

APOLLO GLOBAL MANAGEMENT

Labor market overheating with strong wage growth, more Fed hikes coming

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Tracking the employment recovery in different sectors

| | Feb-20 | Apr-20 | Aug-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Apr-22 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total nonfarm payrolls | 100 | 86 | 92 | 95 | 96 | 97 | 98 | 99 | 99 |
| Scenic and sightseeing transportation | 100 | 38 | 52 | 60 | 67 | 76 | 78 | 77 | 74 |
| Coal mining | 100 | 81 | 84 | 82 | 79 | 80 | 80 | 81 | 83 |
| Clothing and clothing accessories stores | 100 | 41 | 72 | 79 | 81 | 83 | 83 | 85 | 86 |
| Nursing and residential care facilities | 100 | 96 | 93 | 91 | 90 | 88 | 88 | 88 | 88 |
| Child day care services | 100 | 64 | 79 | 83 | 84 | 85 | 87 | 89 | 89 |
| Museums | 100 | 72 | 72 | 77 | 80 | 82 | 85 | 89 | 89 |
| Mining and logging | 100 | 90 | 82 | 80 | 83 | 84 | 86 | 88 | 89 |
| Amusements, gambling, and recreation | 100 | 45 | 64 | 76 | 81 | 85 | 88 | 90 | 90 |
| Leisure and hospitality | 100 | 52 | 74 | 79 | 83 | 86 | 89 | 91 | 92 |
| Rail transportation | 100 | 97 | 92 | 92 | 93 | 92 | 92 | 92 | 92 |
| Electronics and appliance stores | 100 | 91 | 88 | 90 | 90 | 90 | 92 | 92 | 92 |
| Performing arts and spectator sports | 100 | 52 | 52 | 63 | 70 | 80 | 86 | 90 | 92 |
| Furniture and home furnishings stores | 100 | 54 | 86 | 93 | 93 | 94 | 94 | 94 | 93 |
| Food services and drinking places | 100 | 51 | 79 | 83 | 86 | 89 | 91 | 93 | 94 |
| Telecommunications | 100 | 99 | 97 | 95 | 95 | 94 | 93 | 93 | 94 |
| Automobile dealers | 100 | 78 | 91 | 93 | 93 | 93 | 93 | 94 | 94 |
| Motion picture and sound recording industries | 100 | 50 | 57 | 76 | 83 | 92 | 98 | 98 | 96 |
| Motor vehicles and parts | 100 | 81 | 92 | 95 | 95 | 95 | 95 | 96 | 96 |
| Sporting goods, hobby, book, and music stores | 100 | 62 | 83 | 93 | 95 | 97 | 94 | 96 | 97 |
| Government | 100 | 96 | 96 | 96 | 96 | 97 | 97 | 97 | 97 |
| Hospitals | 100 | 98 | 97 | 98 | 98 | 98 | 98 | 98 | 98 |
| Wholesale trade | 100 | 93 | 94 | 96 | 96 | 97 | 98 | 99 | 99 |

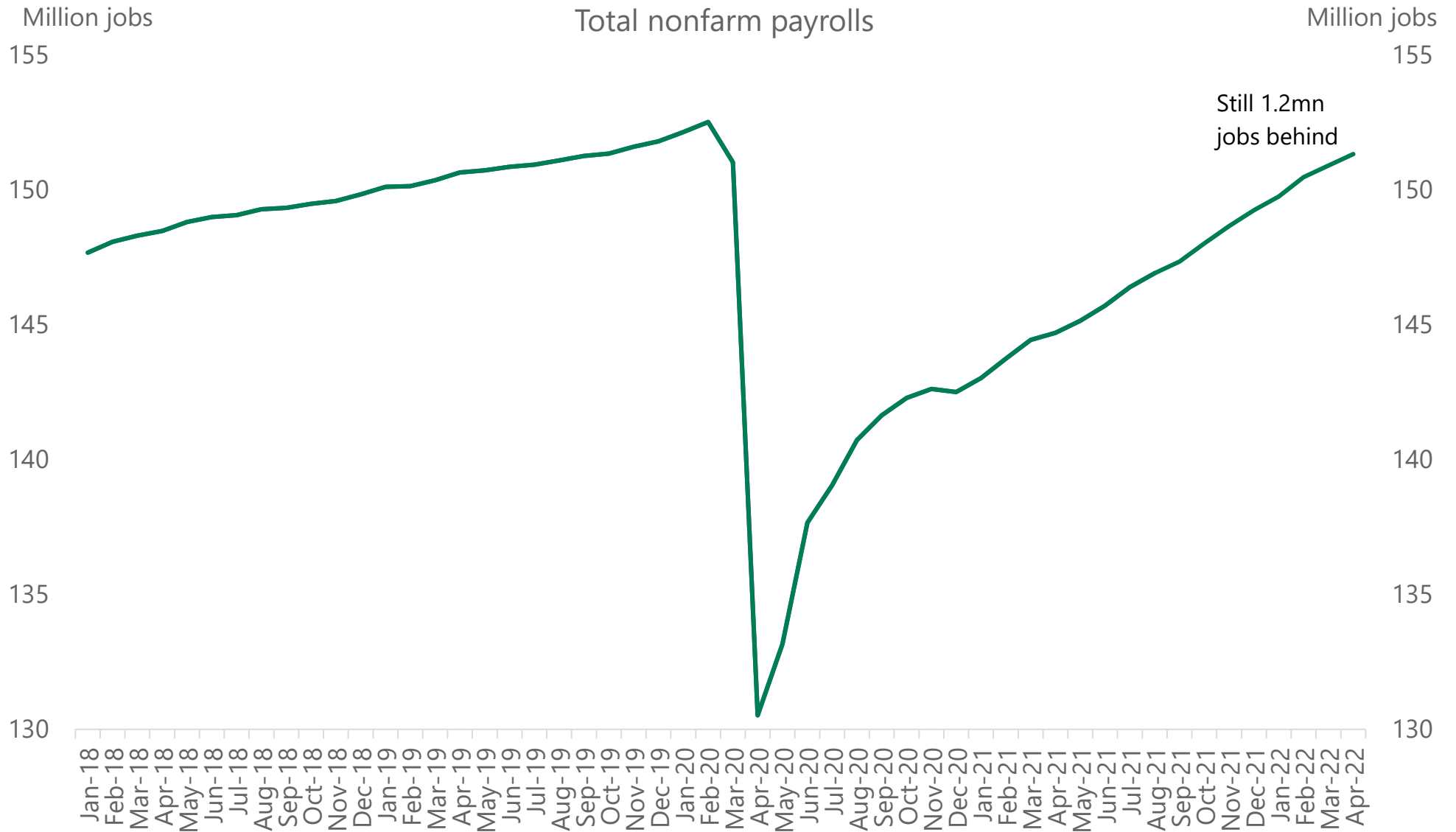
Source: BLS, Apollo Chief Economist

Tracking the employment recovery in different sectors

| | Feb-20 | Apr-20 | Aug-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 | Apr-22 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Total nonfarm payrolls | 100 | 86 | 92 | 95 | 96 | 97 | 98 | 99 | 99 |
| Service-producing industries | 100 | 85 | 92 | 95 | 95 | 97 | 98 | 99 | 99 |
| Good-producing industries | 100 | 88 | 94 | 96 | 96 | 97 | 98 | 99 | 99 |
| Oil and gas extraction | 100 | 97 | 92 | 83 | 85 | 88 | 91 | 96 | 99 |
| Construction | 100 | 85 | 95 | 97 | 97 | 97 | 99 | 100 | 100 |
| Financial activities | 100 | 97 | 97 | 98 | 99 | 99 | 100 | 100 | 101 |
| Gas stations | 100 | 95 | 96 | 98 | 98 | 99 | 100 | 101 | 102 |
| Retail trade | 100 | 86 | 96 | 98 | 99 | 99 | 100 | 102 | 102 |
| Real estate | 100 | 93 | 96 | 98 | 99 | 100 | 102 | 102 | 103 |
| Health and personal care stores | 100 | 89 | 92 | 98 | 99 | 100 | 103 | 104 | 103 |
| Office of physicians | 100 | 89 | 97 | 99 | 100 | 101 | 102 | 103 | 103 |
| Trade, transportation, and utilities | 100 | 89 | 96 | 99 | 99 | 100 | 101 | 103 | 103 |
| Truck transportation | 100 | 94 | 96 | 99 | 100 | 101 | 102 | 102 | 103 |
| Professional and business services | 100 | 89 | 94 | 98 | 99 | 100 | 102 | 103 | 103 |
| Food and beverage stores | 100 | 99 | 103 | 103 | 102 | 102 | 102 | 103 | 104 |
| Publishing industries, except internet | 100 | 97 | 96 | 100 | 101 | 101 | 102 | 104 | 104 |
| Air transportation | 100 | 85 | 83 | 87 | 91 | 96 | 100 | 104 | 105 |
| Building material and garden supply stores | 100 | 99 | 108 | 108 | 109 | 107 | 107 | 107 | 106 |
| General merchandise stores | 100 | 96 | 106 | 103 | 102 | 104 | 105 | 110 | 110 |
| Nonstore retailers | 100 | 94 | 101 | 106 | 107 | 111 | 111 | 112 | 112 |
| Couriers and messengers | 100 | 103 | 113 | 126 | 122 | 124 | 124 | 128 | 130 |
| Warehousing and storage | 100 | 96 | 110 | 122 | 124 | 128 | 130 | 134 | 135 |

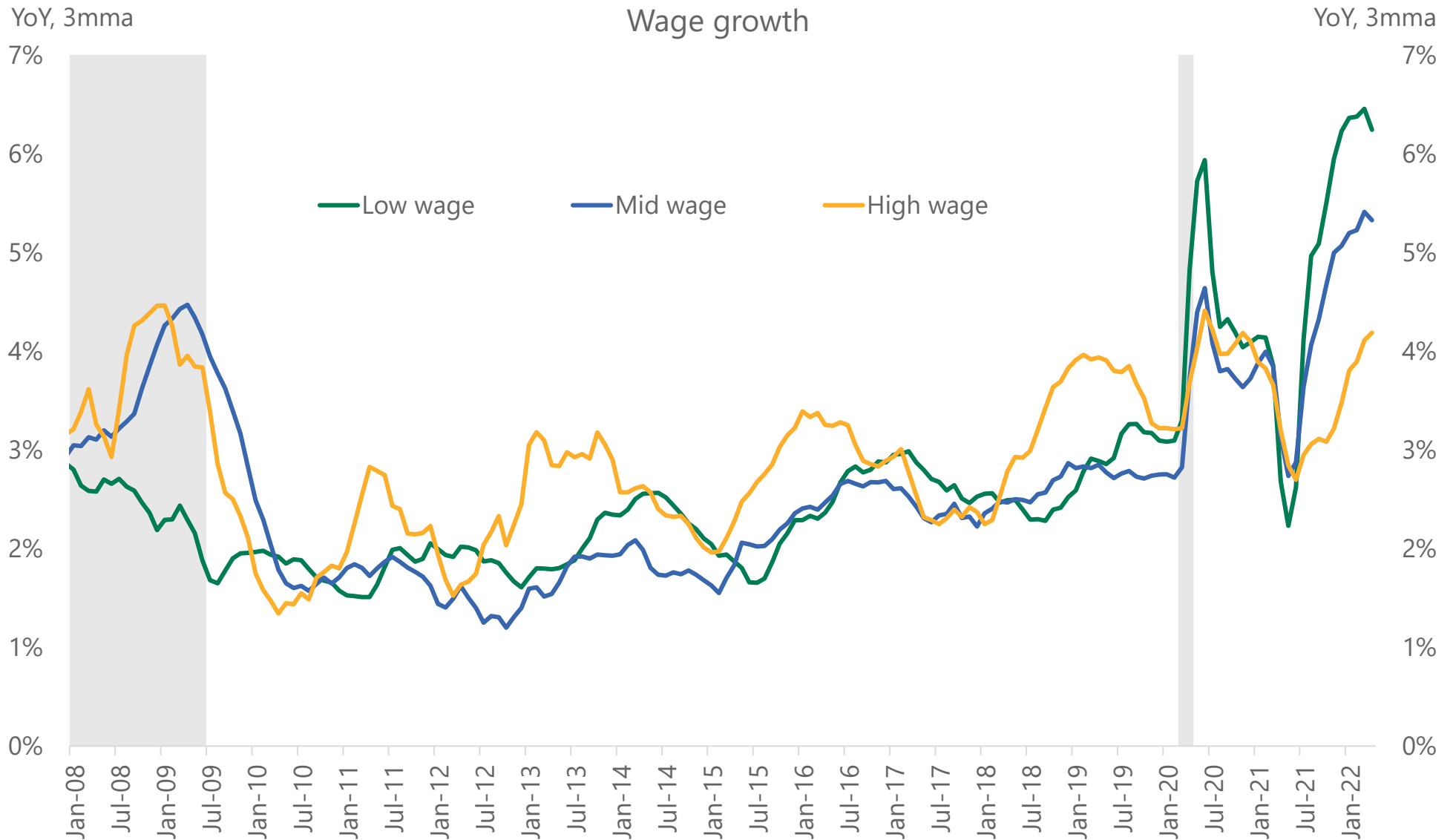
Source: BLS, Apollo Chief Economist

Total employment 1.2mn jobs lower than in February 2020



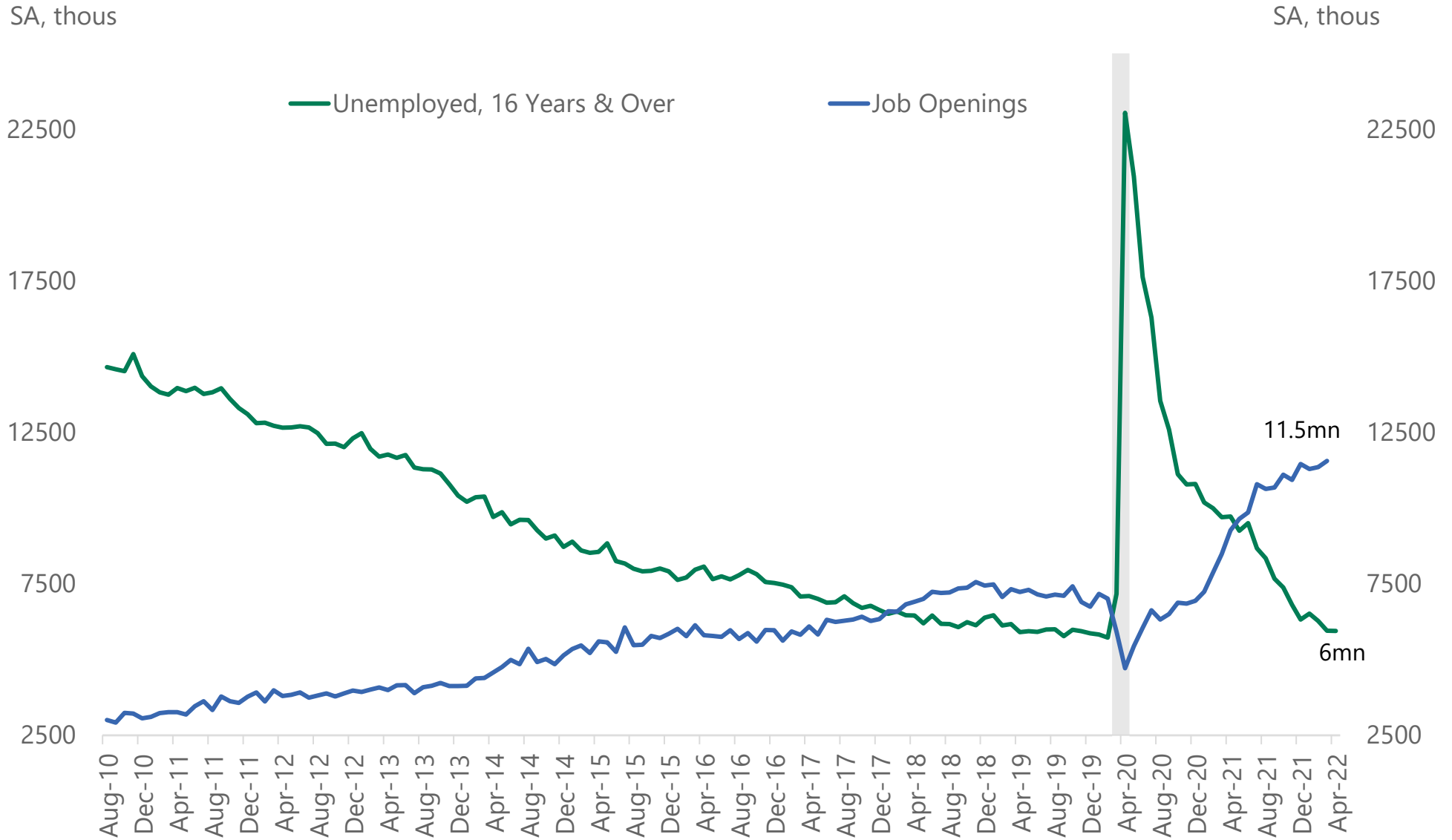
Source: BLS, Apollo Chief Economist

Wage inflation rising across the income distribution



Source: BLS, Apollo Chief Economist. Note: Low wage workers are defined as the bottom third percentile in the wage distribution, mid wage workers as the mid third percentile and high wage workers as top third percentile

11mn job openings and 6mn unemployed



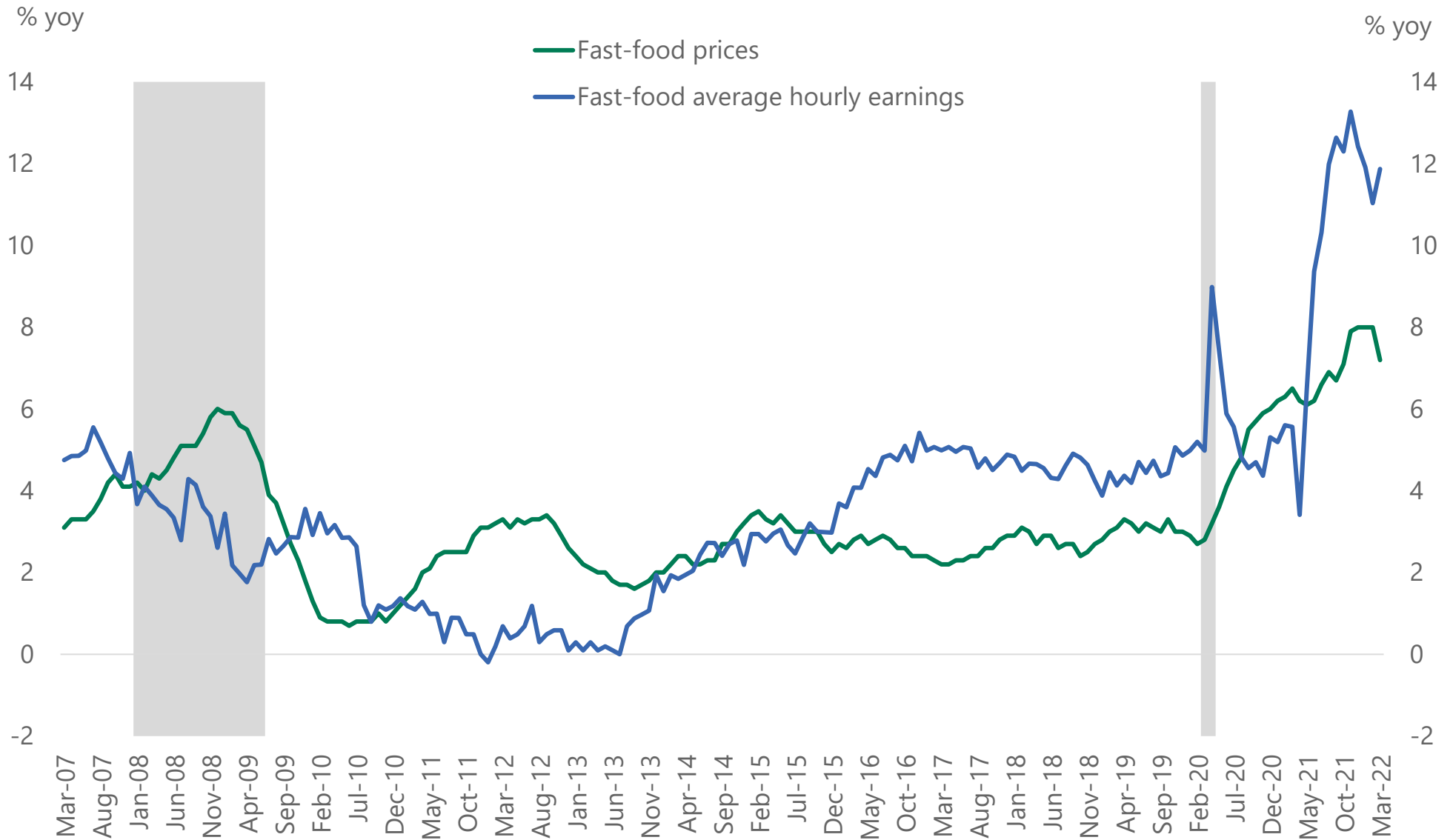
Source: BLS, Haver Analytics, Apollo Chief Economist

Hotel and restaurant wages substantially above pre-covid trend



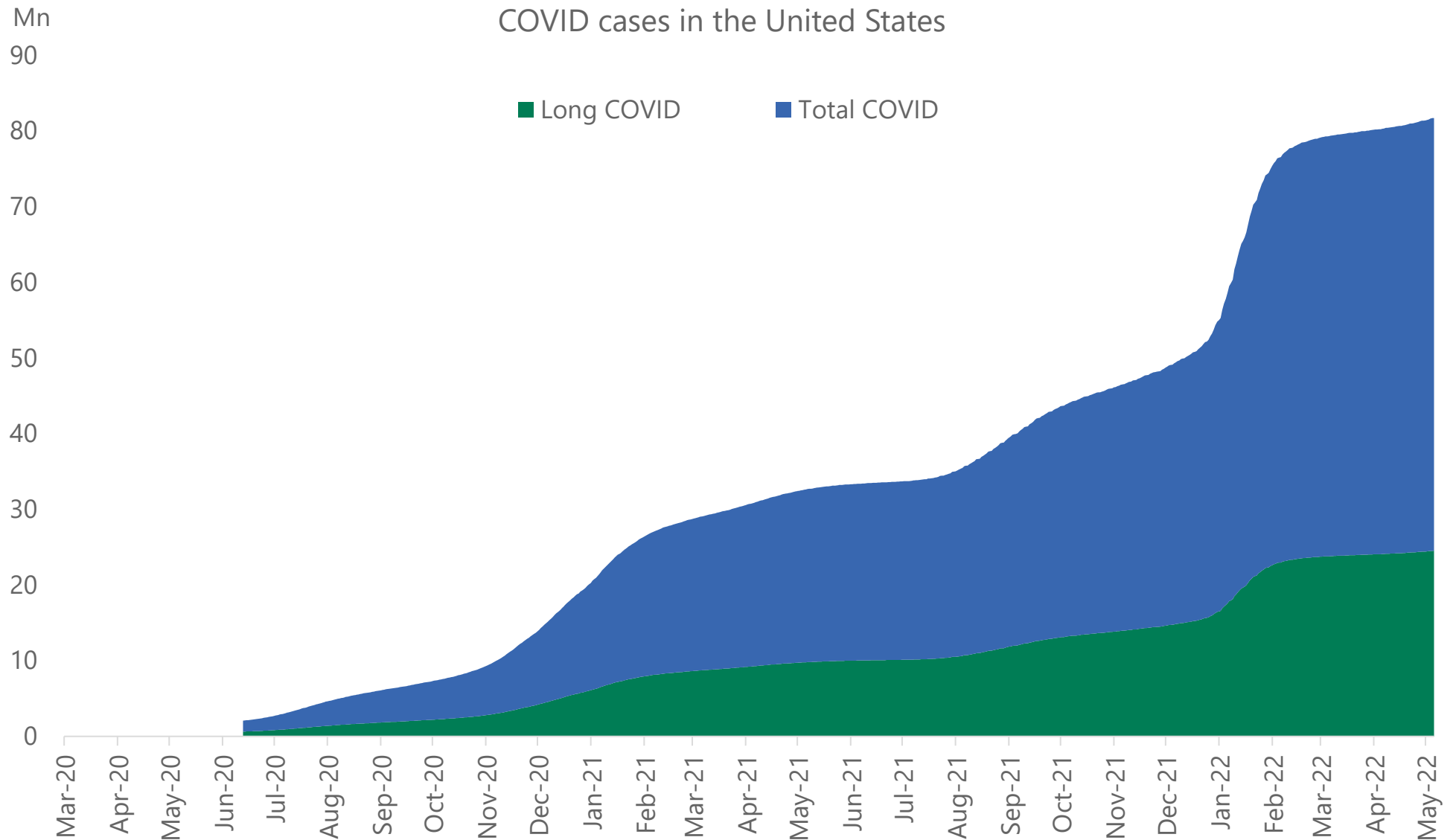
Source: BLS, Haver Analytics, Apollo Chief Economist

Labor costs rising faster than selling prices in the fast-food industry



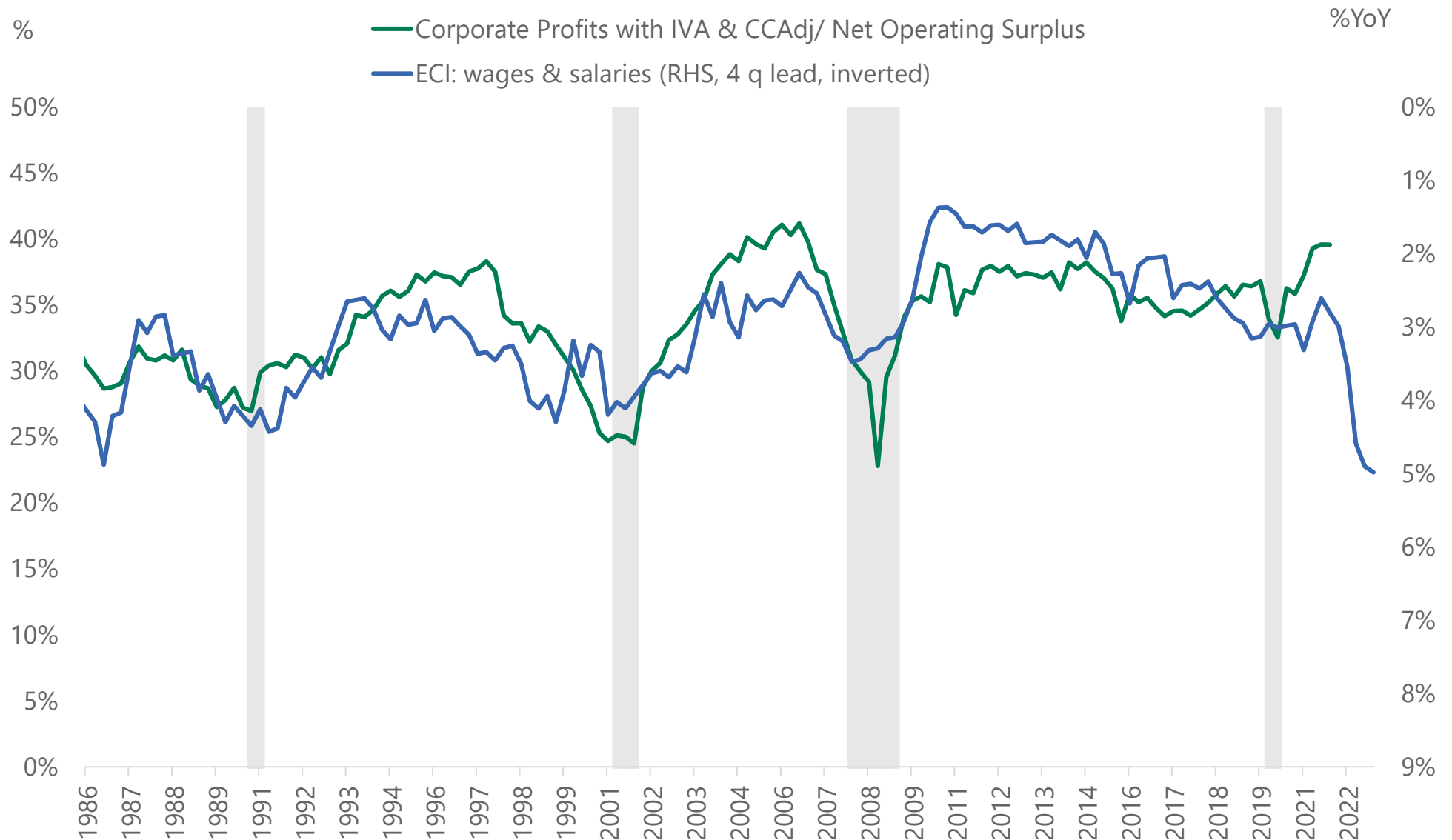
Source: BLS, Haver, Apollo Chief Economist

80 million people have had covid. 25mn are suffering from long covid, and this is likely holding back labor supply.



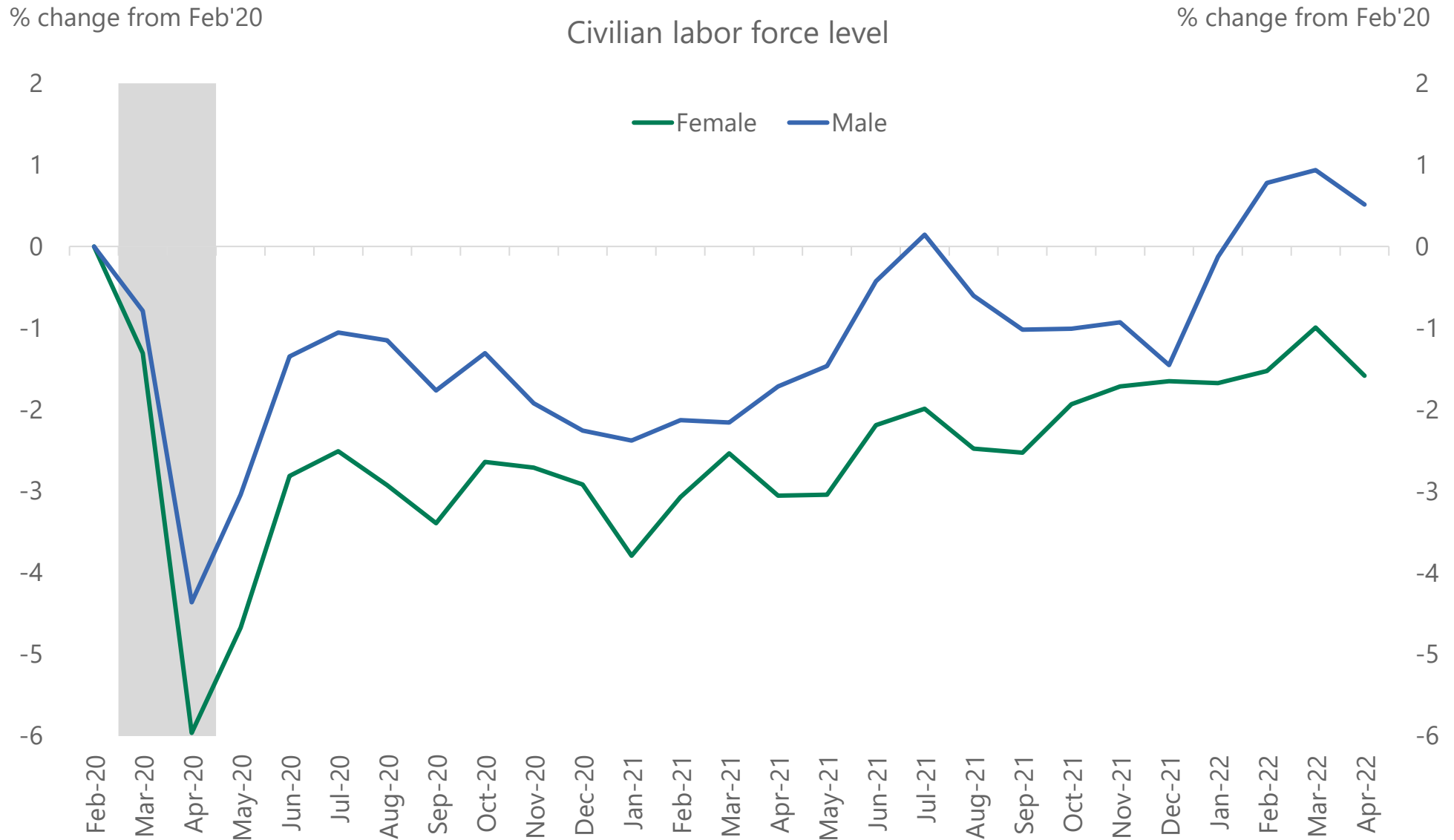
Source: Bloomberg, Apollo Chief Economist, <https://pascdashboard.aapmr.org/>

Rising labor costs will weigh on profit margins over the coming quarters



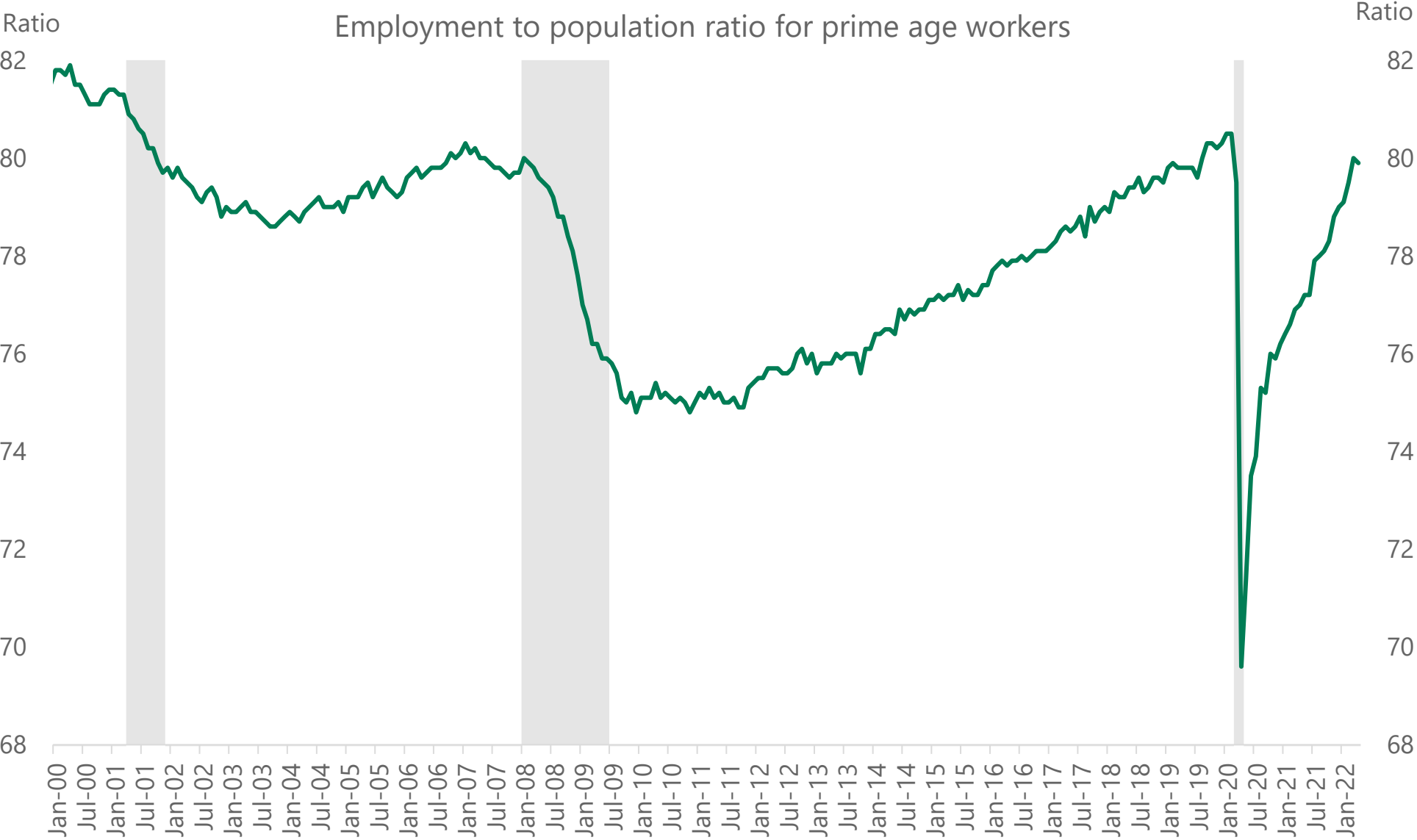
Source: BEA, Haver Analytics, Apollo Chief Economist

Labor force participation has recovered to pre-pandemic levels for men but not for women



Source: BLS, Apollo Chief Economist

Employment to population ratio for prime age workers



Source: BLS, Haver Analytics, Apollo Chief Economist

Biography



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Torsten Slok joined Apollo in 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade, including #1 in 2019. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.