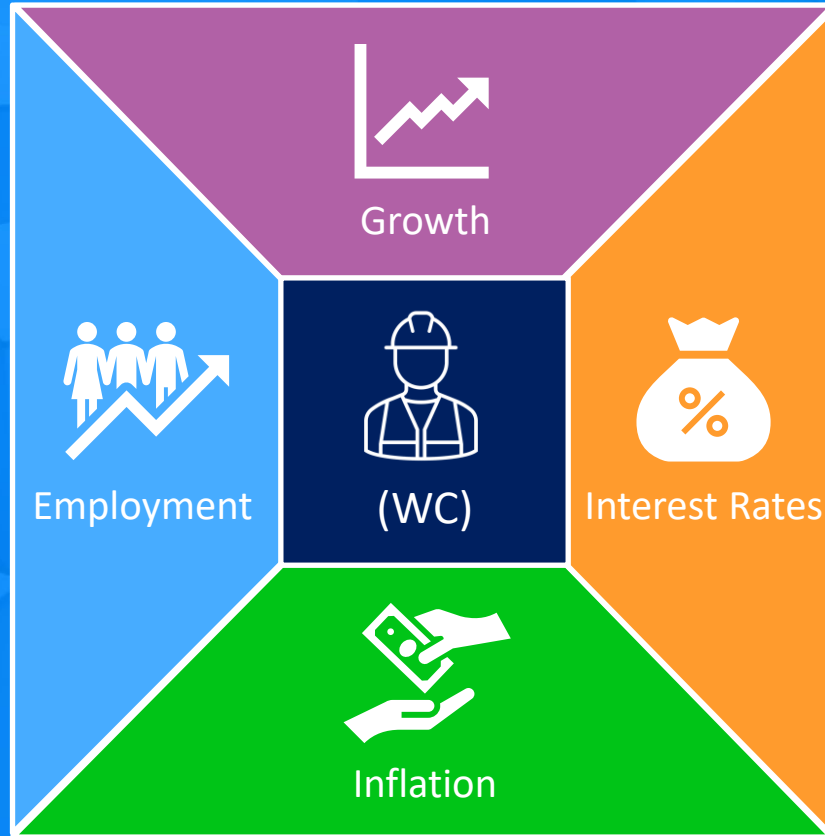
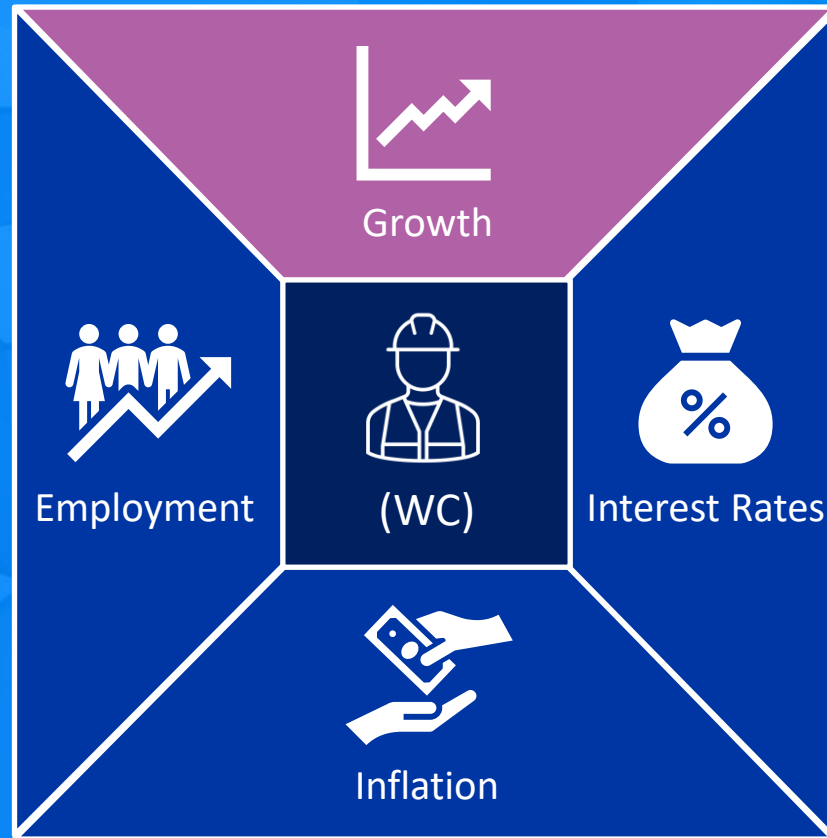


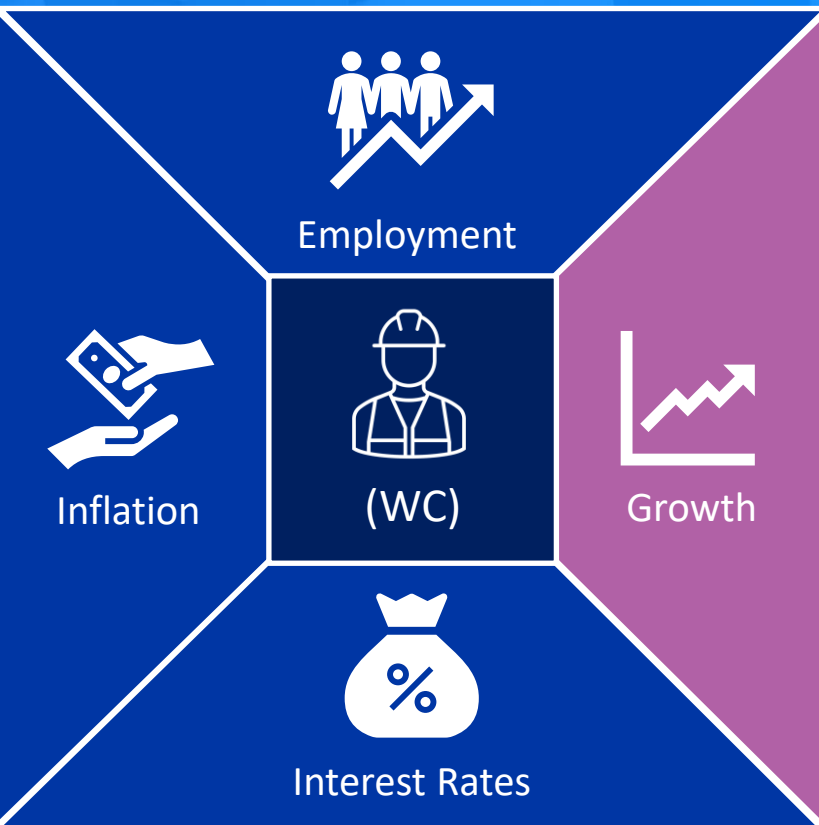
# State of the Economy and Impact on Workers Compensation

**Stephen Cooper**  
Executive Director and  
Senior Economist  
NCCI





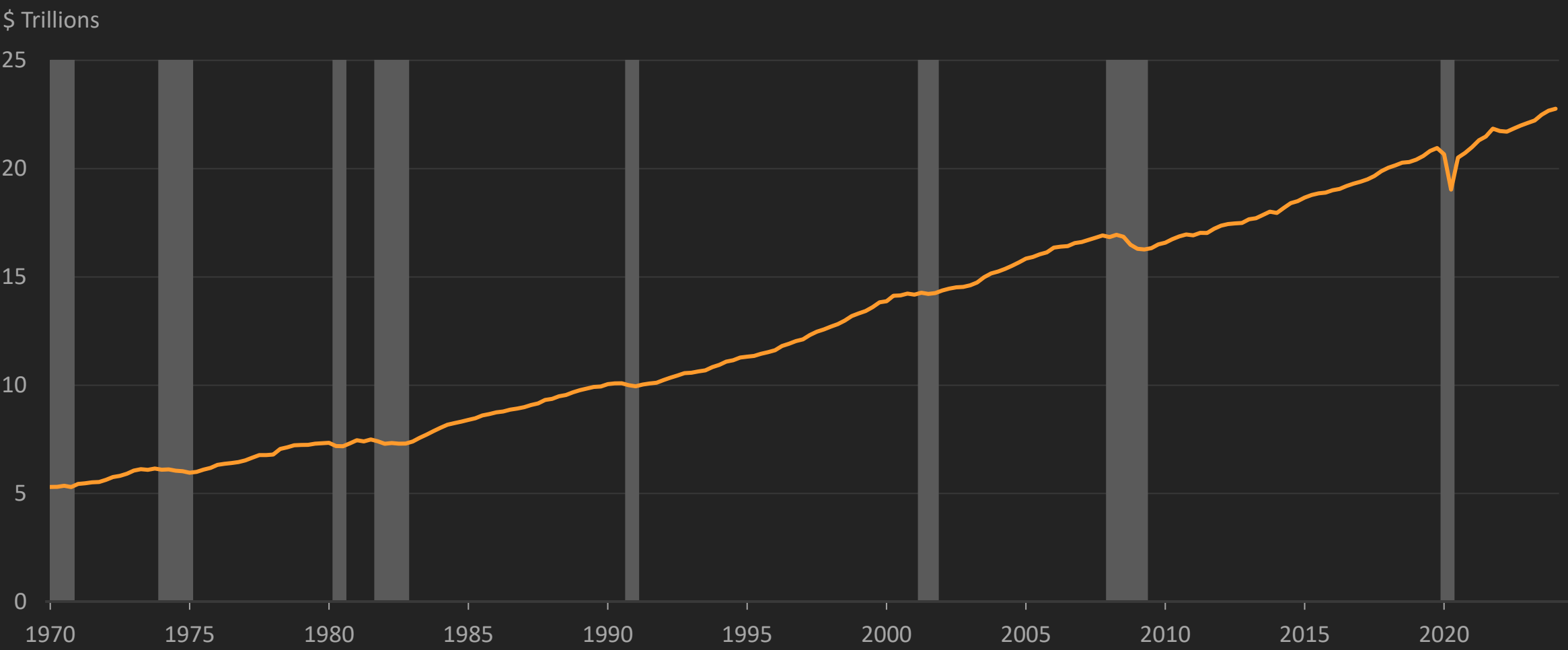




- Is the economy good or bad? Is it growing or shrinking?
- I don't believe you, the economy feels bad.
- If we feel bad enough about the economy, will it turn bad?

# The Economy's Natural State Is to Grow

Real GDP

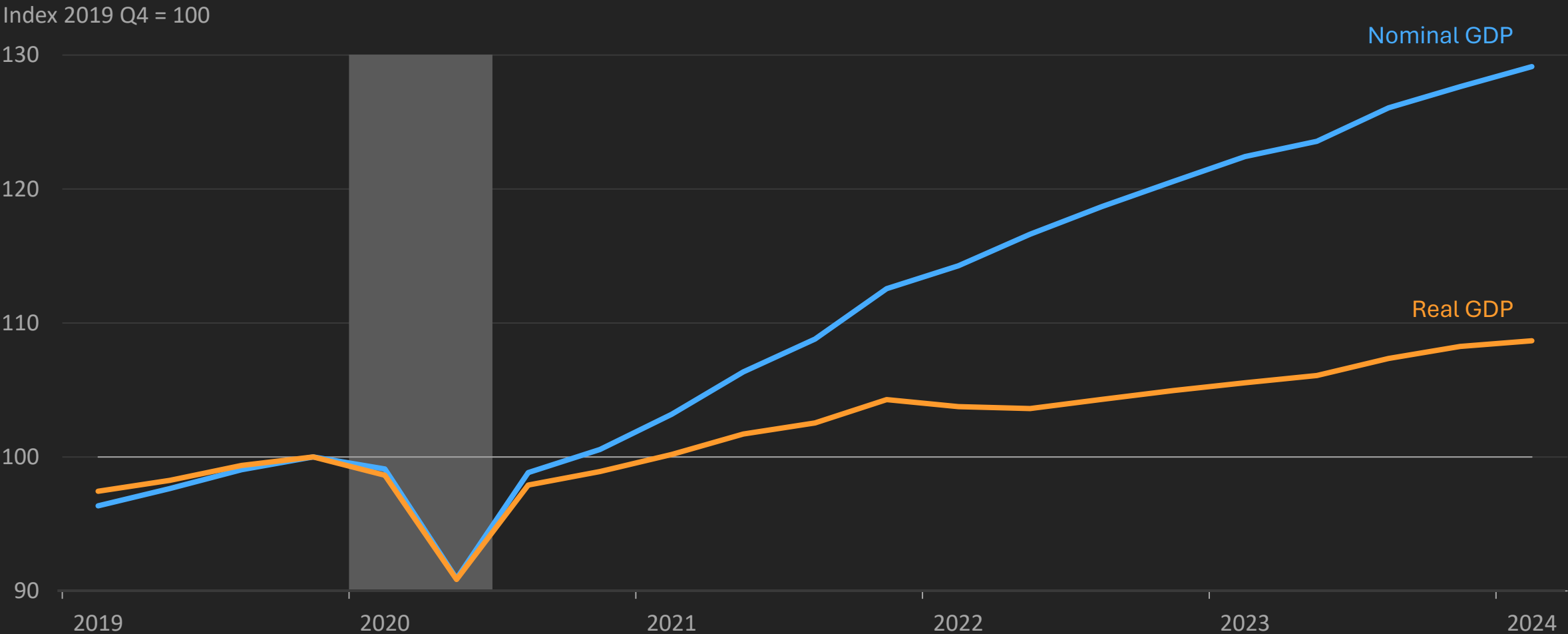


Source: US Bureau of Economic Analysis

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# The Economy's Natural State Is to Grow

Real GDP and Nominal GDP



Source: US Bureau of Economic Analysis

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# The Vibecession: The Self-Fulfilling Prophecy

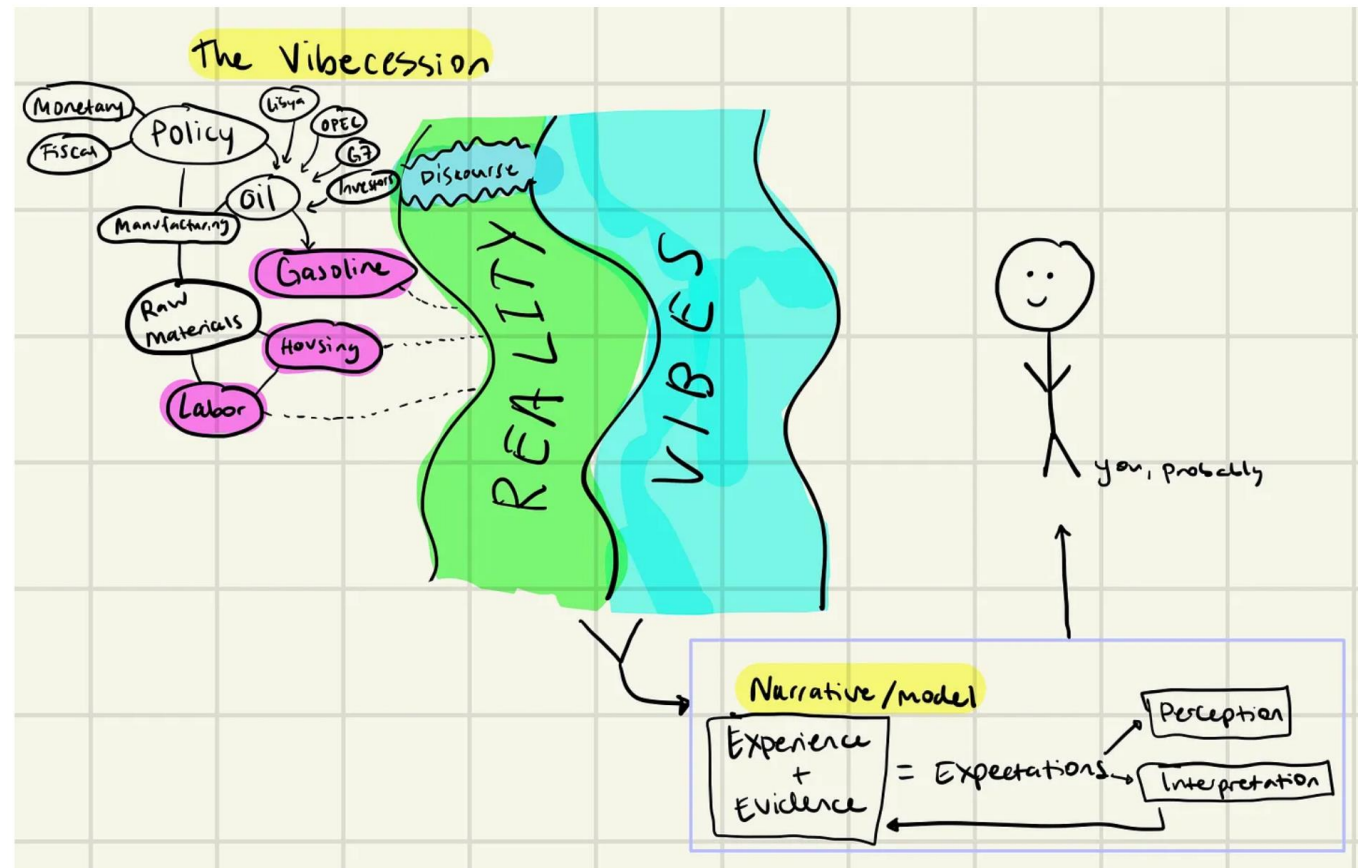
Are we manifesting a recession?



KYLA SCANLON

JUN 30, 2022

## The Vibecession





# The Vibecession: The Self-Fulfilling Prophecy

Are we manifesting a recession?

Bloomberg

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Jonathan Levin,  
Columnist

## Risks Are Growing of a Double-Dip 'Vibecession'

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US economy, Investor sentiment

## "Vibecession"? - The paradox between hard data and sentiment

INTELLIGENCER | THE CUT | VULTURE | THE STRATEGIST

NEW YORK



Intelligence

THE MONEY GAME | AUG. 13, 2022

## Are We in a Recession or a Vibecession?



By Kevin T. Dugan, staff writer at Intelligencer, who covers money and business



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ECONOMY

## You probably think the economy is much worse off than it is

Analysis by [Noah Sheidlower](#) Jul 5, 2023, 5:30 AM EDT

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# Perception

## Consumer Sentiment

Consumer Sentiment, Index: 100 = 1966



# Reality

## Consumer Spending

Real Personal Consumption, Trillions of 2017 \$



Sources: University of Michigan—Consumer Sentiment Survey; US Bureau of Economic Analysis—Real Personal Consumption

# Vibecession Over?



ALLIANCEBERNSTEIN

The New York Times

OPINION

PAUL KRUGMAN

## Is the Vibecession Finally Coming to an End?

Jan. 22, 2024

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JANUARY 25, 2024

## Is the “Vibe-cession” for US Consumers on Its Way Out?

The Washington Post

*Democracy Dies in Darkness*

## Opinion | The vibecession is over because the economy now slays



By [Drew Goins](#)

Newsletter writer

January 23, 2024 at 4:30 p.m. EST

Bloomberg

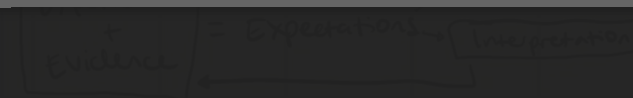
● Live TV Markets ▼ Economics Industries Tech Politics Businesswe

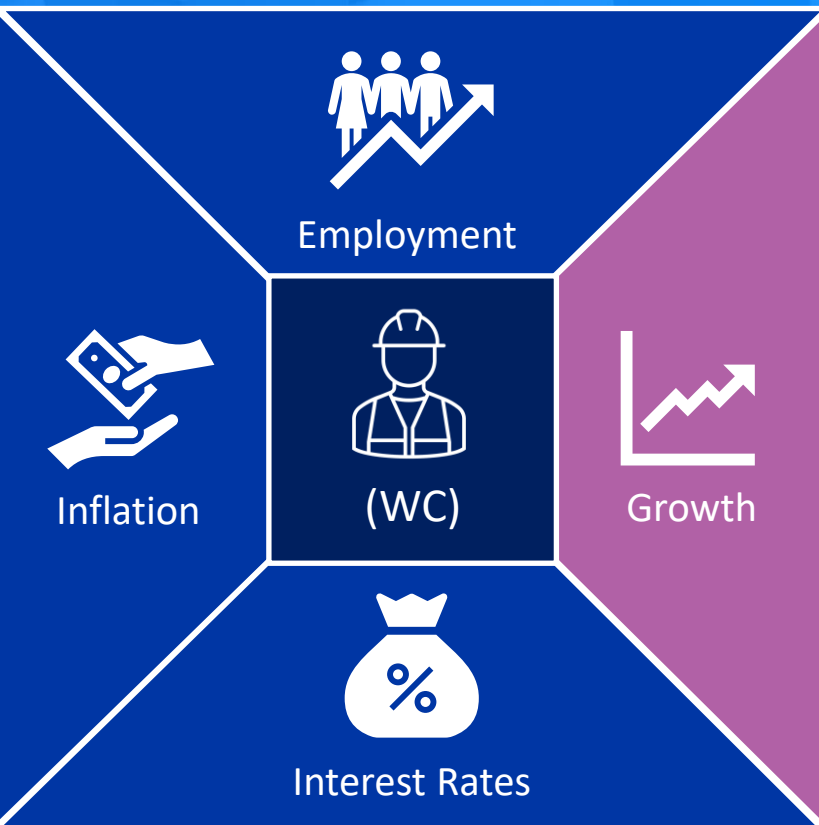
Opinion | Conor Sen, Columnist

## We’re Finally Shaking Off Those ‘Vibecession’ Feelings

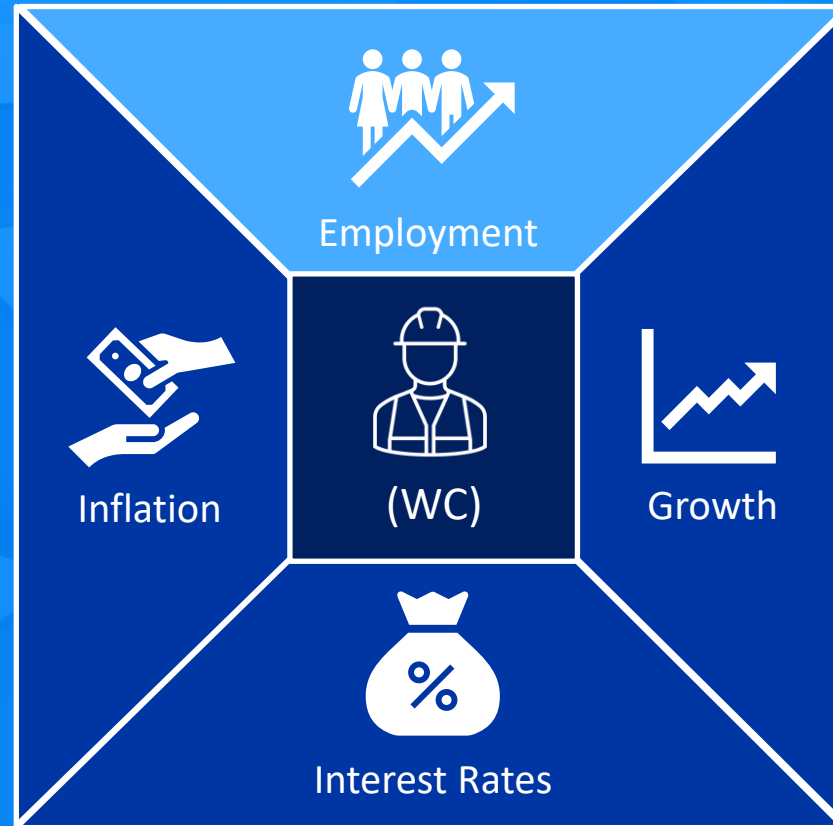
We can wave goodbye to the gloom that weighed on consumer confidence even when the data pointed to economic strength.

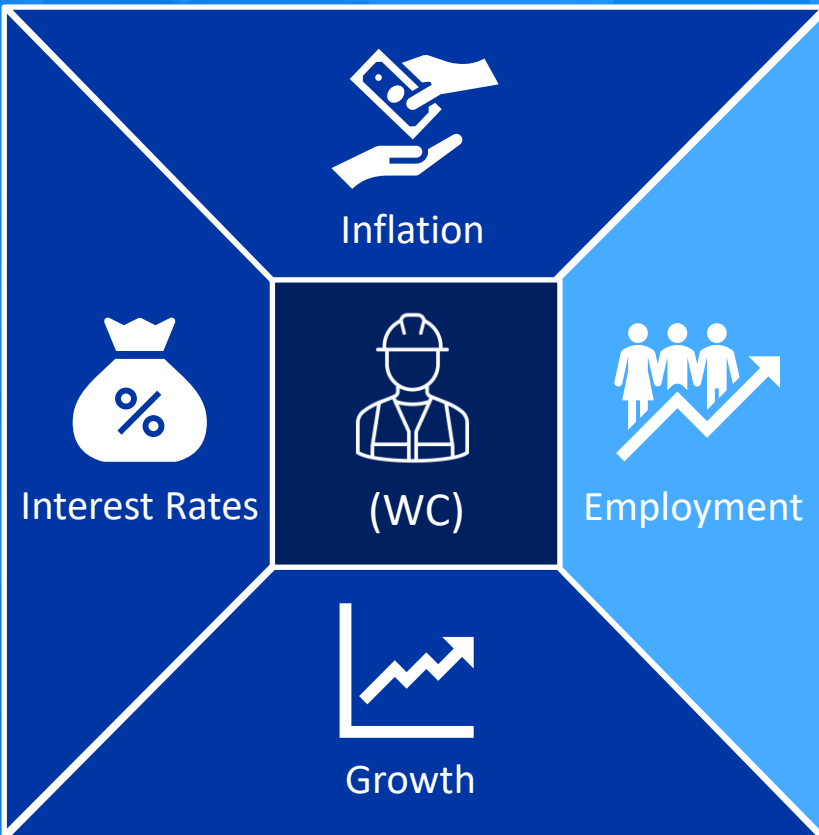
December 27, 2023 at 6:00 AM EST





- The economy is in good shape
- Sentiment is starting to follow the economy
- Keep an eye out for things going wrong

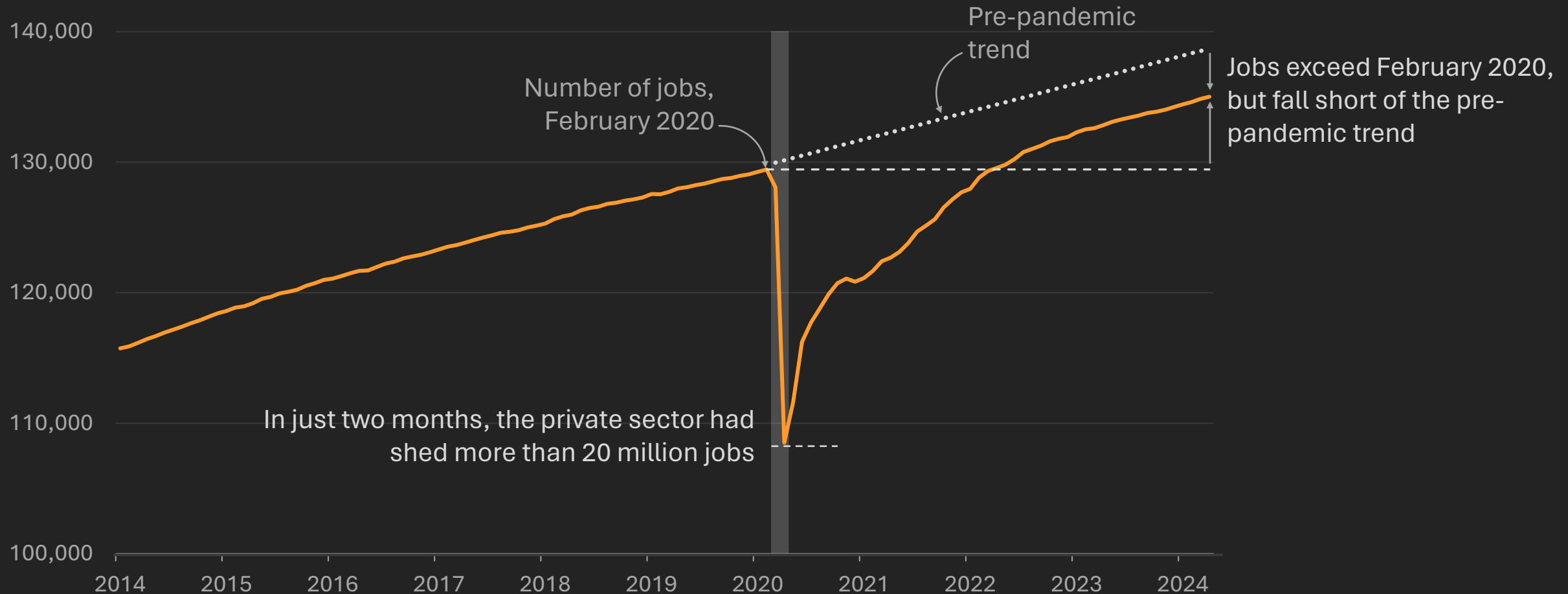




- Is the labor market slowing or deteriorating?
- How do we know?
- What does the future insured worker look like?

# Jobs Exceed the Pandemic Start but Not the Pre-Pandemic Trend

Private Industry Employment, Thousands



Pre-pandemic trend is the growth of private industry employment for the years 2015–2019  
Source: US Bureau of Labor Statistics

# Workers Compensation Is Not the Economy

Sector Distribution—NCCI States, Percent

	Employment	Payroll	Premium
Combined Office	29.0	38.9	18.9
Health Care	16.4	10.1	6.9
Manufacturing	9.7	16.4	16.6
Leisure and Hospitality	12.5	4.7	5.4
Construction	6.0	7.5	20.1
Wholesale Trade	4.6	4.4	5.3
Transportation and Warehousing	4.9	3.5	9.3
Retail Trade	11.6	7.7	8.5
All Other	5.3	6.7	9.0

Combined Office is an aggregation of several sectors: Information, Financial Services, Professional and Business Services, and Private Education

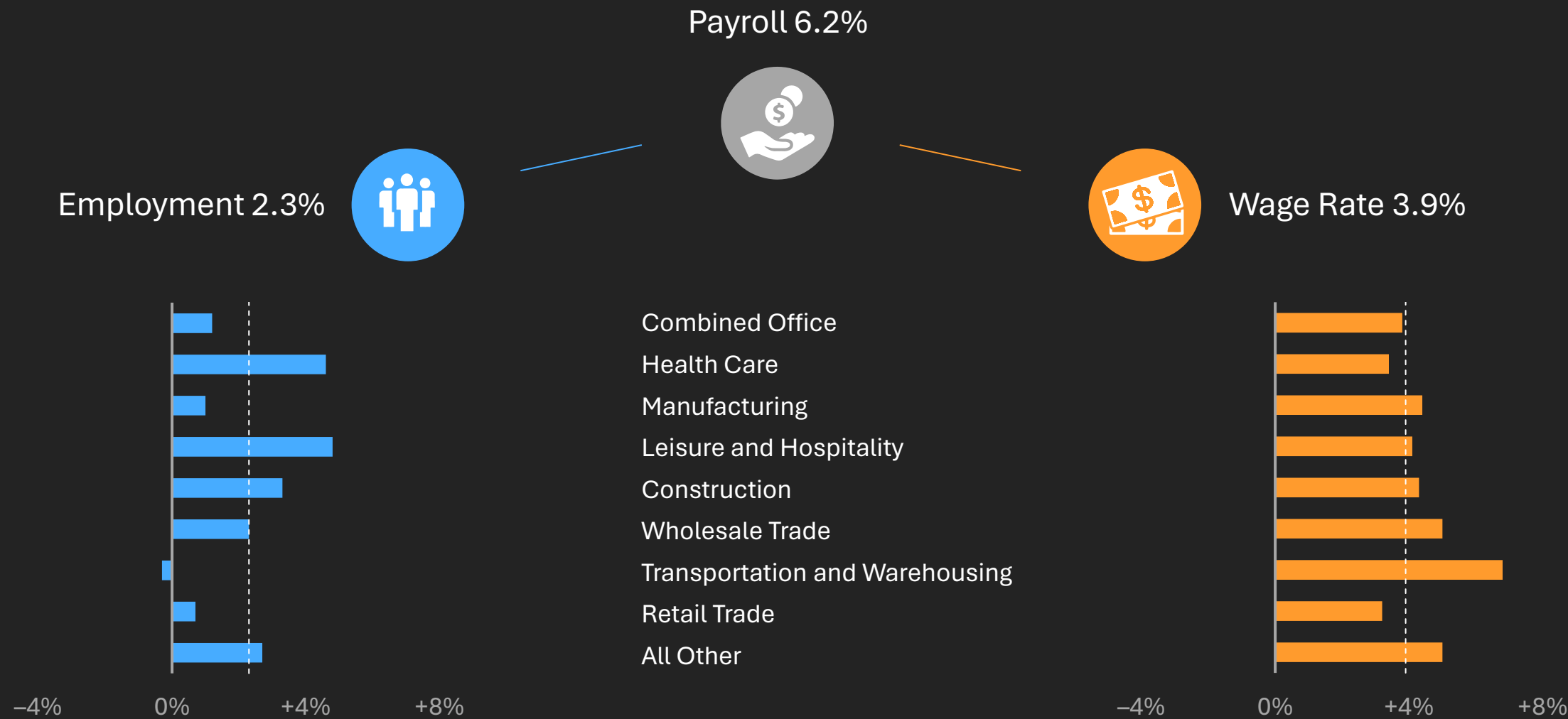
Market values that may not sum to 100% are due to rounding

Sources: NCCI's Statistical Plan data (CY 2022p) and US Bureau of Labor Statistics (US total, CY 2023)

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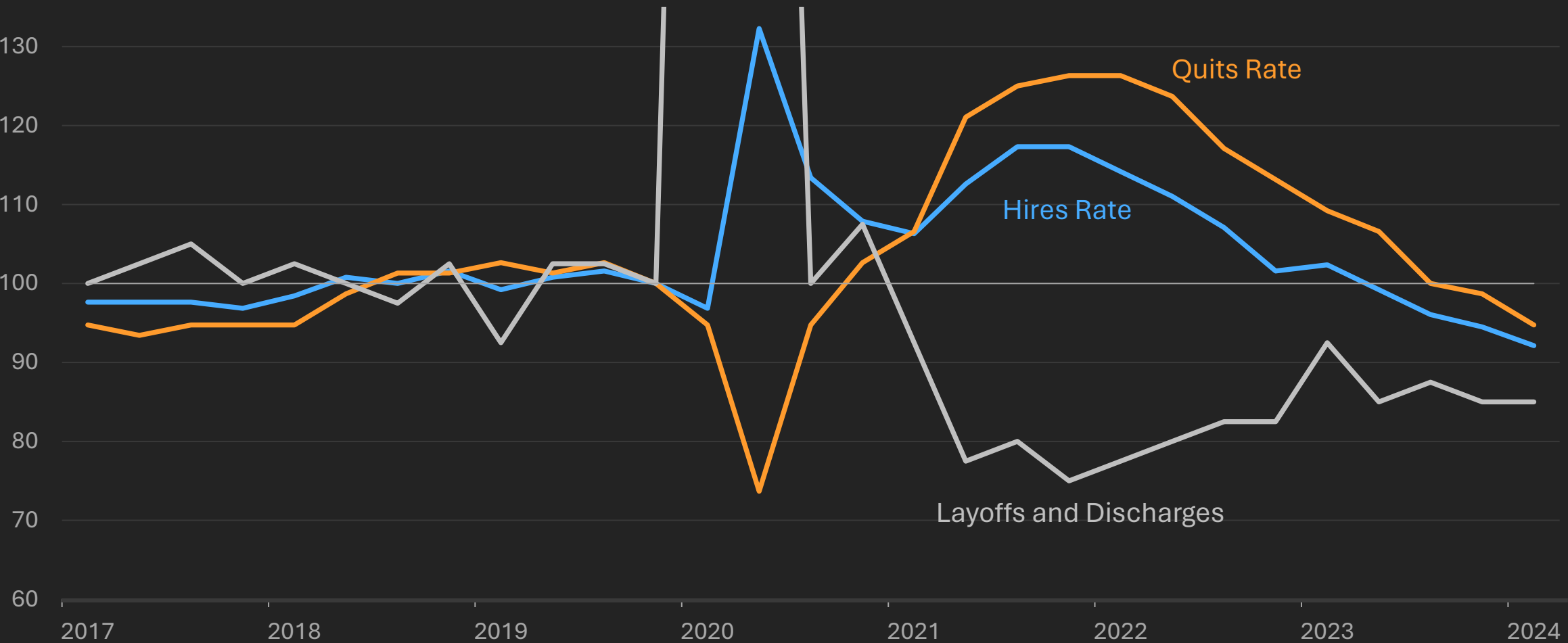
# Changes in Payroll by Component—2022 to 2023



Sources: US Bureau of Labor Statistics; US Bureau of Economic Analysis; NCCI

# From the Great Resignation to Everyone Staying Put

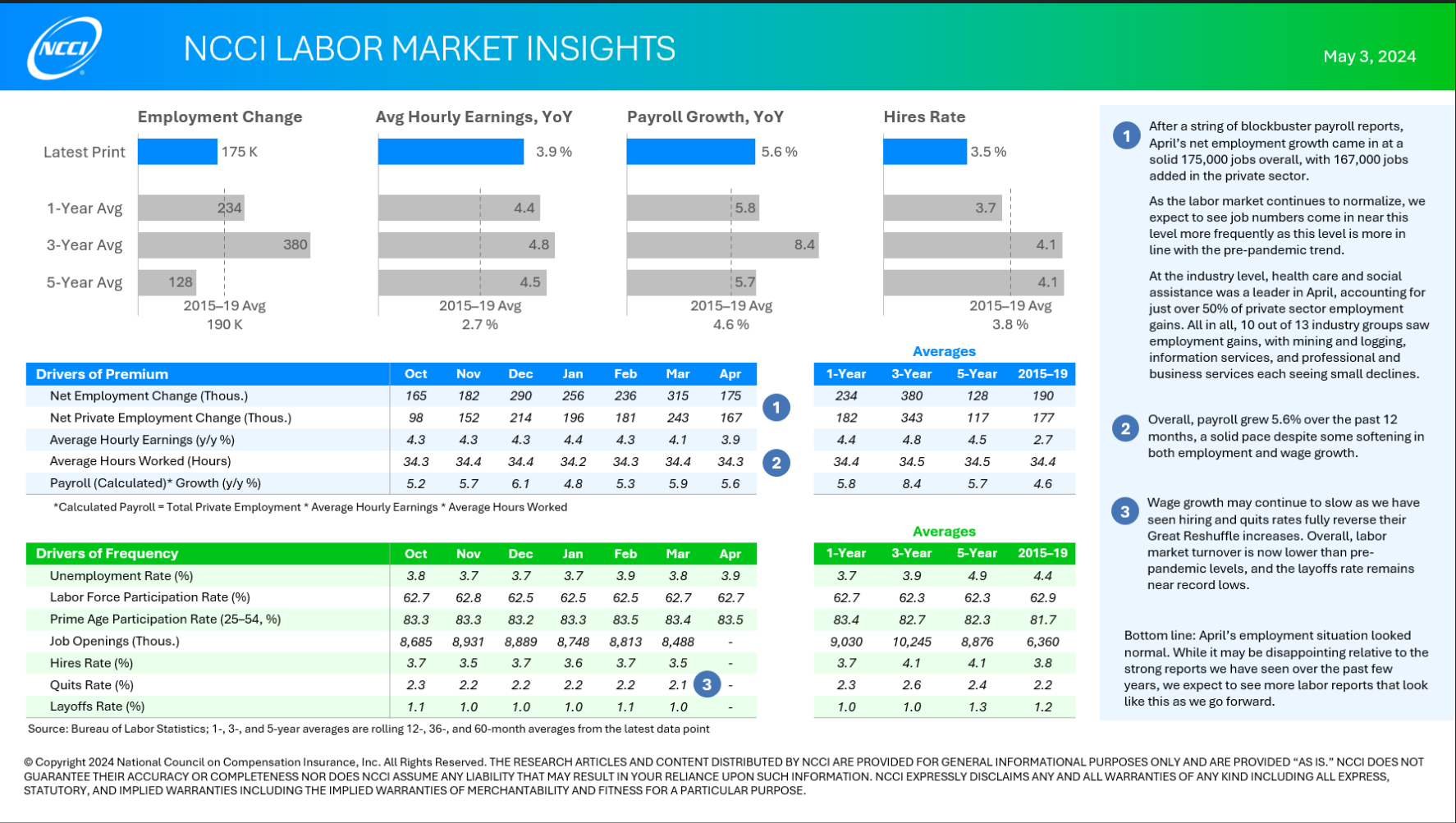
Total Private Industry, Indexed to December 2019



Source: US Bureau of Labor Statistics

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# Labor Market Insights now on ncci.com

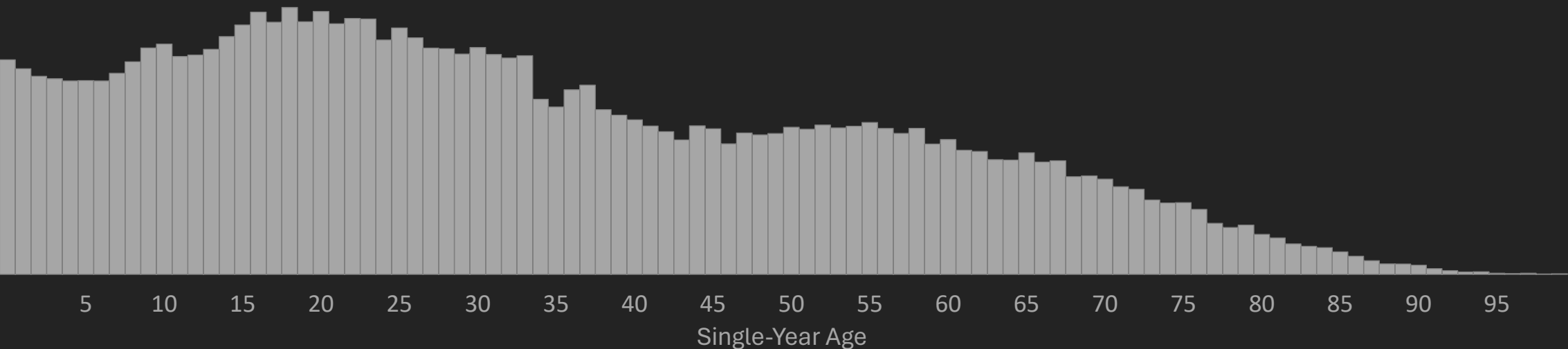


# Who Is Being Insured?

US Population

1980

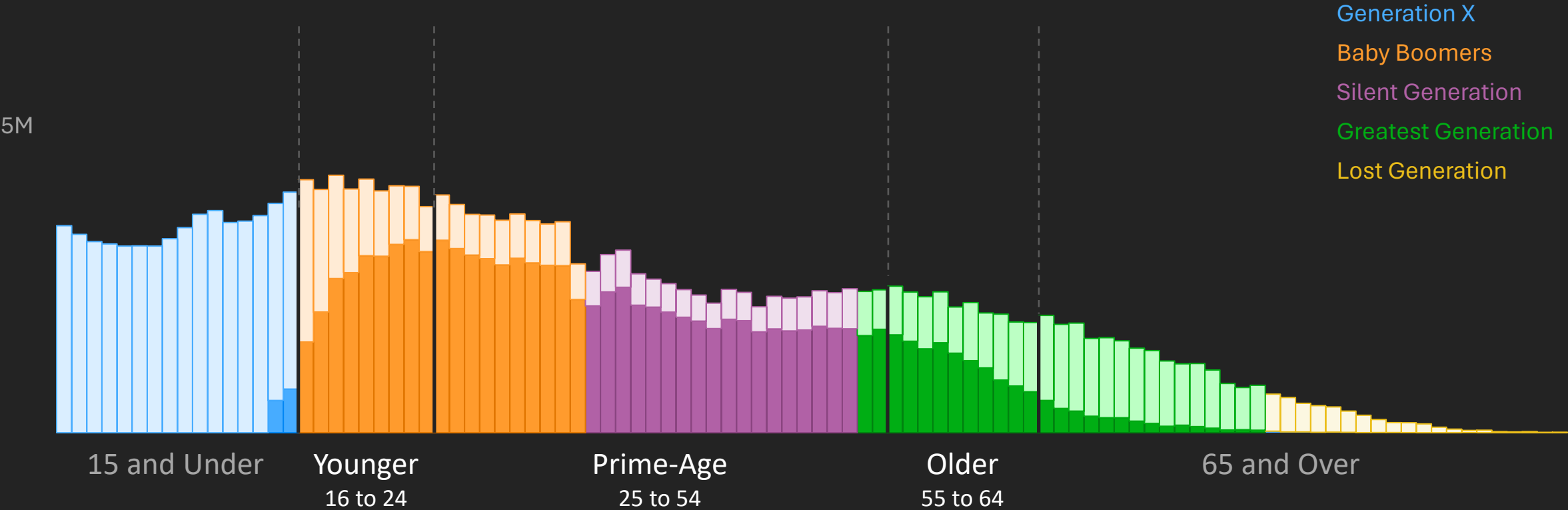
5M



Sources: Integrated Public Use Microdata Series—Current Population Survey, University of Minnesota; NCCI

# US Population by Age and Contributions to the Labor Force

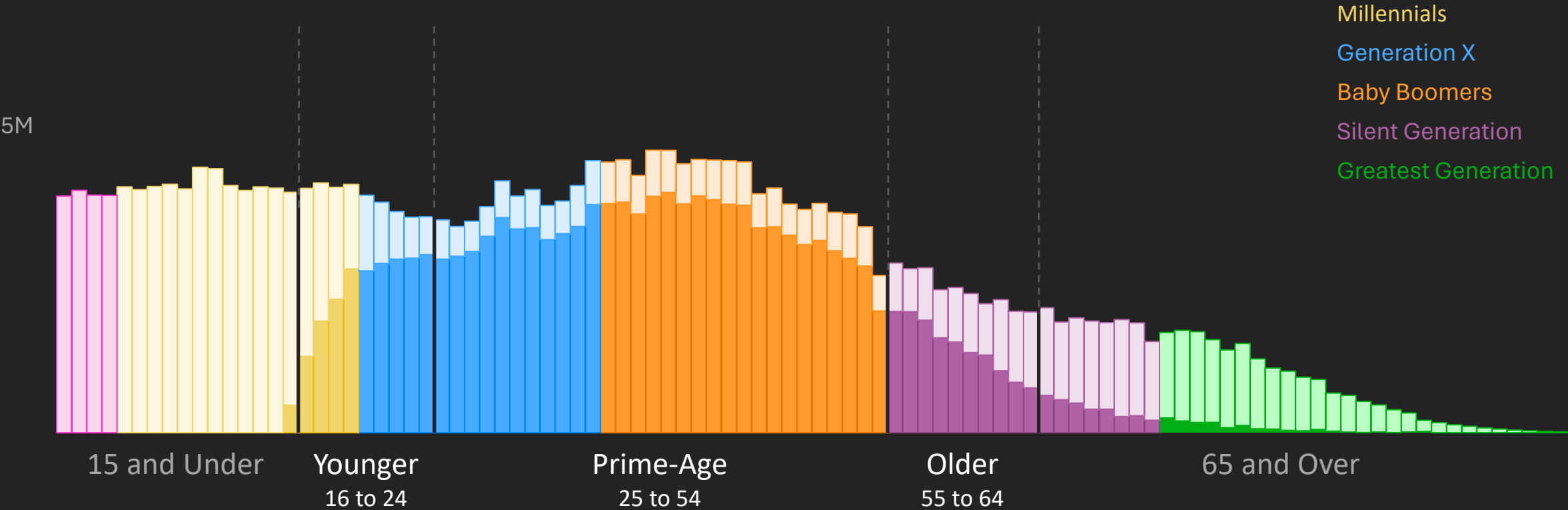
	16 to 24	25 to 54	55 to 64	
Population, %	17 ...	38 ...	10 ...	<b>1980</b>
Labor Force, %	24 ...	62 ...	11 ...	227 Million



Sources: Integrated Public Use Microdata Series—Current Population Survey, University of Minnesota; NCCI

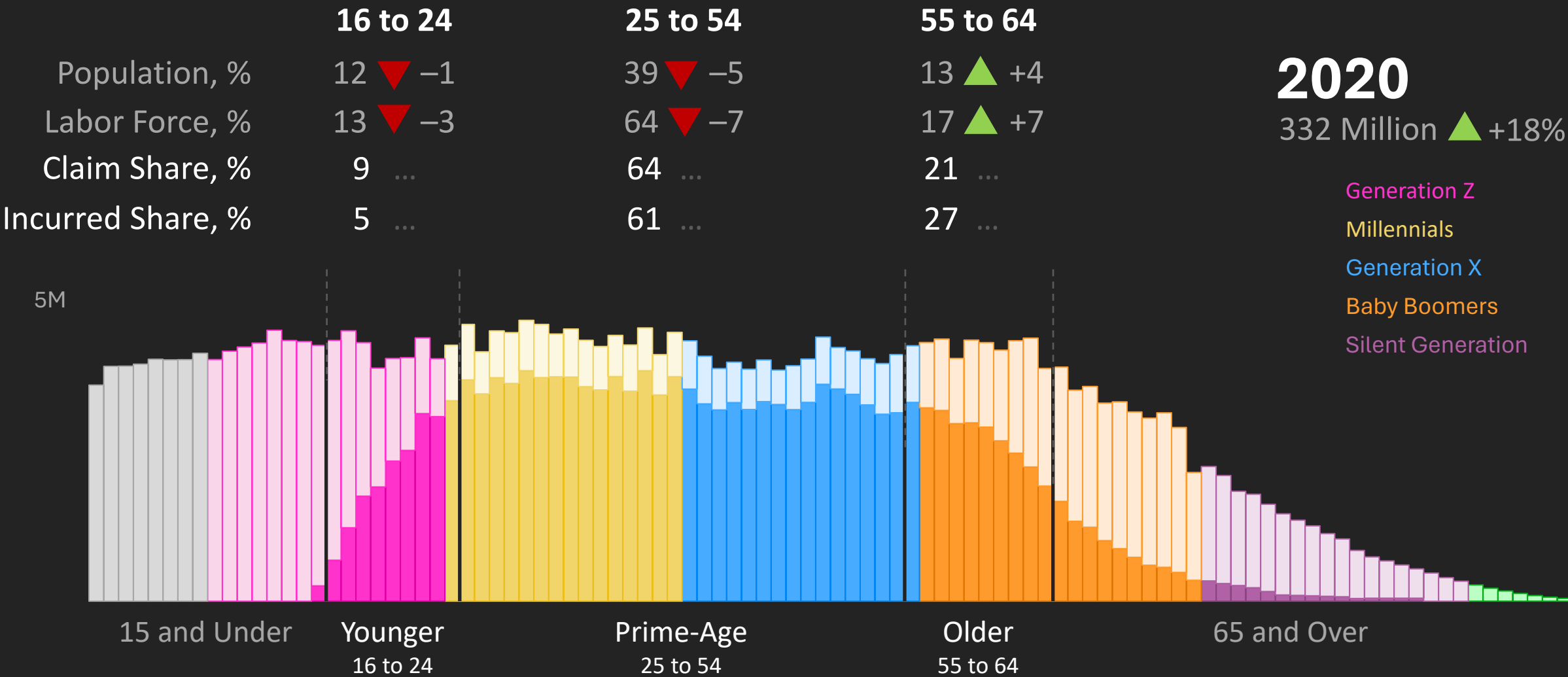
# US Population by Age and Contributions to the Labor Force

	16 to 24	25 to 54	55 to 64	
Population, %	13 ▼ -4	44 ▲ +6	9 ▼ -1	<b>2000</b>
Labor Force, %	16 ▼ -8	71 ▲ +9	10 ▼ -1	282 Million ▲ +24%



Sources: Integrated Public Use Microdata Series—Current Population Survey, University of Minnesota; NCCI

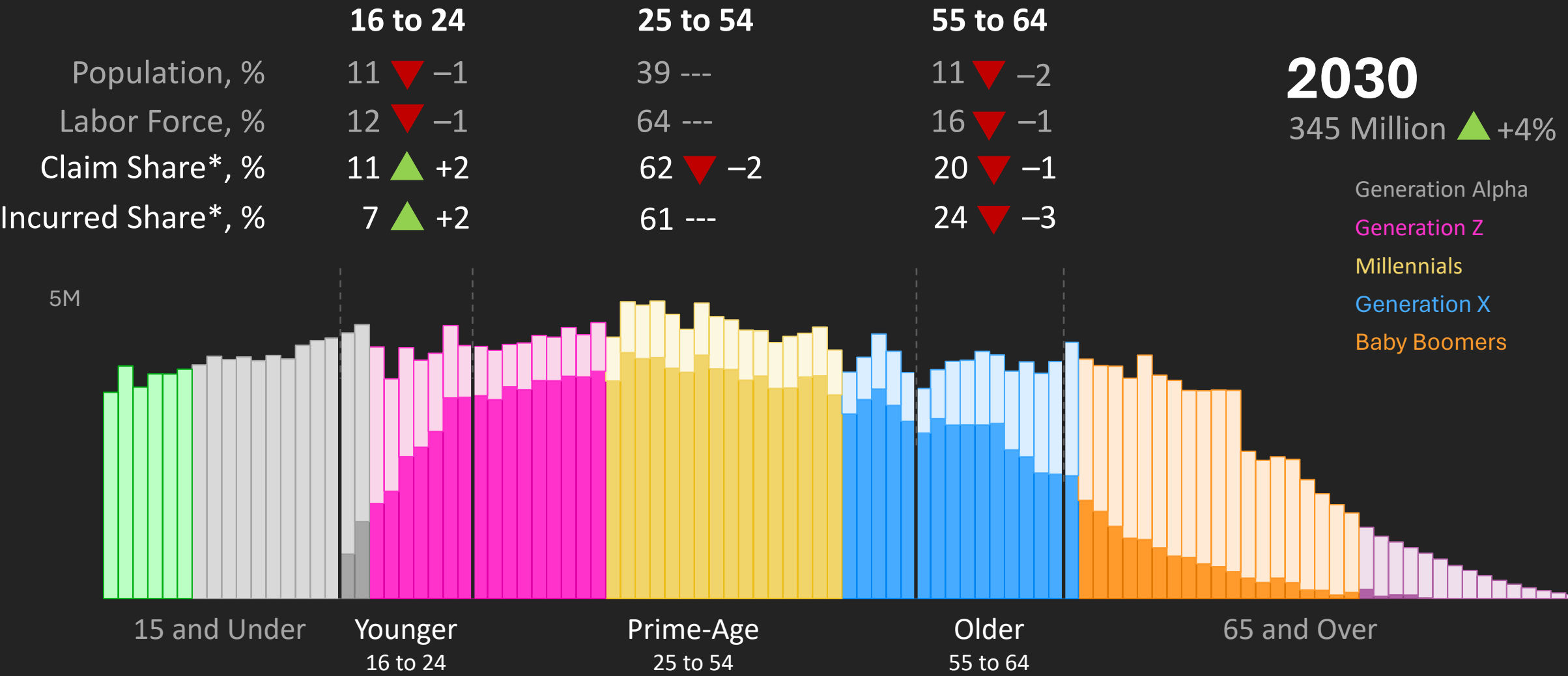
# US Population by Age and Contributions to the Labor Force



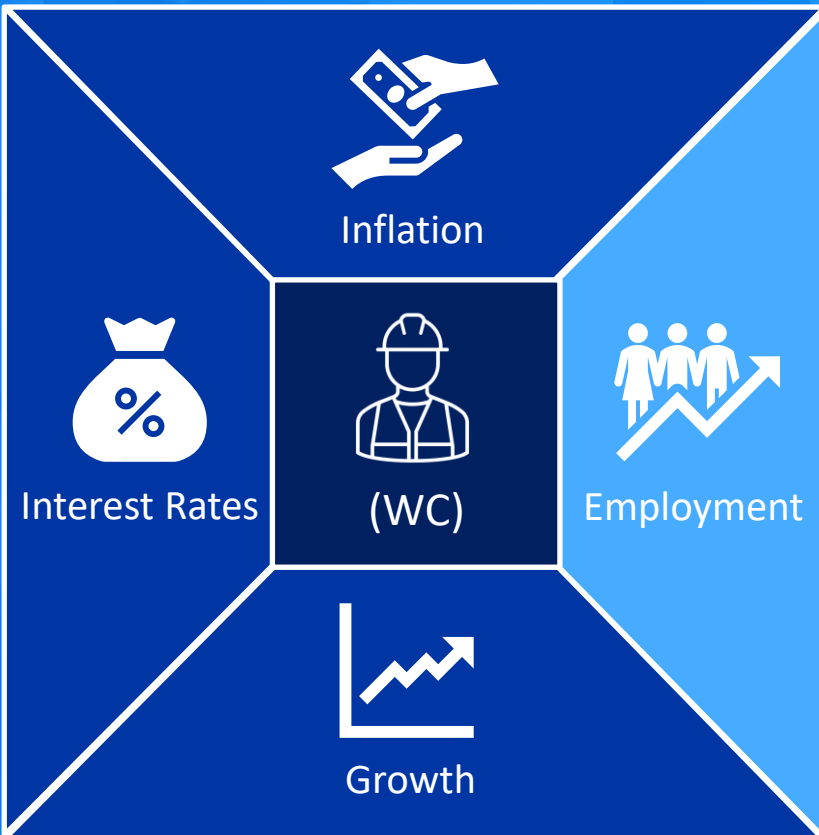
Sources: Integrated Public Use Microdata Series—Current Population Survey, University of Minnesota; NCCI’s *Claims Data Dashboard*



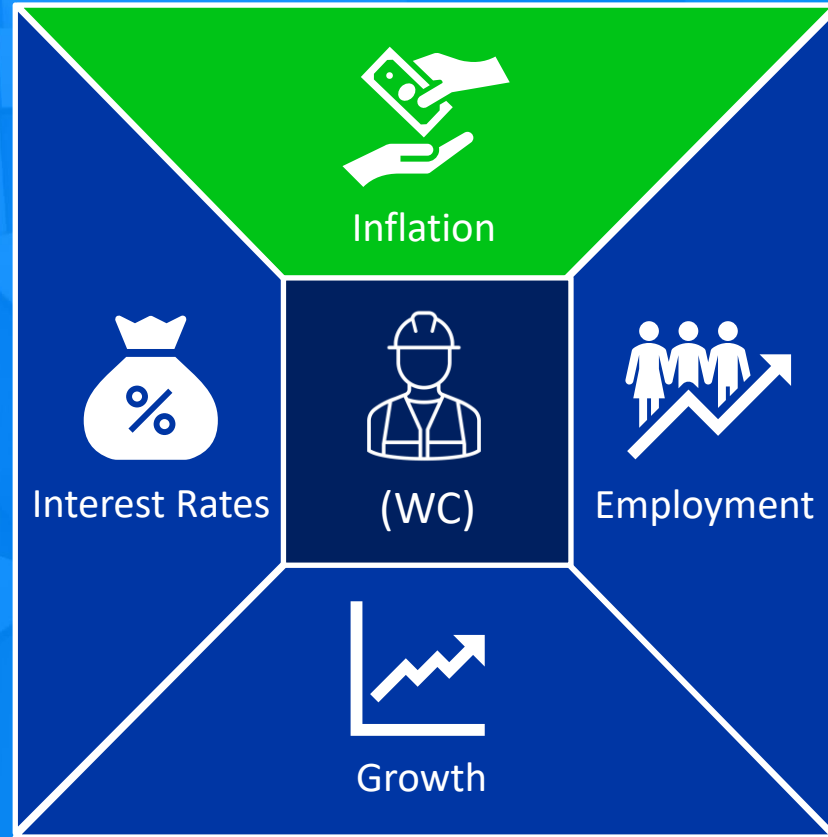
# US Population by Age and Contributions to the Labor Force

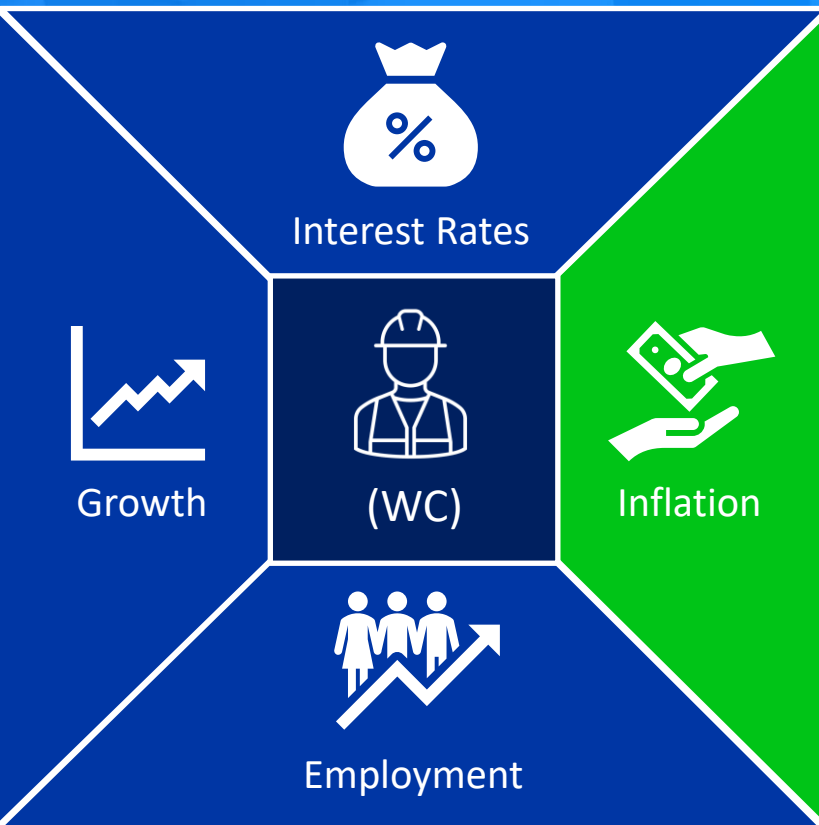


\* Claim and incurred shares are preliminary for CY 2023  
Sources: Integrated Public Use Microdata Series—Current Population Survey, University of Minnesota; NCCI's *Claims Data Dashboard*



- Employment growth is normalizing not deteriorating
- Labor market churn has slowed materially
- The population continues to trend older

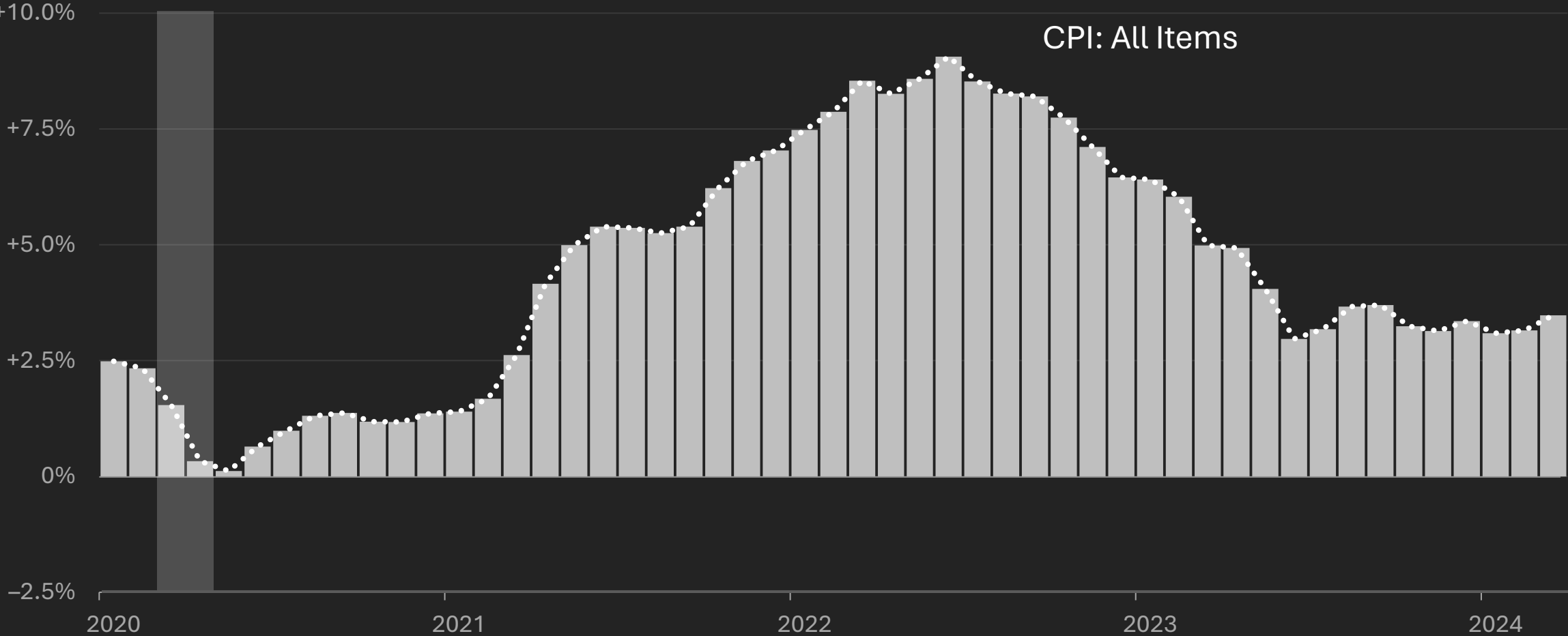




- Why is everything still so expensive?
- Highest inflation in 40 years, surely it must have impacted workers compensation?
- I'm worried about medical inflation. What's the best way to follow it?

# Inflation Slowed in 2023 Following ~40-Year High

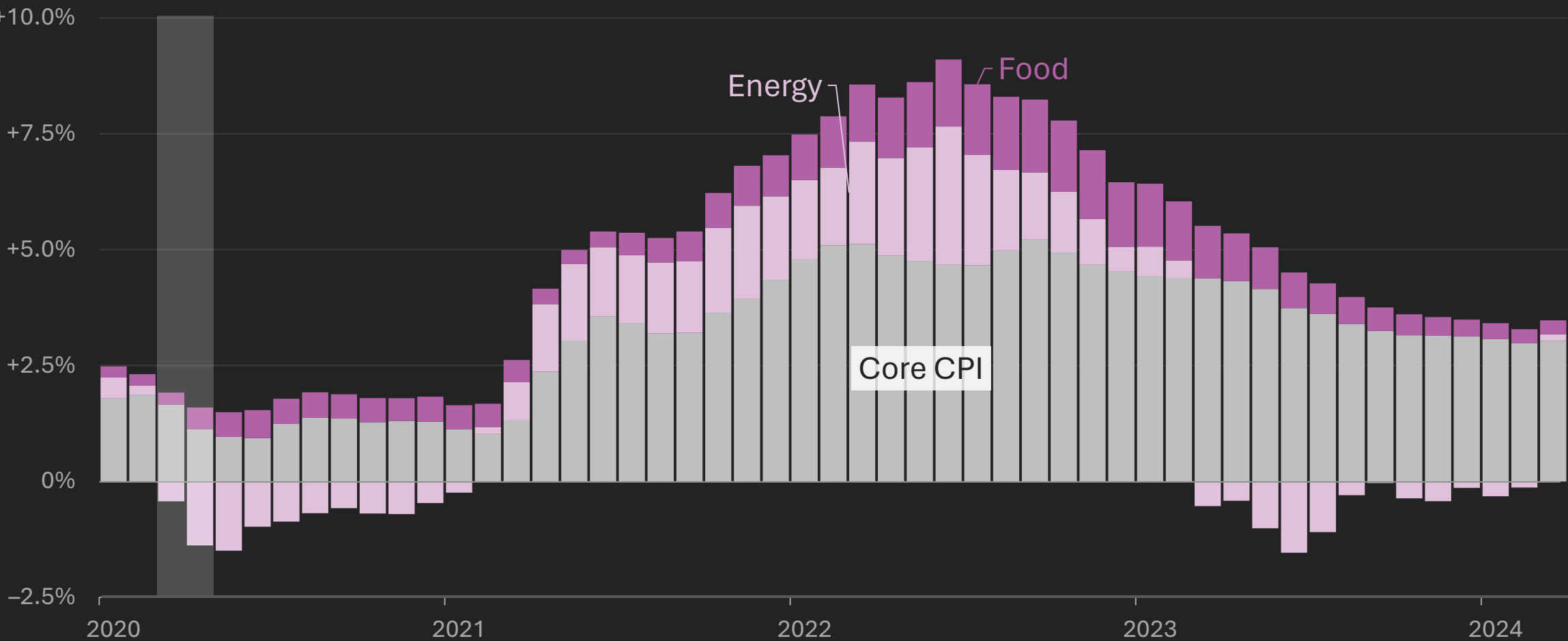
Year-Over-Year % Change



Source: US Bureau of Labor Statistics

# Inflation Slowed in 2023 Following ~40-Year High

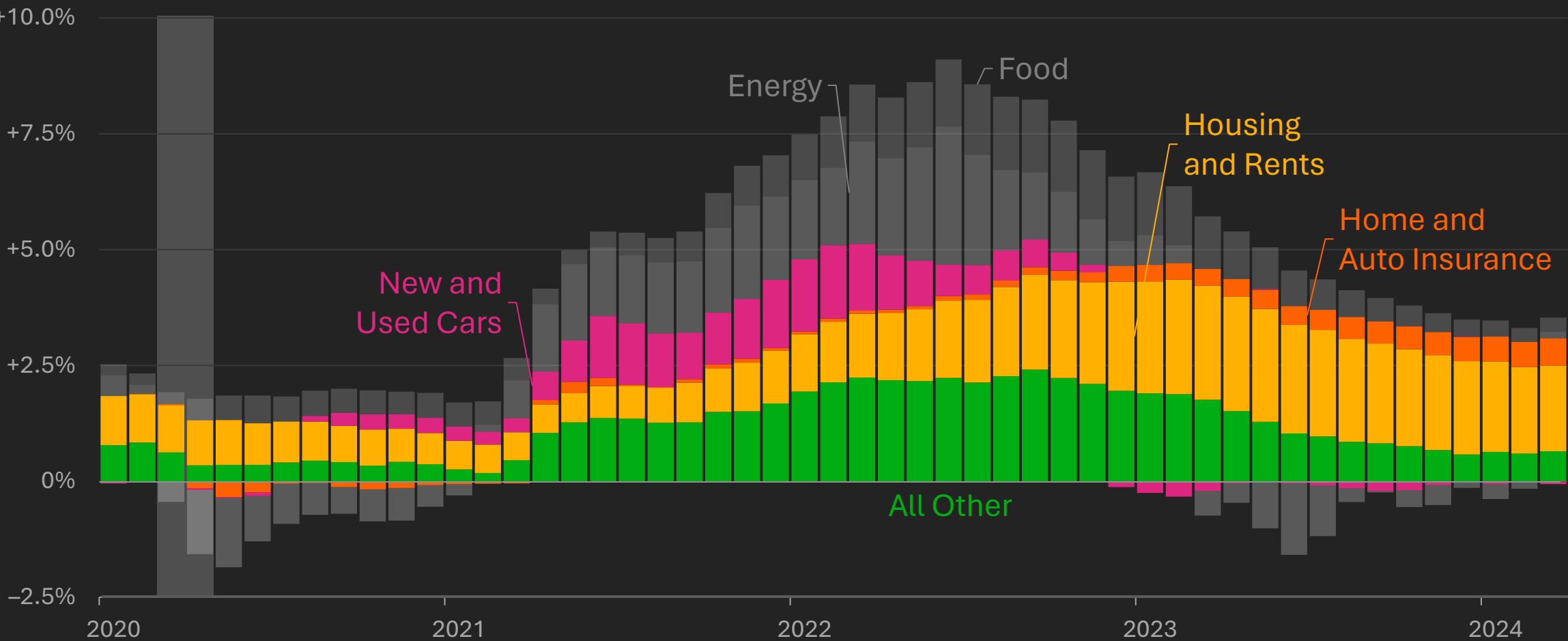
Year-Over-Year % Change



Source: US Bureau of Labor Statistics

# Core Inflation Has Been More Stubborn

Contributions to Year-Over-Year % Change

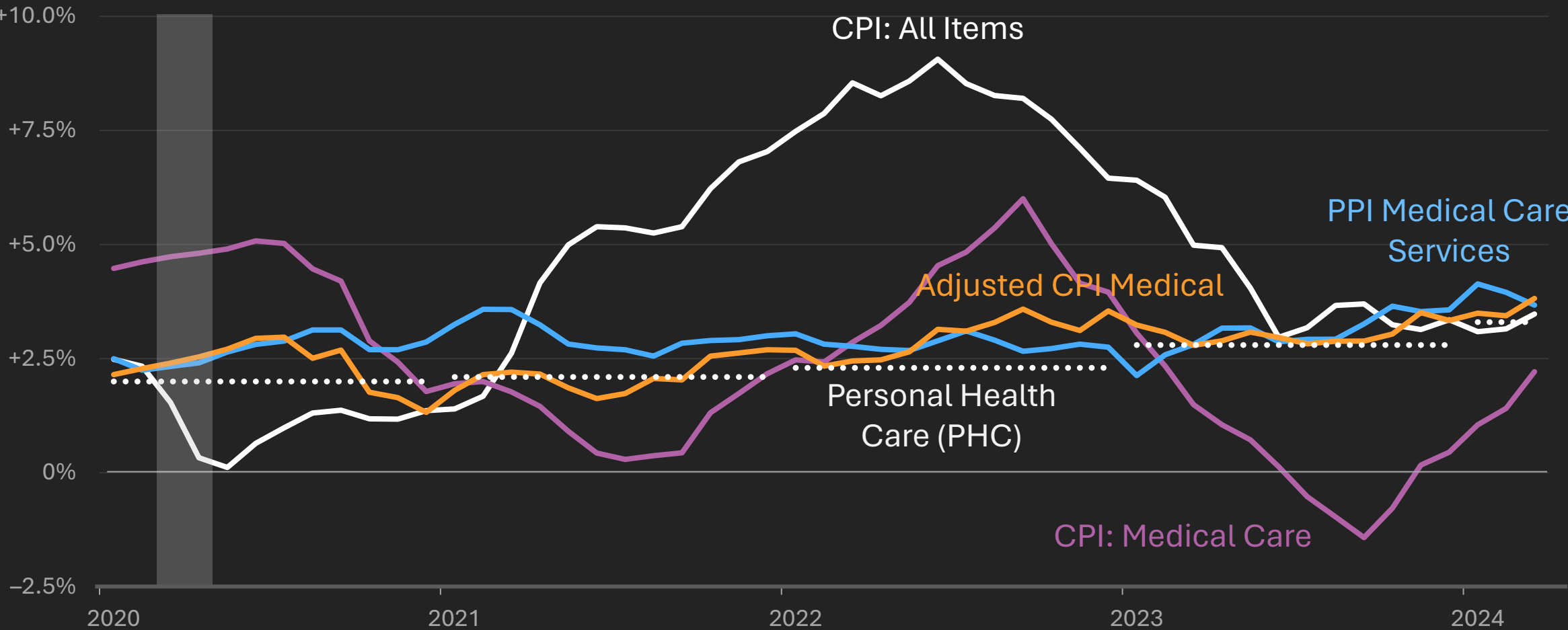


Source: US Bureau of Labor Statistics



# What About Medical Inflation?

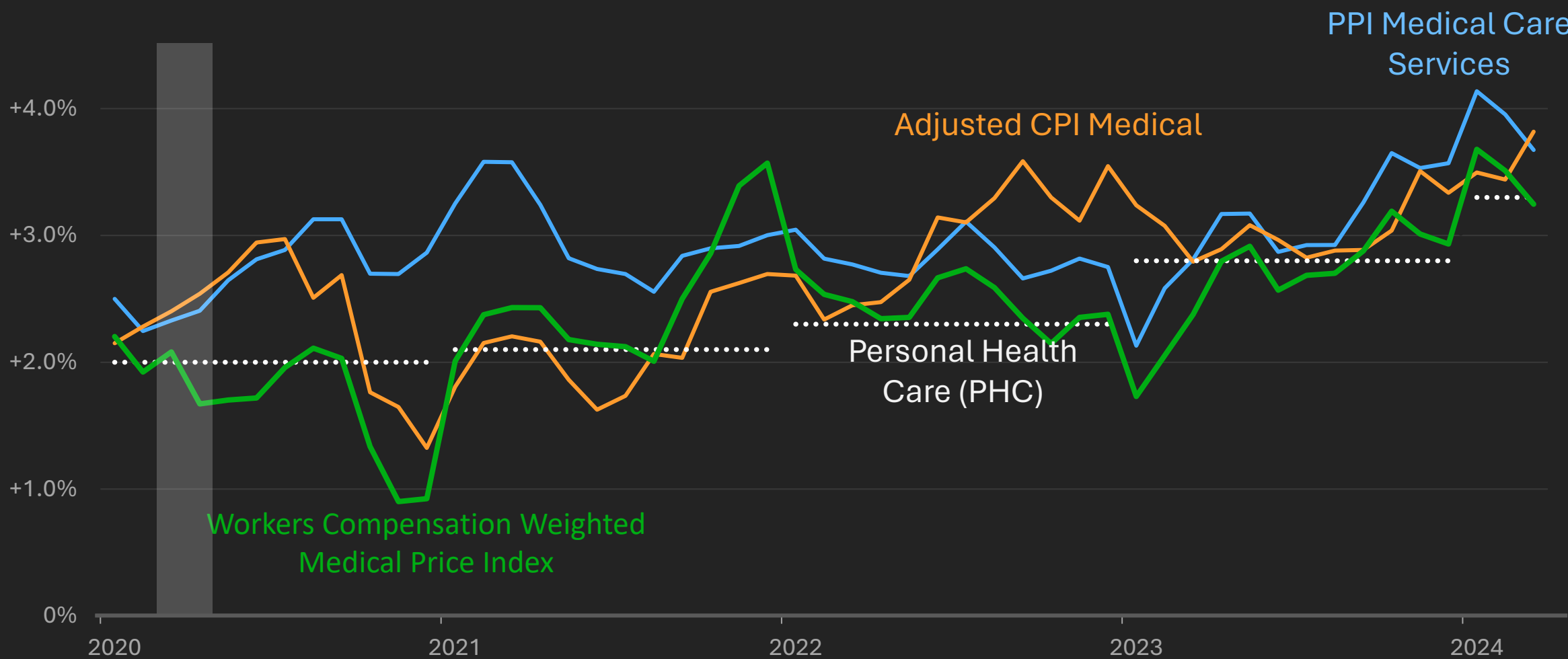
Year-Over-Year % Change



Sources: US Bureau of Labor Statistics; Centers for Medicare & Medicaid Services

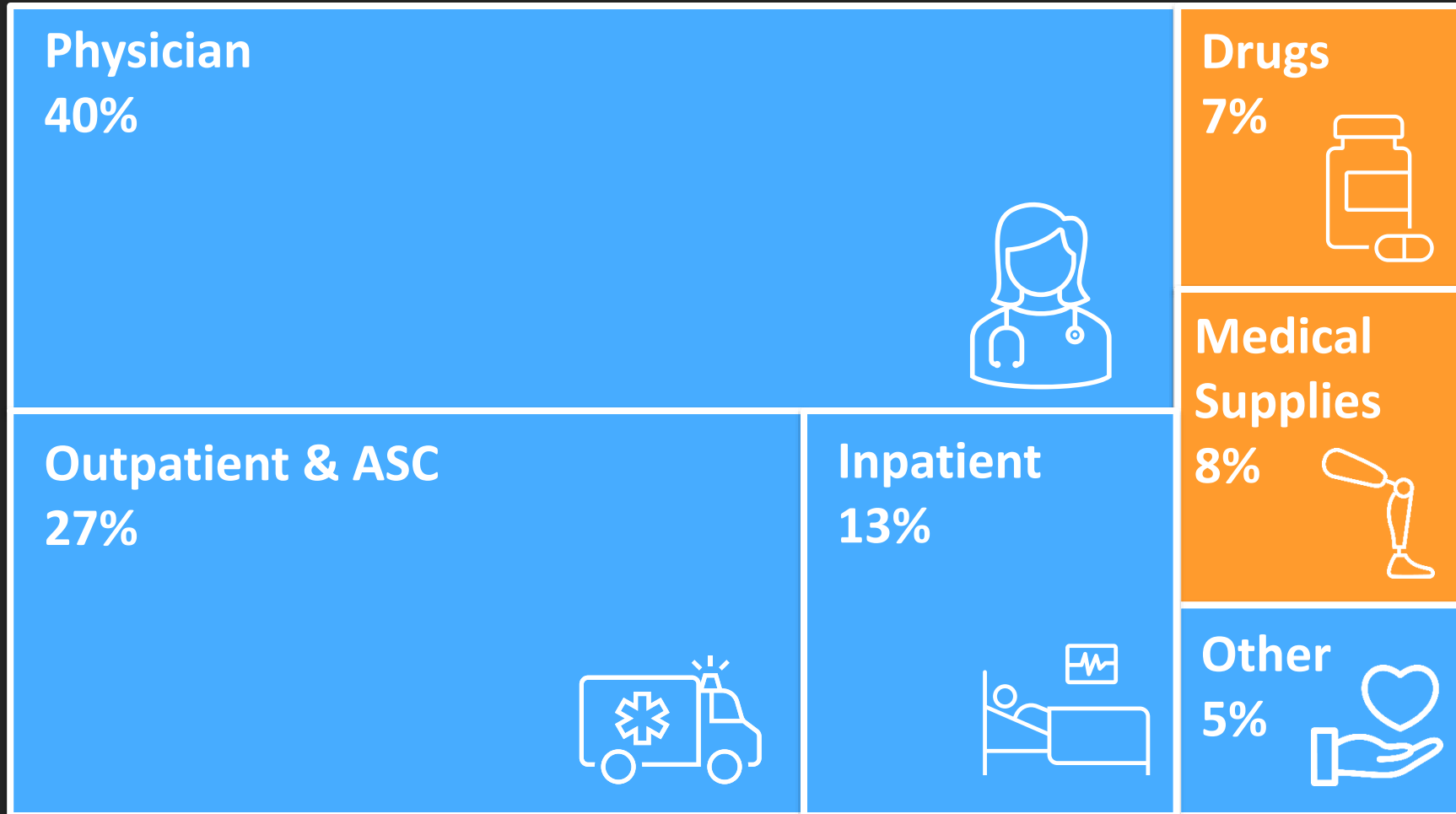
# What About Medical Inflation?

Year-Over-Year % Change



Sources: US Bureau of Labor Statistics; Centers for Medicare & Medicaid Services

# Medical Cost Distribution—Service Year 2022



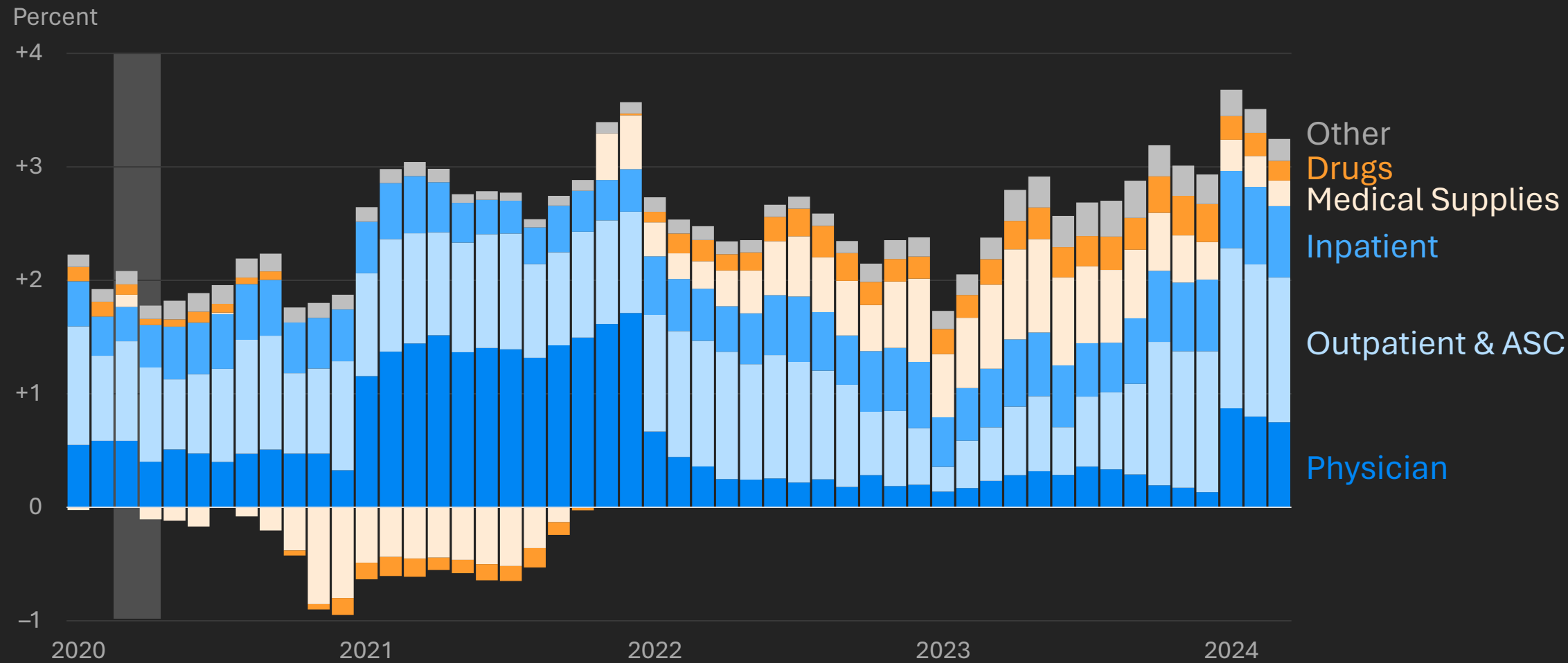
Source: NCCI's Medical Call data

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# Composition of Changes to the WCWMI

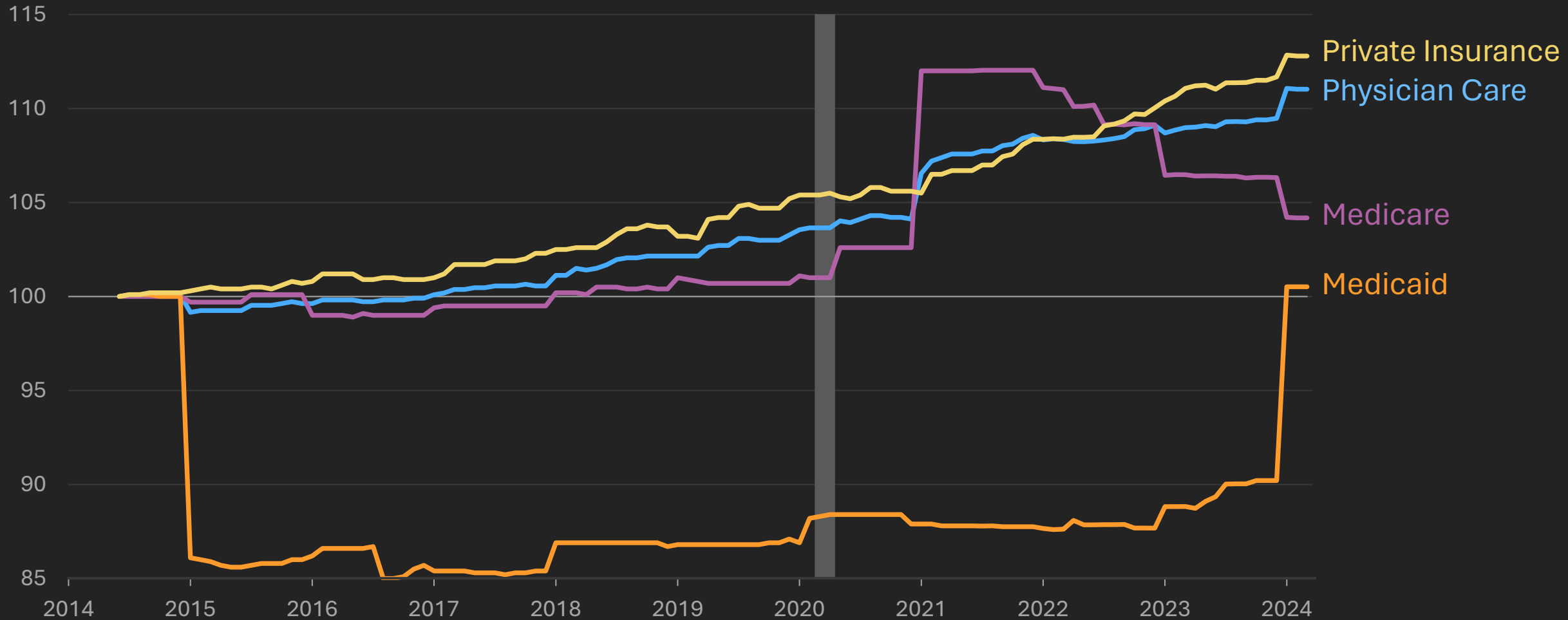
Contributions to Year-Over-Year Change



Other is represented by long-term care (PPI Home Health and PPI Nursing Home Care)  
Sources: US Bureau of Labor Statistics and NCCI's Medical Call data

# Physician Care Detail (PPI) 40% of Spend

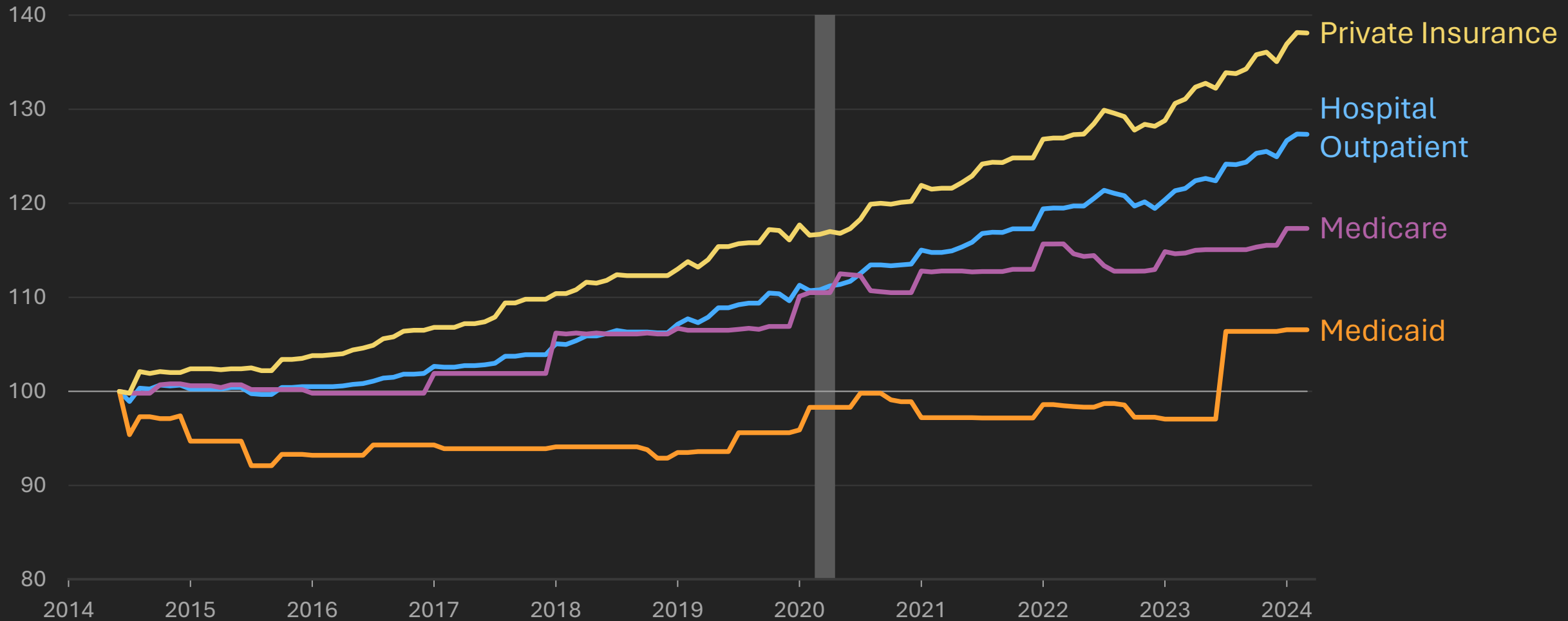
100 = June 2014



Components of Physician Care are indexed to June 2014 = 100  
Source: US Bureau of Labor Statistics

# Hospital Outpatient Care (PPI) 27% of spend

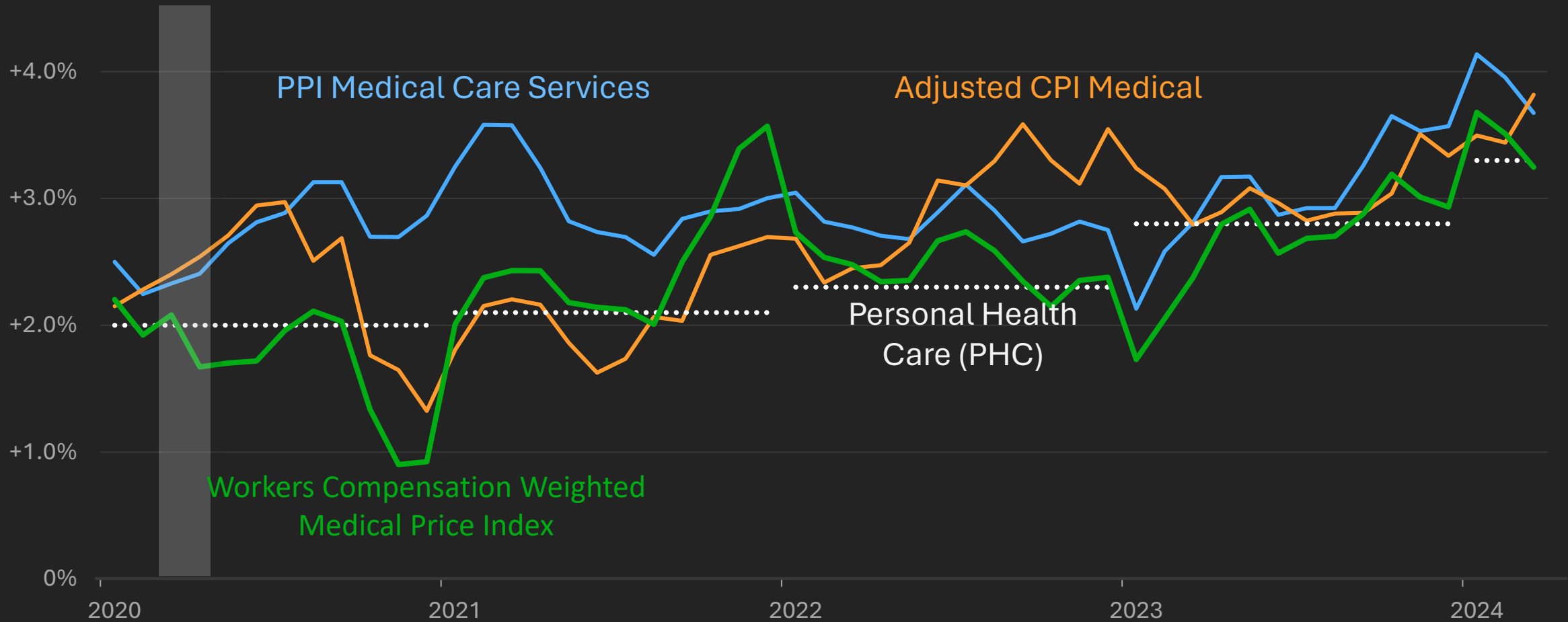
100 = June 2014



Components of Hospital Outpatient Care are indexed to June 2014 = 100  
Source: US Bureau of Labor Statistics

# We Watch Everything

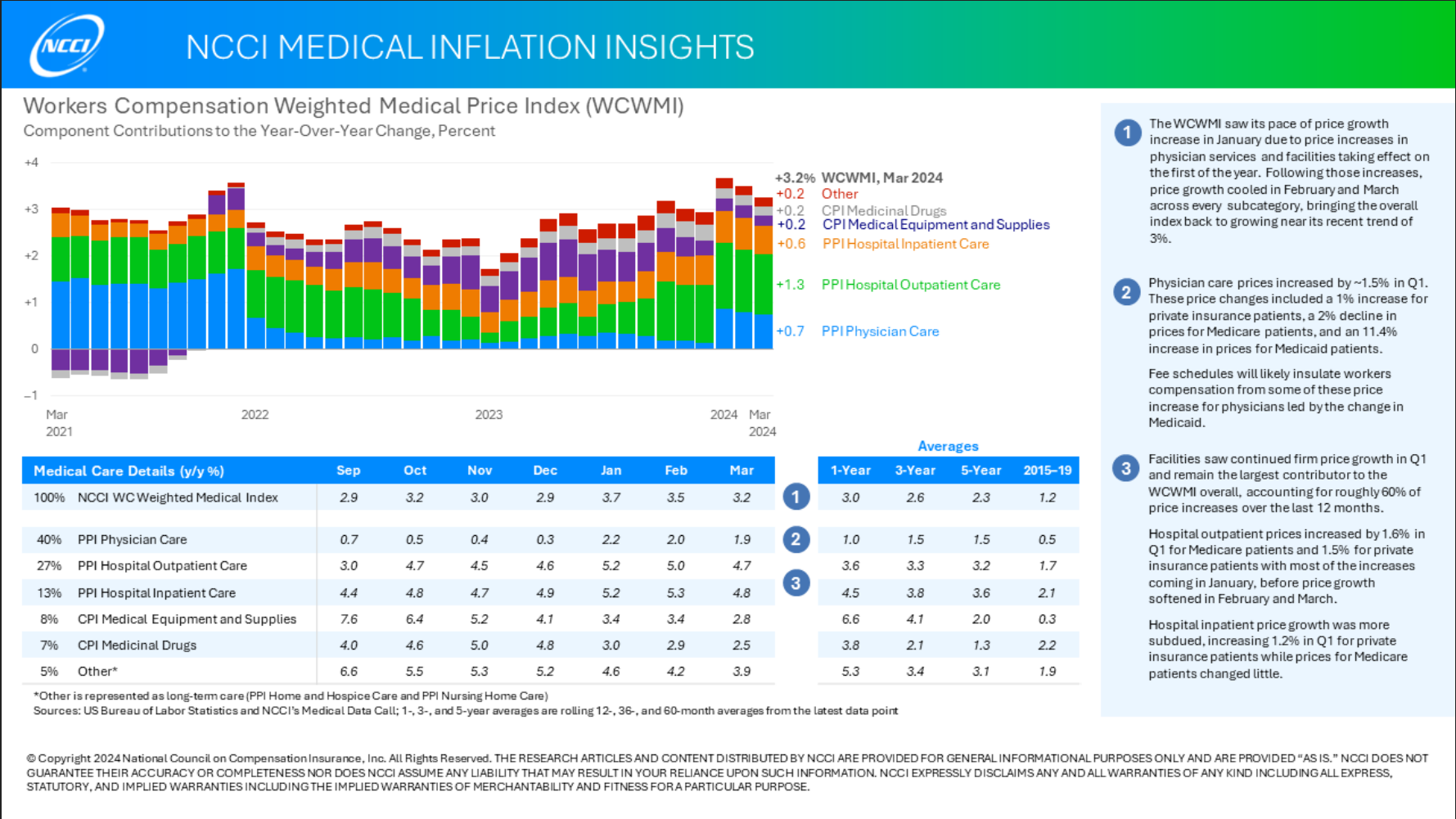
Year-Over-Year % Change

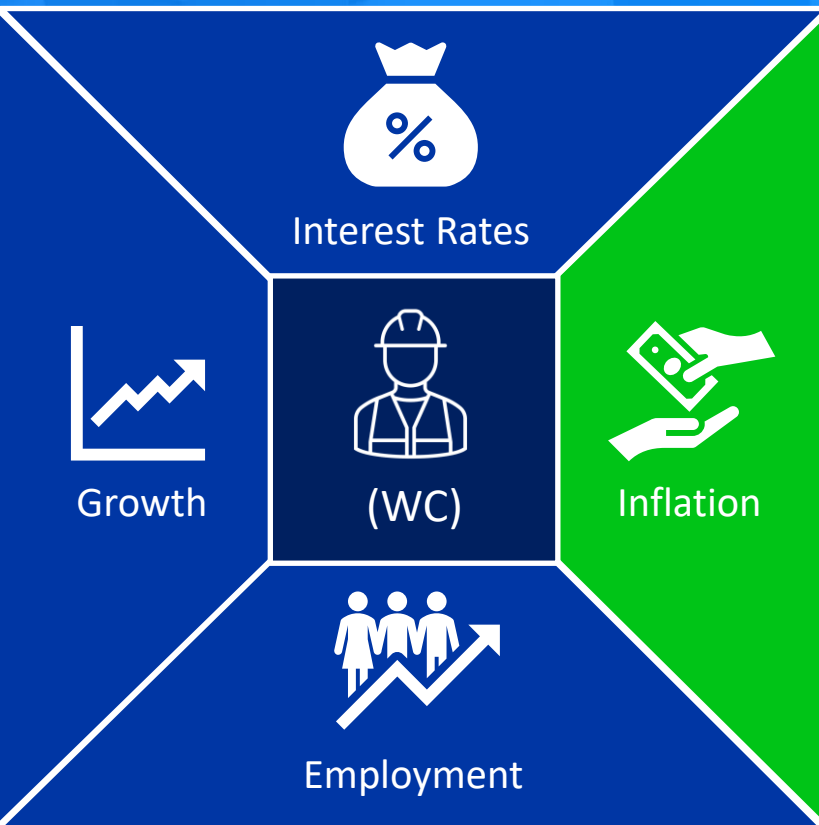


Sources: US Bureau of Labor Statistics; Centers for Medicare & Medicaid Services



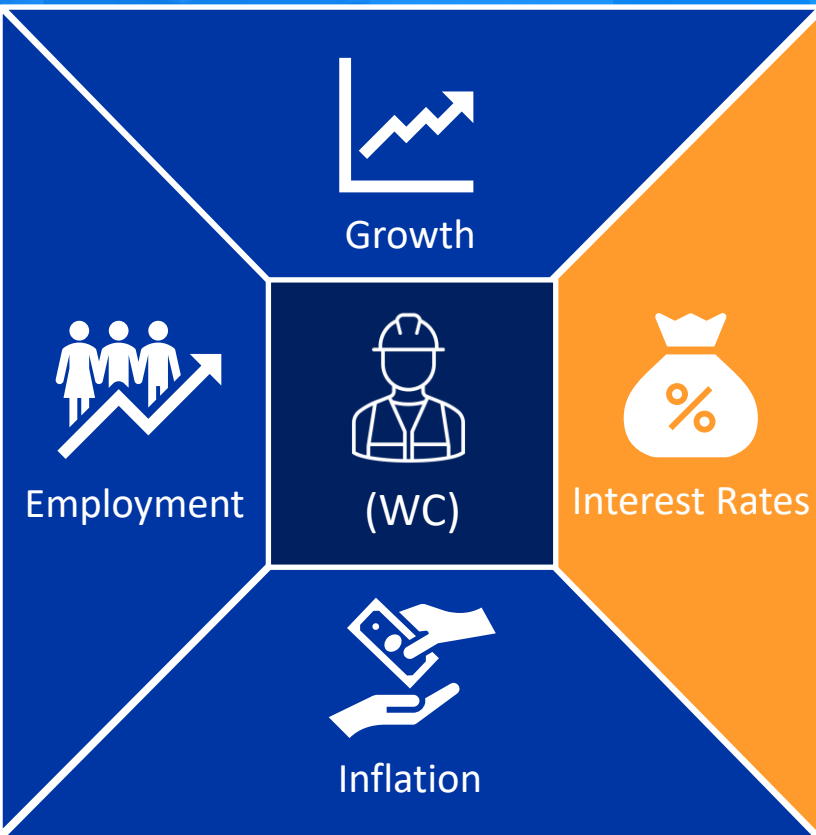
# Medical Inflation Insights now on ncci.com





- Inflation has slowed but is still too high
- Medical inflation trends have been different
- **Medical Inflation Insights** now on [ncci.com](https://ncci.com)

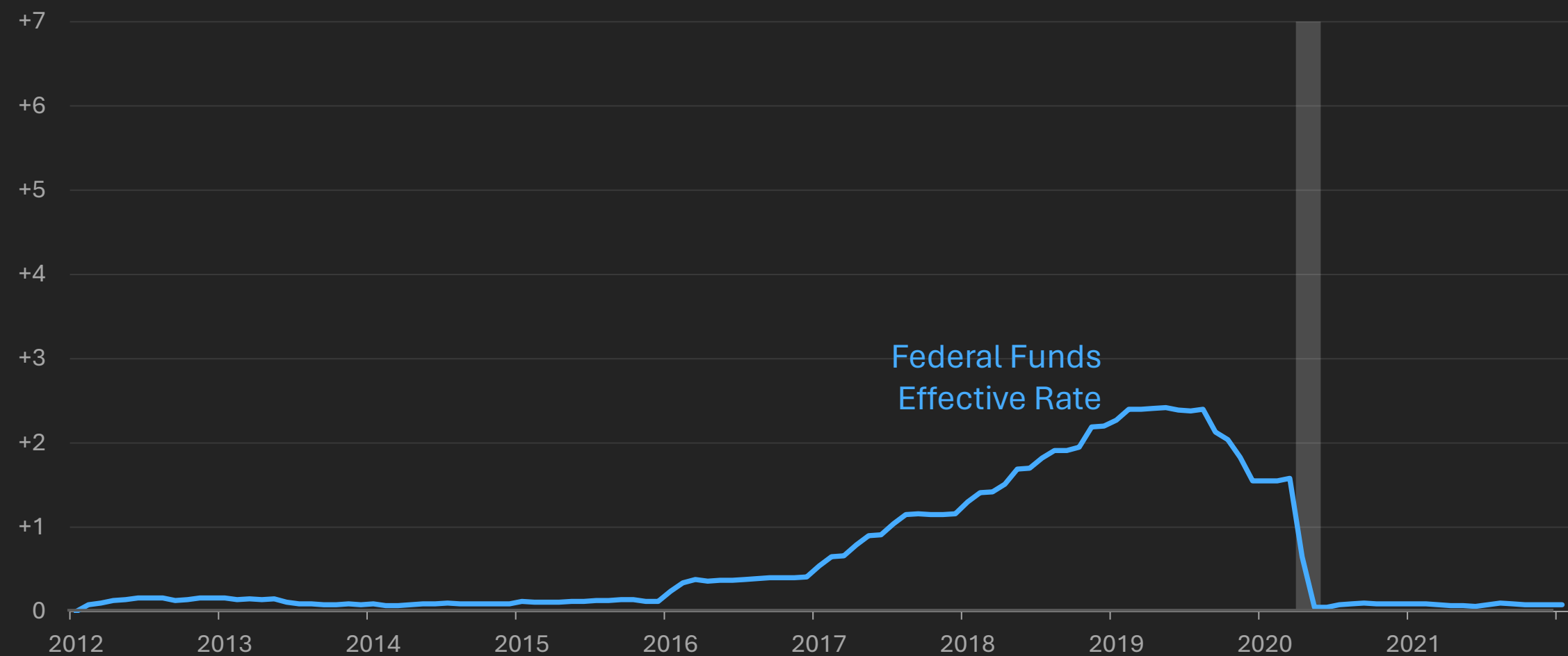




- Interest rates are higher, but will they stay high and for how long?
- But you just told us that the economy is in good shape and that inflation is still above the Fed's target ...
- Despite that, interest rates may still be heading lower.

# The Zero Interest Rate Policy (ZIRP) Era

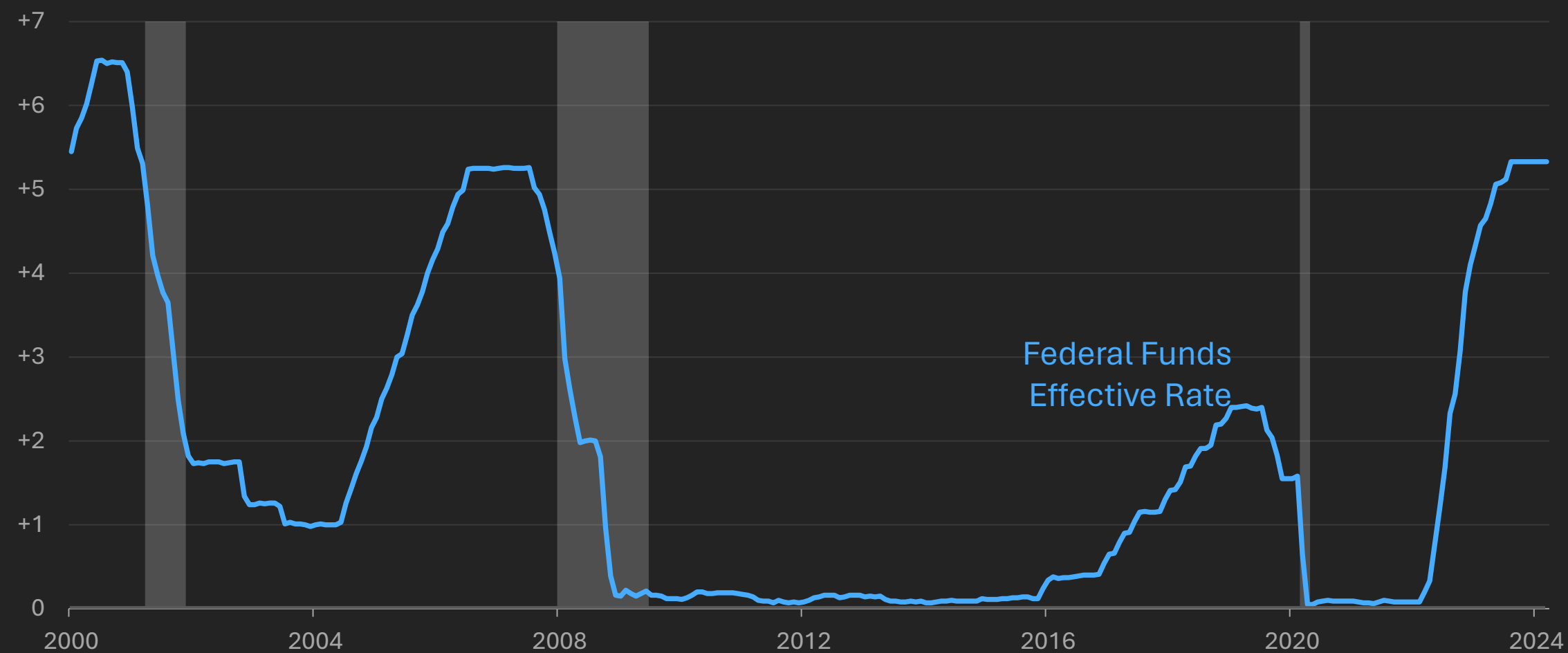
Effective Federal Funds Rate, %



Source: Board of Governors of the Federal Reserve System

# ZIRP Is Dead, Long Live ZIRP

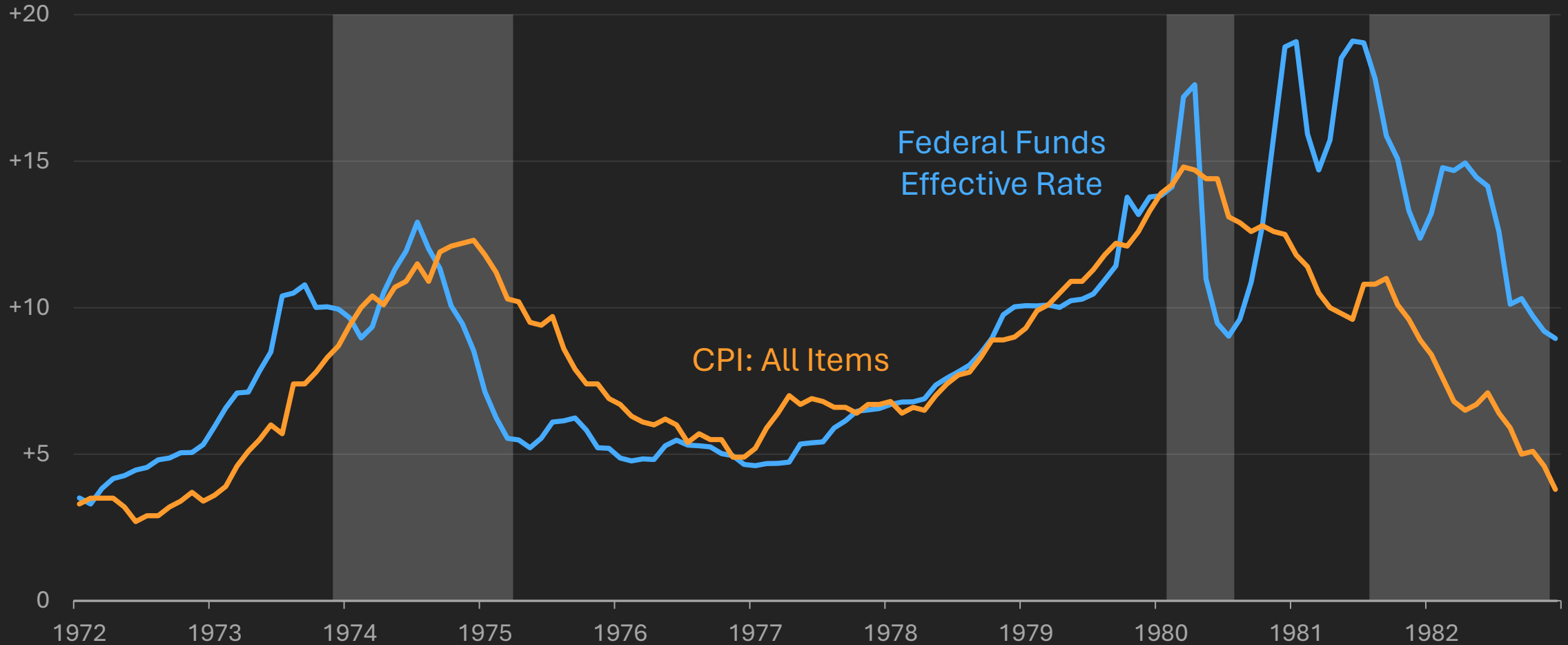
Effective Federal Funds Rate, %



Source: Board of Governors of the Federal Reserve System

# Where Do We Go Next? Case for Higher Rates

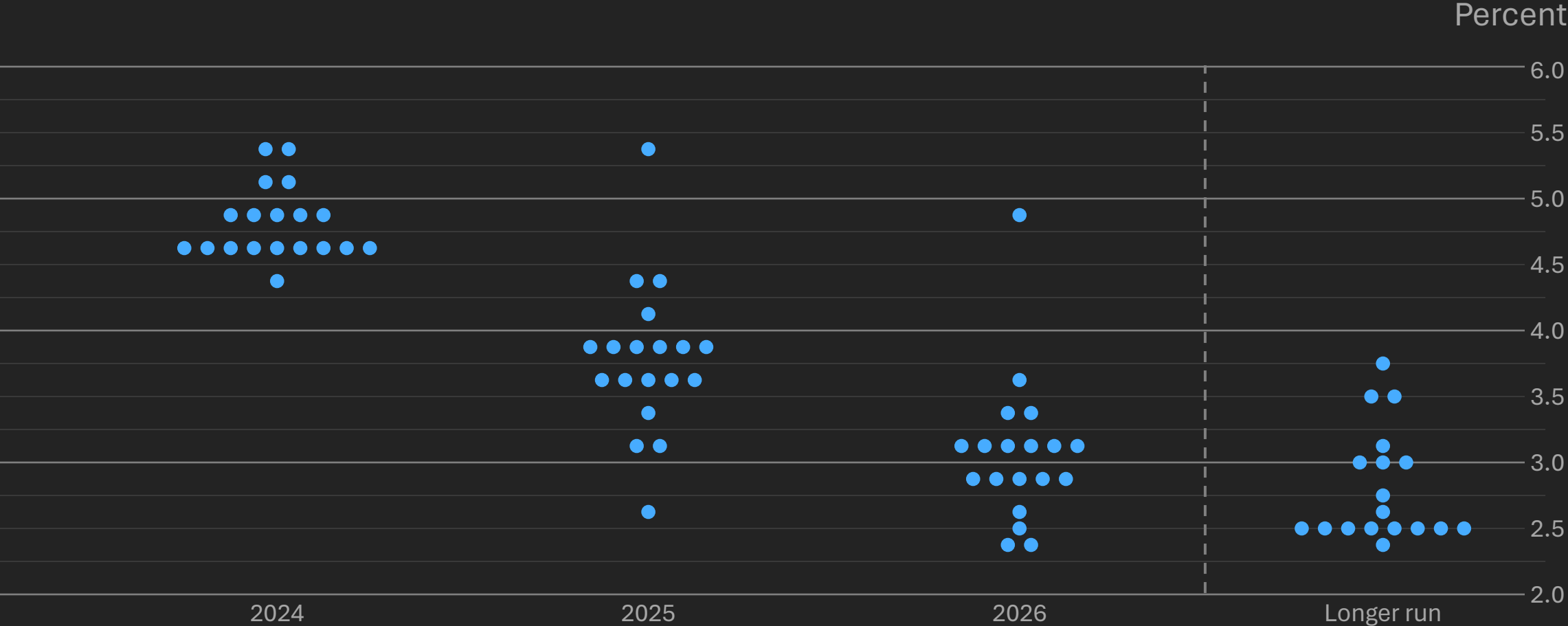
Year-Over-Year % Change



Sources: Board of Governors of the Federal Reserve System; US Bureau of Labor Statistics

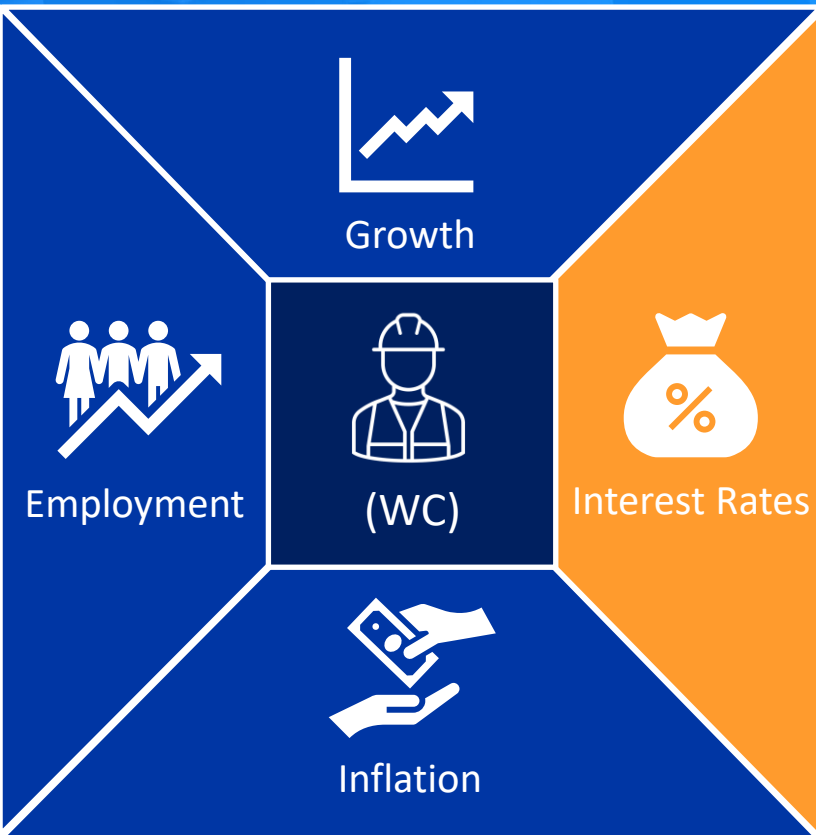
# Where Do We Go Next? Case for Lower Rates

FOMC Participants' Assessments of Appropriate Monetary Policy

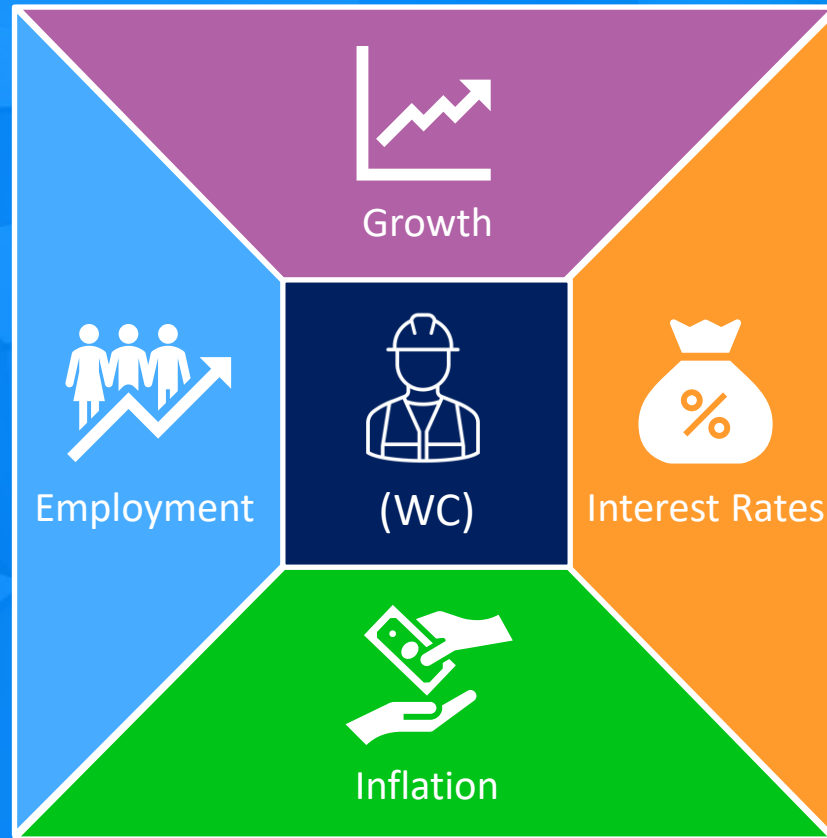


Source: Federal Open Market Committee





- Interest rates are up, investment income is back
- The economy will dictate how quickly they fall
- No, this is not the 1970s all over again



# State of the Economy Insights



## Growth

**The economy is in good shape**

**3.1% Real GDP Growth in 2023  
2024 off to a good start**



## Employment

**The labor market remains healthy**

**Over 3 million new jobs added in 2023,  
2024 on pace for the same**



## Inflation

**Inflation is down but not out**

**CPI down from 9% peak but stuck near 3.5% in early 2024**



## Interest Rates

**Interest rates are likely staying higher for longer**

**Fed is still projecting interest rate cuts in 2024 but economy is giving them pause**