

1 March 2024

# US Labour Market Monitor

## Hard data remains solid – leading indicators mixed

**Labour market data has remained solid in early 2024.** The January Jobs report was hotter than expected, as nonfarm payrolls (NFP) came in at +353k (cons: +180k), with the uptick primarily attributable to job gains within education and health care, professional and business services, and retail trade. NFP growth averaged +255k per month in 2023 as data for November and December was revised up by a combined 126k. As unemployment rate also remained low at 3.7%, **labour market conditions are still clearly tight.**

JOLTs job openings remained elevated at 9.0 million while the November figure was revised up to 8.9M. On the back of this, the ratio of unfilled vacancies per unemployed crept higher to 1.44, above typical levels seen before pandemic. Layoffs nudged modestly higher, but at the same time hiring ticked up.

Average hourly earnings came out clearly above expectations at +0.6% m/m (cons: +0.3%) and +4.5% y/y (cons: +4.1%), although at the same time, average weekly hours worked fell to the lowest level since spring of 2020. As such, wage sum growth (measured as NFP \* weekly earnings) remained on a moderating trend. Moreover, strong productivity growth (Q4 at +3.2% q/q AR) also dampens unit labour cost growth (+0.5% q/q AR), which to some extent should limit price pressure from accelerating further.

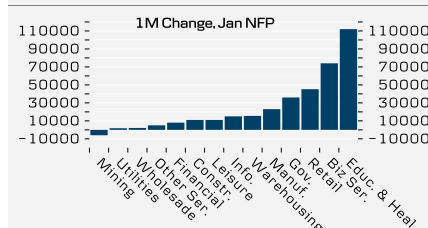
In the January FOMC minutes, several Fed officials highlighted that disinflationary pressures are due to the benign developments related to labour supply. While the labour force participation rate stayed put at 62.5% in January, decomposing the figure paints a more comforting picture for the Fed. For instance, the labour force participation rate for the 'prime-age' working group (25-54 years) recovered in tandem with the rate for 20-24-year-olds. In addition, flow of workers from outside the labour force and into employment rebounded after a sudden decline in December.

**Leading data signals remain mixed.** February PMIs pointed towards a brighter outlook for manufacturing employment, while the services indices signalled cooling jobs growth. Conference Board's February consumer survey showed an unexpected downtick in general economic sentiment, which was also reflected in perceptions about the labour market. Similarly on the business side, NFIB's small business survey showed hiring plans plunging more clearly below pre-pandemic average levels.

The latest January Challenger report showed a sharp uptick in announced job cuts (especially in the financial sector), but jobless claims and WARN advance notifications of upcoming layoffs have remained low.

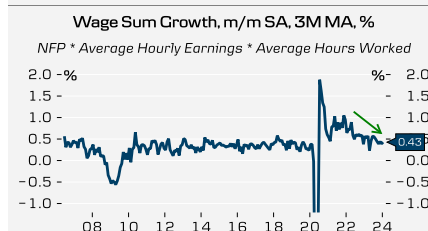
As a bottom line, labour markets remain surprisingly resilient, but leading data remains consistent with some further cooling ahead. **We now believe the Fed will embark on its rate cutting cycle in May (instead of March) amid the recent upside surprises on hard data,** but we still think cuts are only delayed, rather than cancelled. Finally, we flag that January data is prone to distortions from the heavy seasonal adjustments. The NFP adjustment factor was not unusually small/large this year, but we still believe employment growth is set to slow down back below 200k in February/March.

### Job gains still largely attributable to the services sector



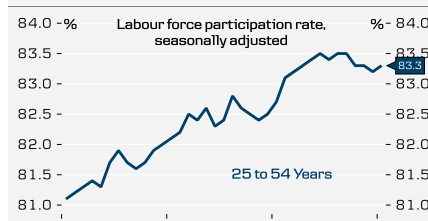
Sources: Macrobond Financial, U. S. Bureau of Labor Statistics (BLS)

### Wage sum growth remains on a moderating trend



Sources: Macrobond Financial, BLS

### 'Prime-age' labour supply seems to be picking up



Sources: Macrobond Financial, BLS

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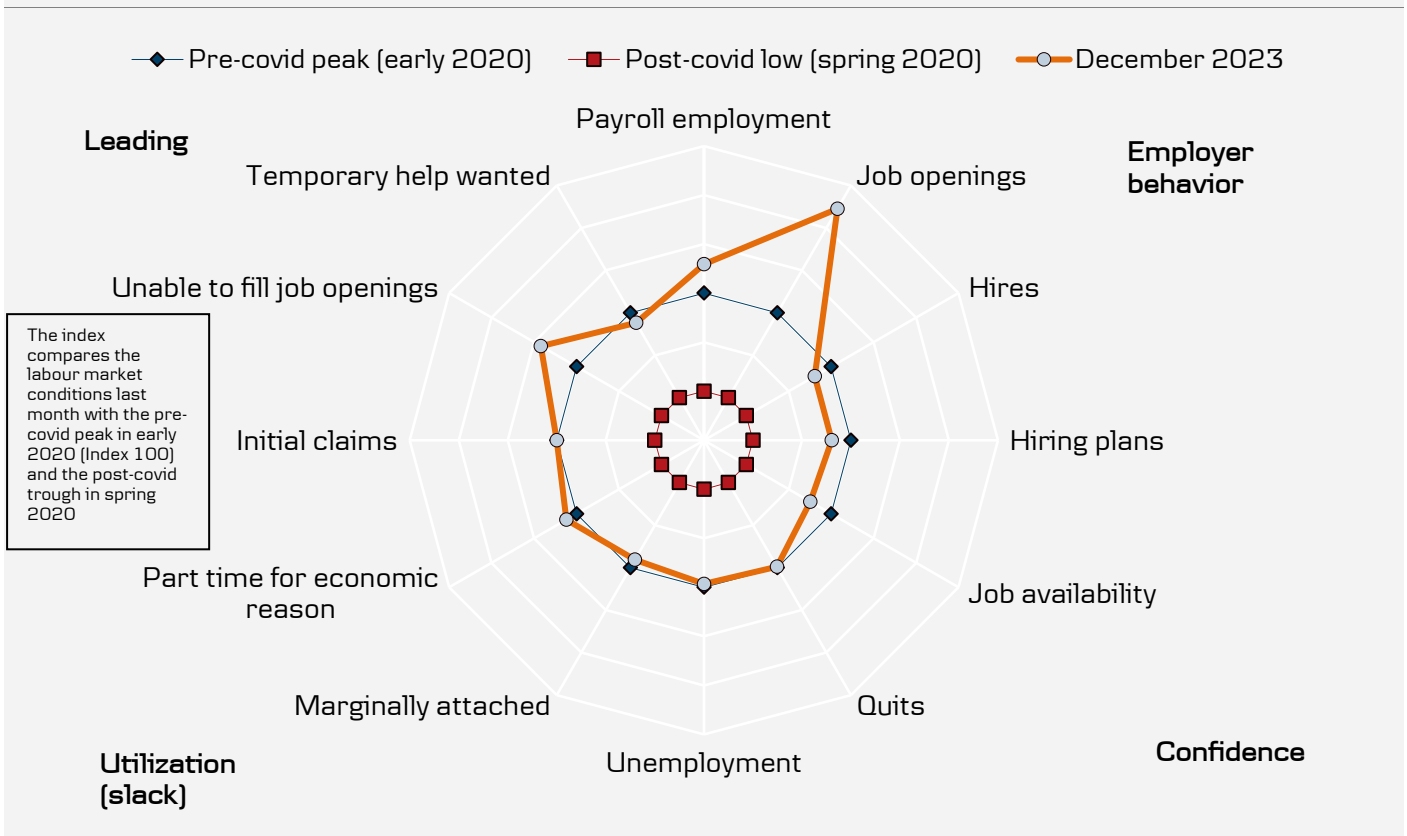
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### US labour market in one chart

Labour market conditions vary across sectors and employers are holding on to their workers. As such, labour shortages still persist on some sectors even if hiring has already cooled down clearly.

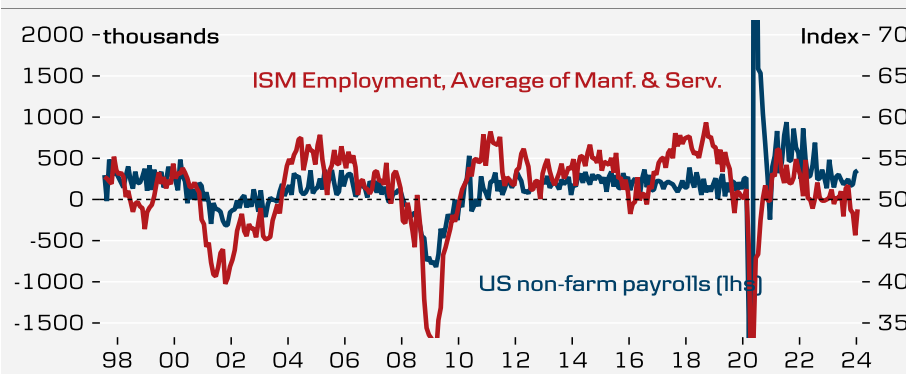


The index compares the labour market conditions last month with the pre-covid peak in early 2020 (Index 100) and the post-covid trough in spring 2020

Note: the diagram shows the level of tightness of different US labour market key figures at different times, compared with the level of the same figures in the pre-covid peak in early 2020 (index= 100) and post-covid through in spring (index = 0). Counter-cyclical figures (jobless claims, marginally attached and working part time for economic reasons) are inverted; thus, the higher index (the further from the middle) the better (tighter) is the state of the labour market. For JOLTS data we have used the average of the past two observations as the newest figures. Source: BLS (JOLTS), Atlanta Fed, Macrobond Financial

### ISM employment vs nonfarm

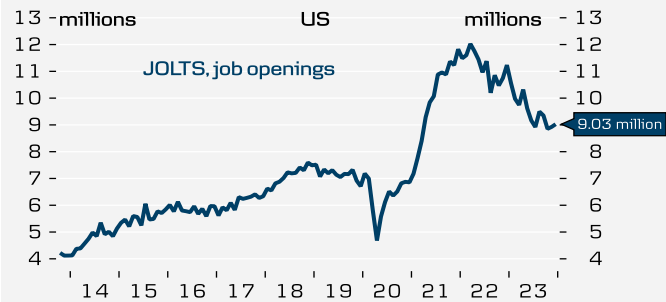
ISM employment indices diverged, with the average hovering below the neutral level of 50



Source: Macrobond Financial, ISM, BLS

## Labour demand

### Job openings ticked slightly higher



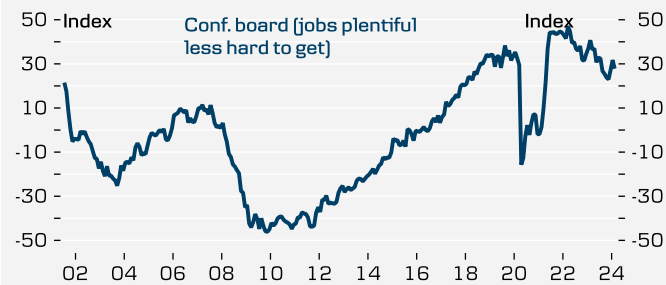
Source: Macrobond Financial, US Department of Labor, BLS

### Hiring plans creeping lower



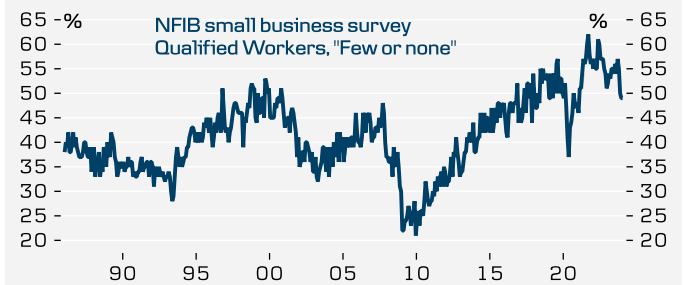
Source: Macrobond Financial, NFIB

### Americans still relatively confident in their job prospects



Source: Macrobond Financial, US Department of Labor, BLS

### Labour shortages have not yet fully dissipated



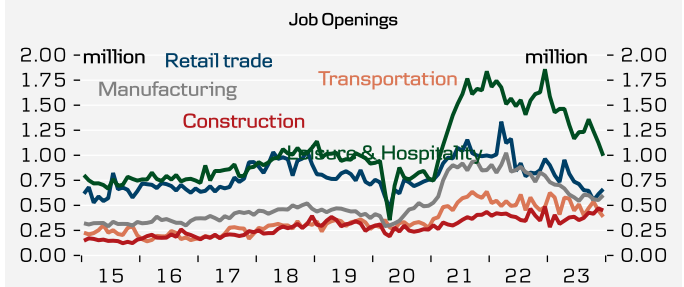
Source: Macrobond Financial, NFIB

### Difficulties in finding workers appear to ease, although the starting point was a historically tight labour market



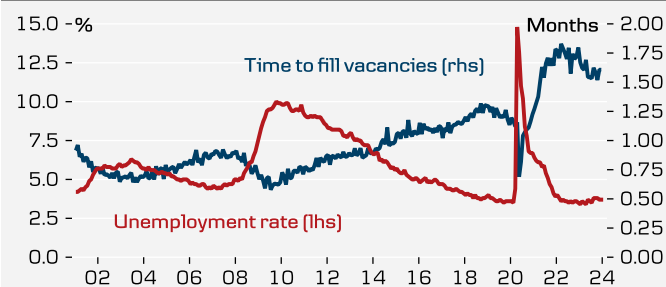
Source: Macrobond Financial, NFIB

### Among sectors, Leisure and hospitality remains the hardest hit by the labour shortages



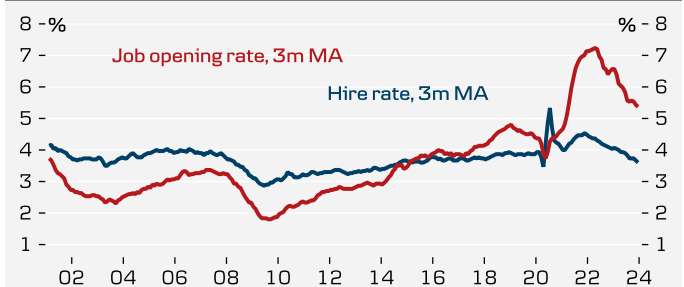
Sources: BLS, Macrobond Financial

### Unemployment rate remains very low



Source: Macrobond Financial, BLS

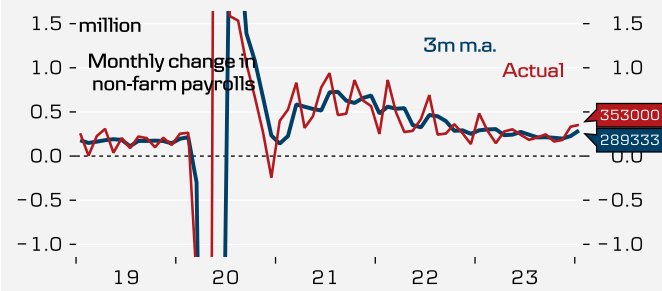
### Some cooling in both job openings and hires



Source: Macrobond Financial, BLS

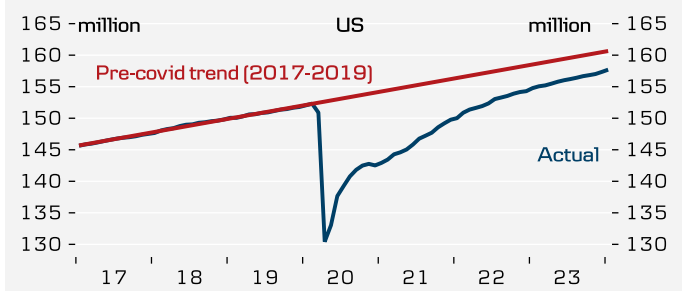
## Employment measures

### Employment growth at strong levels



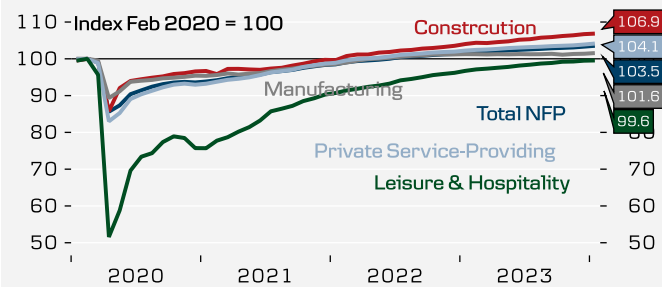
Source: Macrobond Financial, BLS

### Employment above pre-covid level, but still below trend



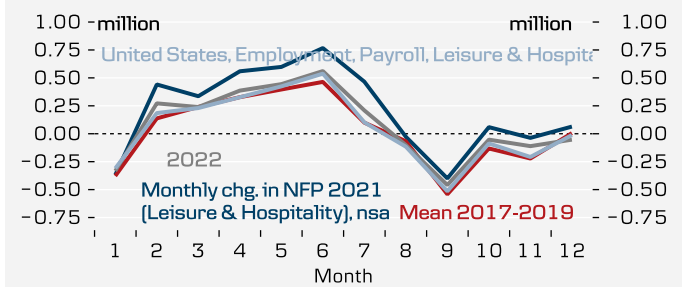
Source: Macrobond Financial, ADP

### All sectors apart from "Leisure & Hospitality" have reached the February 2020 level in employment



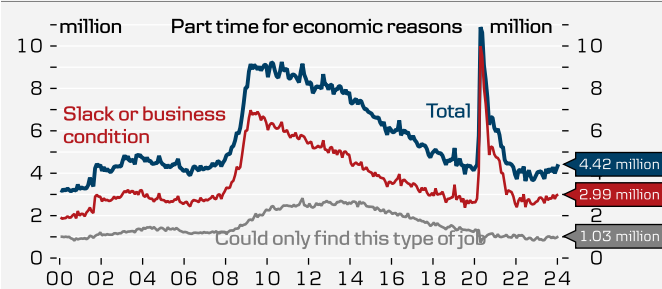
Source: Macrobond Financial, BLS

### Labour shortages continue to limit the recovery in leisure & hospitality employment



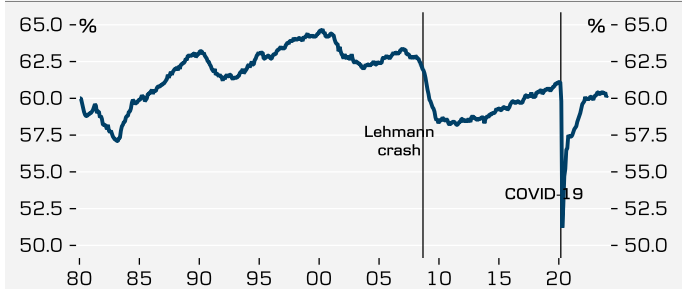
Source: Macrobond Financial, BLS

### Fewer people working part-time for economic reasons is little different from its February 2020 level



Source: Macrobond Financial, BLS

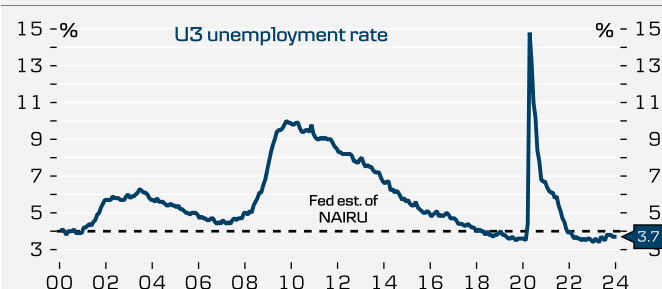
### Employment to population ratio still below previous levels



Source: Macrobond Financial, BLS

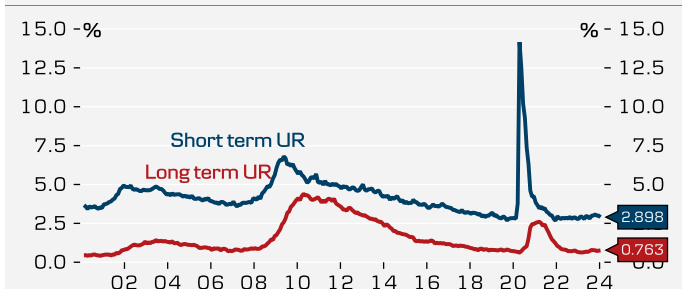
## Unemployment measures

### Unemployment rate is still below Fed's NAIRU estimate



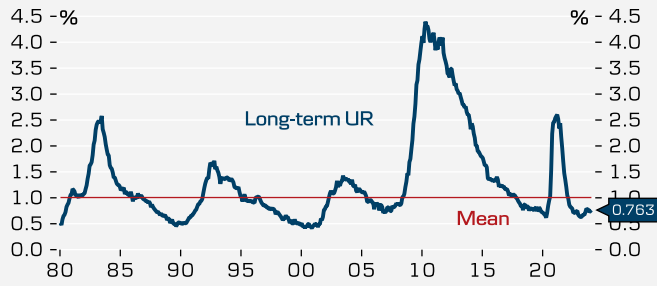
Source: Macrobond Financial, FOMC, BLS

### Long-term unemployment is little changed



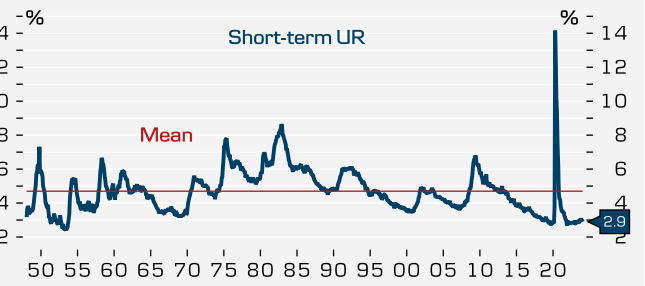
Source: Macrobond Financial, BLS

Long-term unemployment rate below the historical average



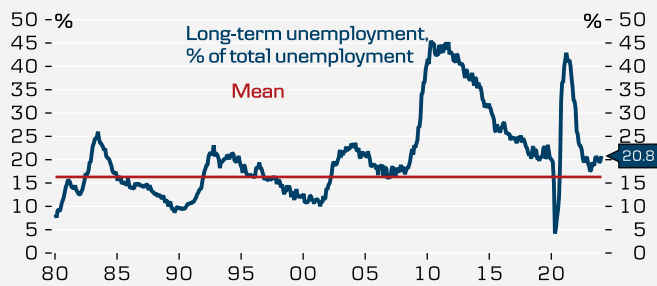
Source: Macrobond Financial, BLS

Short-term unemployment rate is around the lowest level since 1953



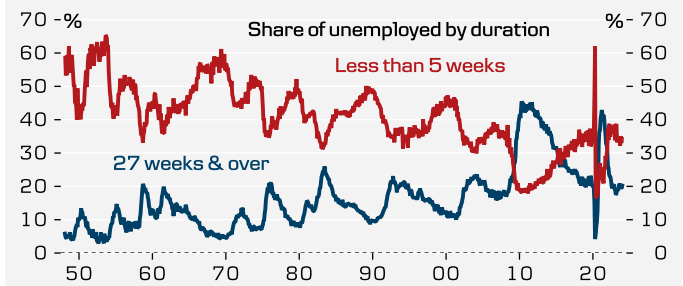
Source: Macrobond Financial, BLS

Long-term unemployment in % of total unemployment remains low



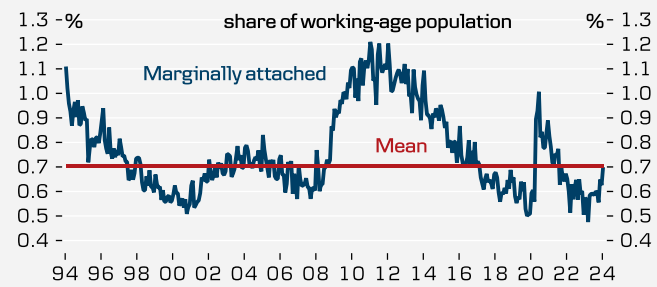
Source: Macrobond Financial, BLS

Long-term unemployment still at low levels



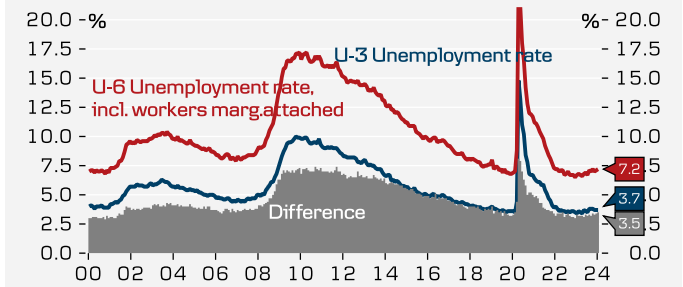
Source: Macrobond Financial, BLS

Marginally attached workers below average



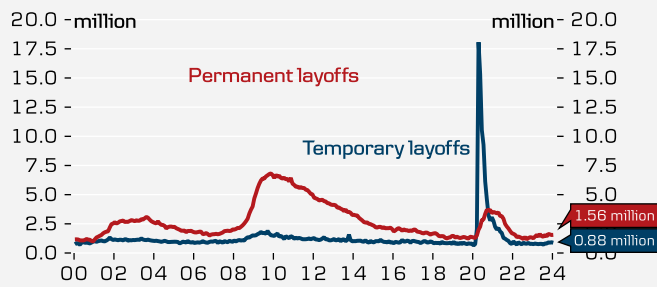
Source: Macrobond Financial, BLS

U6 unemployment slowly increasing



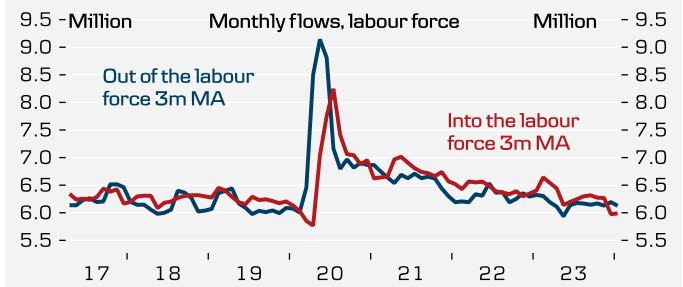
Source: Macrobond Financial, BLS

Permanent layoffs remain low



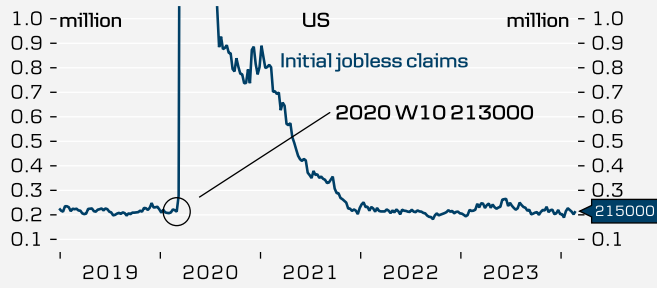
Source: Macrobond Financial, BLS

Labour market flows



Source: Macrobond Financial, BLS

Initial jobless claims have hardly even risen from the lows



Source: Macrobond Financial, Department of Labor

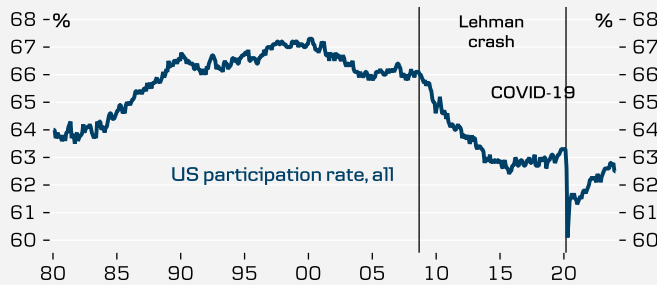
Total continuing claims remain low



Source: Macrobond Financial, Department of Labor

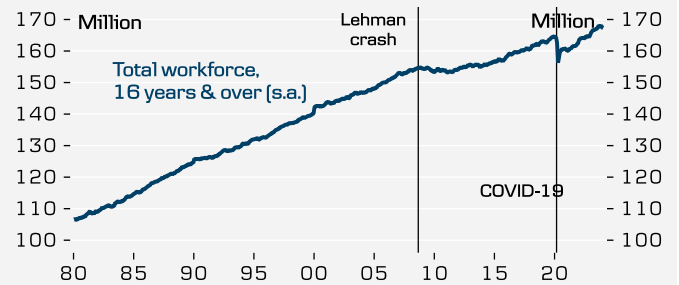
Participation

Participation rate stalling



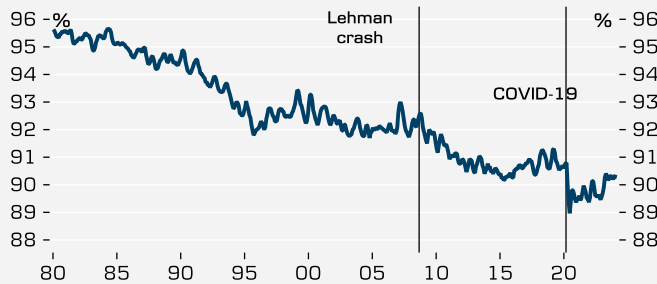
Source: Macrobond Financial, BLS

Labour force recovering, but still below pre-covid trend path



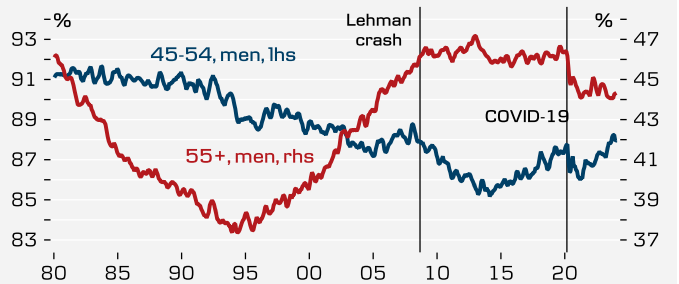
Source: Macrobond Financial, BLS

Participation rate, 35-44, men



Source: Macrobond Financial, BLS

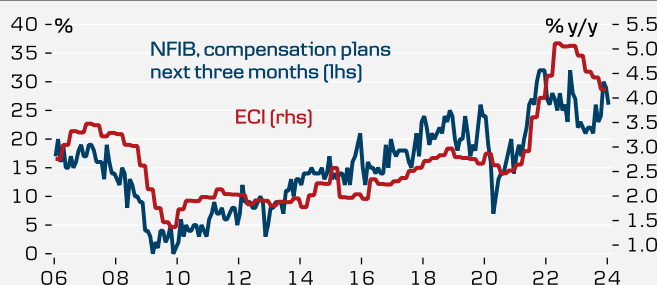
Early retirements have likely contributed to labour shortages



Source: Macrobond Financial, BLS

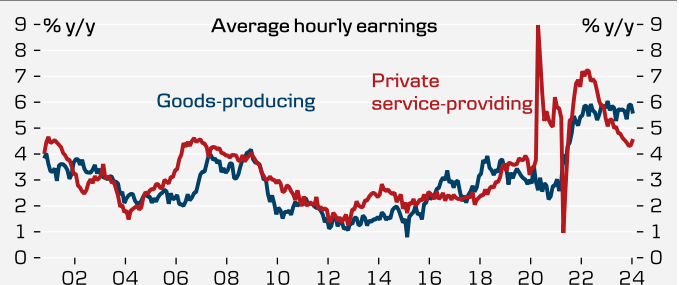
Wage growth and inflation

Employment cost growth ticking lower



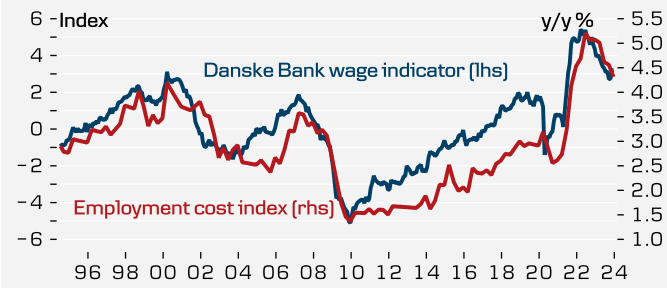
Source: Macrobond Financial, NFIB

Clear signs of easing labour shortages in service-sector



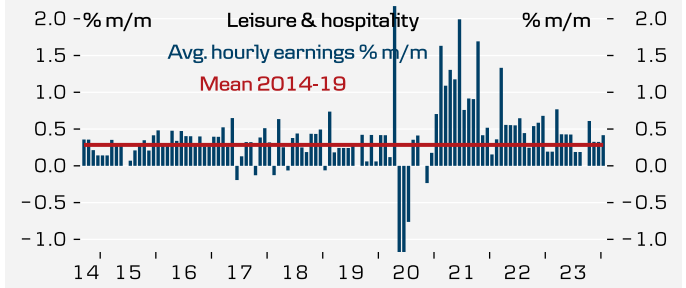
Source: Macrobond Financial, BLS

Declining wage pressure



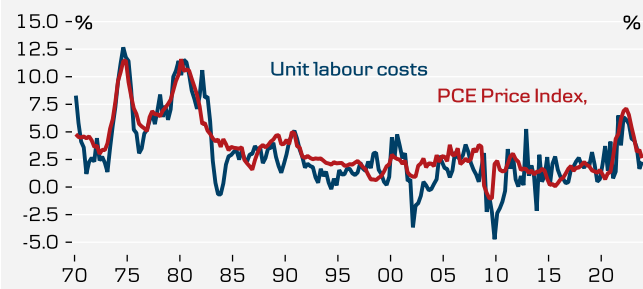
Source: BLS, Danske Bank Markets

Wage growth within "Leisure & Hospitality"



Source: BLS, Conference Board

Unit labour cost growth continuing to turn south



Source: Macrobond Financial, BLS, Census, BEA

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