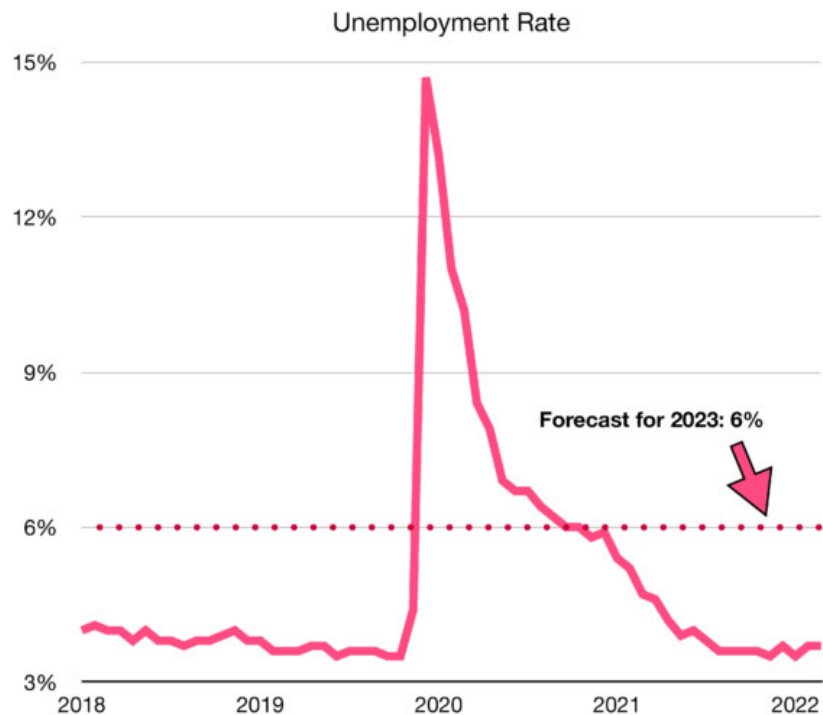**Unemployment Rate is Expected to Rise Heading Into 2023 - Labor Market Update**

In September 2022, the unemployment rate hit 3.5%, its lowest point since the start of the pandemic. However, new Fed forecasts predict the unemployment rate to rise to 4.4%, which is too low by many estimates.

A 4.4% unemployment rate, historically, is quite low. However, pre-pandemic unemployment rates hovered around 3.5%. Additionally, economists expect the true unemployment rate to breach the Fed's expectations and reach 5% as early as the first quarter of 2023. By the end of 2023, the unemployment rate is forecasted to be as high as 6%. In examining pre-pandemic years, a 6% unemployment rate would be a nearly decade-long high, last exhibited in 2014. Early warnings of this are starting, as exemplified by the new mass layoffs in the tech sector.

Essentially, the main reason for this high unemployment rate is the Fed's continuous increase in interest rates. These increases have pushed the U.S. economy further into a recessionary environment, and are still expected to continue. While the Fed may slow down its raises to only 0.5 or 0.25 basis points instead of their usual 0.75 increases, the writing on the wall indicates that it may soon be time to pause these increases. If the Fed does not reverse course, high unemployment and a recessionary environment that discourages spending may be on the horizon.

Sources: U.S. Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Rosenberg Research