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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

Following years of significant growth, the tech sector's hiring boom appears to be losing steam. A slew of the most popular names in tech have been leading headlines recently as they announce hiring freezes and layoffs, citing adjustments to their near-term outlook. However, the bad news in the tech hiring trends may be a misleading factor relative to the broader U.S. labor market.

Many technology companies enjoyed tremendous growth in 2020 and 2021, benefiting from changes in the way consumers shop, work, exercise, entertain, etc. As a result, most companies in the space were able to avoid significant layoffs during the initial wave of COVID lockdowns and many actually expanded their workforce. The sector as a whole has experienced one of the highest rates of hiring since January of 2020 and is estimated to have grown to 8.9 million employees in the United States¹, good for about 5.5% of the entire civilian labor force. Momentum is beginning to slow, however, as major players in the sector are paring back the size of their workforce. In May, tech companies cut over 4,000 jobs compared to around 500 in the previous four months combined². Notable names to recently announce hiring freezes and/or layoffs include Meta, Peloton, and Netflix, among others. The consistent driver of these decisions has been slowing consumer demand for their products, but some CEOs have also admitted that they 'over-hired' during the recent boom. Uber's Dara Khosrowshahi said that moving forward the company will "treat hiring as a privilege and be deliberate about when and where [they] add headcount."

Despite the recent trends in tech, the U.S. jobs report for May showed 390,000 gains, handily beating expectations. Notable industries leading the payroll charge in May were food service, air transportation, and hotel workers. So while we are certainly coming down from the 600K/700K monthly payroll increases we experienced earlier this year towards a more normalized mid-cycle level, the overall landscape of the labor market still strongly favors workers. The slowdown in tech hiring, and conversely the gains in other industries, underscores the transition in consumer spending habits that I mentioned in my previous commentary. Consumers are getting out and spending more on services that they enjoy and paring back on goods expenditures. Thanks for reading, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

¹ CompTIA 2022 State of Tech

² Challenger, Gray & Christmas

With My Best Regards,

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