



A P O L L O N

Economic Expansion with Less Jobs?

Eric Sterner, CFA, CAIA, FRM, CIPM

Chief Investment Officer, Apollon Wealth Management and Apollon Financial

November 17, 2025

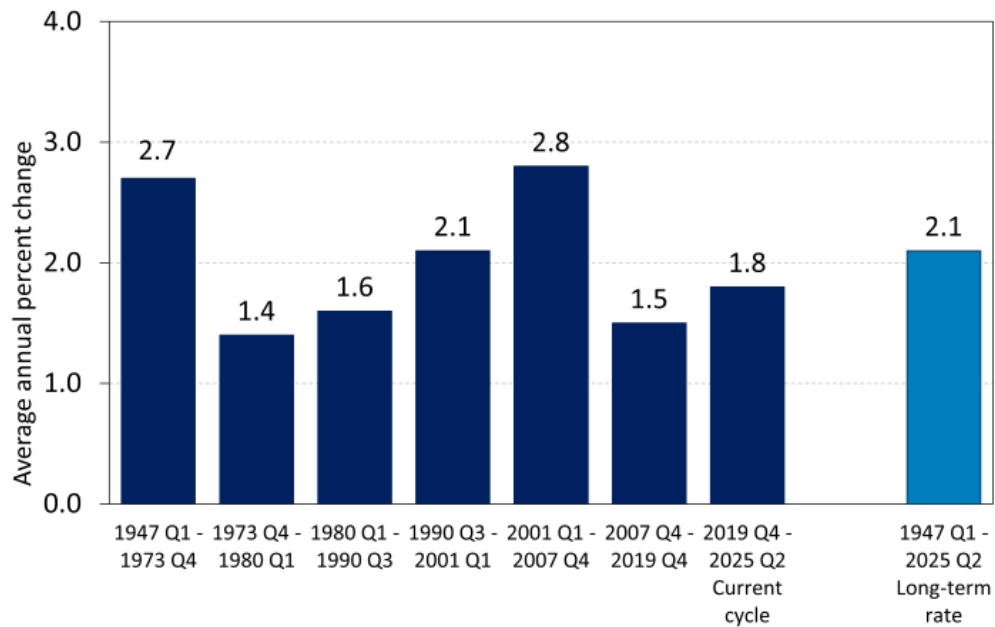
The Bulls and Bears both have reasons to justify their views on the economy right now. On the bullish side, we are 92% through the 3rd Quarter earnings season for S&P 500 companies and it's been another outstanding quarter. As of today, the earnings growth rate for the S&P 500 is 13.1%, which would be the 4th consecutive quarter of double-digit earnings growth and 9th consecutive quarter of positive earnings growth. As of today, the net blended net profit margin for the S&P 500 is 13.1%, which is above the 5-year average. In fact, if 13.1% is the final figure when the earnings season closes, it will be the highest net profit margin reported by the S&P 500 going back to at least 2009. It will also mark the 7th consecutive quarter in which the net profit margin has increased. On the bearish side, there are growing concerns on the health of the labor markets, which has turned the Fed from hawkish to dovish with rate cuts at their last two meetings. The last Nonfarm Payroll report we saw in August only showed an increase of 22,000 jobs for the month versus expectations of 75,000. While we have not seen the September and October Nonfarm Payroll reports yet due to the government shutdown, we have received updates from private companies. ADP created a new weekly data series that estimates changes in private-sector employment. According to that data series, the private sector shed 11,250 jobs a week in the four weeks through October 25. As we digest both these views, the burning question is can we continue to see economic expansion with a slowing labor market? The answer is possibly yes.

Flashback to the Early 2000s

We witnessed a jobless expansion back in the early 2000s and some of the macroeconomic trends back then are comparable to today's environment including previous overhiring, slowing labor growth, increased productivity and policy uncertainty. Businesses overhired before the Dot-Com Bubble Burst in early 2000, just as businesses overhired after the pandemic, which is leading to a depressed hiring rate today. Growth in the labor force was weak in the early 2000s, again very similar to today where recent changes to the immigration policy, as well as deportations, will most likely decrease the labor market's supply side. Productivity growth has a major factor in the jobless expansion of the early 2000s, just as it may continue to be a factor today. In the early 2000s, the globalization movement and technology led to higher productivity growth rates. Today, we are slightly backpedaling from globalization, but technology, especially AI, can be the major driver of productivity gains.



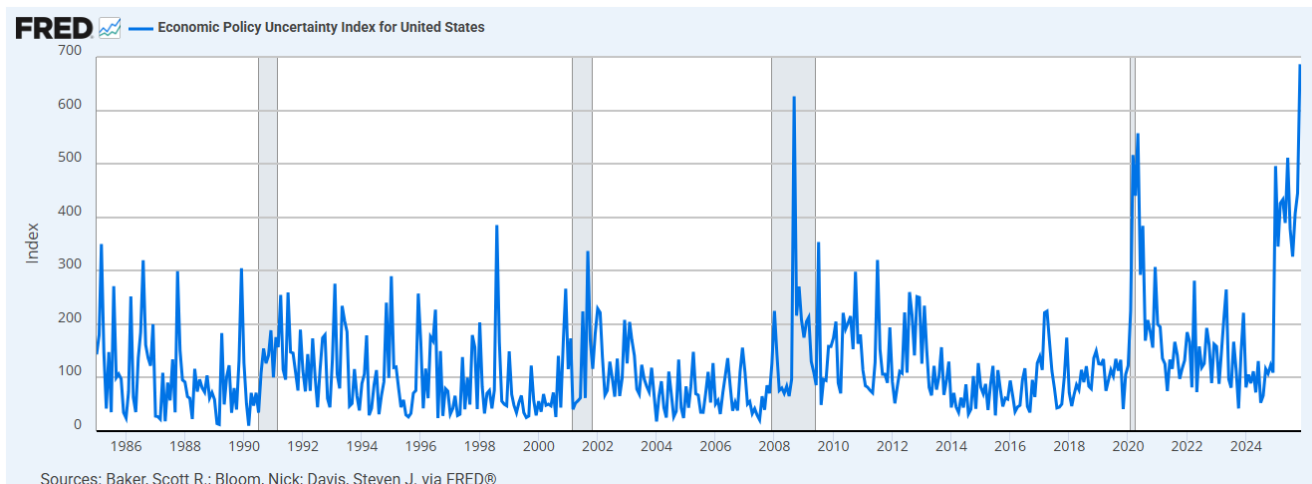
Productivity change in the nonfarm business sector, 1947 Q1 – 2025 Q2



Source: U.S. Bureau of Labor Statistics

Last updated: 09/04/2025

Finally, policy uncertainty is another major detractor to hiring rates. While we saw a jump in the Economic Policy Uncertainty Index in the early 2000s after the tragic terrorist attacks of 9/11, the spike was much higher this year due to the White House Administration's plans to implement tariffs across most trading partners.



Companies typically reduce or freeze hiring when there is an elevated level of policy certainty, which will drag down the labor demand side.



No Jobs, No Problem?

The economy can grow without creating many jobs if productivity growth translates into real wages and increases to disposable income. Real disposable income drives consumer spending, which accounts for nearly 70% of US GDP.

The economy's growth rate depends on its labor force and productivity growth. It's likely that productivity growth will be the primary support for economic expansion as restricted immigration and an aging population limit the future labor force growth. The big question will be if the weakness in labor demand and supply will balance each other out and prevent the unemployment rate from spiking.

Summary

The US economy has been in a low hire / low fire environment for most of this year and the economy as well as corporate earnings have continued to grow. While some investors grew concerned when the outplacement firm Challenger, Gray & Christmas, Inc. announced that US companies cut more jobs this October than any October since 2003, the majority of those job cuts were concentrated in just two states, Georgia and Washington. Corporate profit margins remain very healthy and would most likely need to compress much more to set off a major uptick in layoffs.

If this trend of a jobless expansion continues, the economy could be very vulnerable to any adverse shocks as the labor market typically serves as the last line of defense before the onset of a recession. Only time will tell if history repeats itself, but investors should remain diversified as we may see heightened volatility in the future as the Bulls and Bears make their cases.

Apollon Wealth Management, LLC and Apollon Financial, LLC ("Apollon") provide advice and make recommendations based on the specific needs and circumstances of each client. For clients with managed accounts, Apollon has discretionary authority over investment decisions. Investing involves risk and clients should carefully consider their own investment objectives and never rely on any single chart, graph, or marketing price to make decisions. The information contained herein is intended for information purposes only, is not a recommendation to buy or sell any security or strategy and should not be considered investment advice. Market performance information and projections have been provided by third-party sources and, although believed to be reliable, have not been independently verified and its accuracy or completeness cannot be guaranteed. Any opinions, projections, forecasts, and forward-looking statements presented herein are valid as on the date of this document and are subject to change. Index returns are gross of fees; investors cannot invest directly in an index. Past performance is no guarantee of future performance. Please contact your financial advisor with questions about your specific needs and circumstances.