Network](#)

C&IP: [TSMC Delays Start of First Arizona Chip Factory, Citing Worker Shortage](#); [TSMC Earnings Call Transcript](#); [U.S. durable goods orders climb 4.7% led by Boeing contracts](#); [Air India Orders 470 Airbus, Boeing Aircraft](#); [Caterpillar's Sales Surge as Construction Booms](#)