

13 February 2025

# US Labour Market Monitor

## Solid conditions despite revisions

**Labour markets conditions have remained solid since our last update.** Nonfarm payrolls (NFP) growth slowed down to 143k in January, but data for the past two months was revised up by 100k. The annual benchmark revisions to NFP data from April 2023 to March 2024 were less negative than expected, landing at -598k (cons: -818k). The unemployment rate continued lower to 4.0%, but the figure might have been distorted by the updated population controls. Household employment and the size of the labour force (which are used to calculate the unemployment rate) jumped up by around 2.2m as the population estimate was revised higher. While the seemingly conflicting revisions complicate the interpretation of monthly changes in employment data, in the big picture **the different employment metrics are simply being revised closer to each other after diverging unusually far apart over past years.** (chart 1).

December JOLTs job openings were to the weak side, declining to 7.6m (cons: 8m, prior: 8.2m) after the solid rebound in November. That said, the ratio of unfilled vacancies per unemployed remains close to pre-pandemic levels. The number of layoffs has also remained at historically low levels, which means there are no acute signs of labour markets weakening for the time being.

Wage growth accelerated more than expected, increasing 0.5% m/m SA and 4.1% y/y, but this largely reflected a drop in average hours worked from 34.3 to 34.1 in January. **Looking at the wage sum growth measure, the development was more modest** (chart 2).

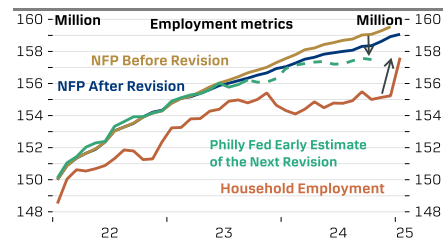
That said, wage growth remains its above pre-pandemic levels, with risks skewed towards higher wage pressure. Productivity growth weakened towards the end of 2024, at 1.2% q/q SA AR (cons: 1.4%) – close to the pre-pandemic trend – while unit labour costs accelerated to 3.0% q/q SA AR. This makes it more difficult for firms to pay higher wages without upside pressure on costs. Firms would either need to absorb this into their margins or pass more of the wage increases onto selling prices, putting upward pressure on inflation and **acting as a concern for the Fed.**

Notably, data from the University of Michigan showed that consumers' 1y inflation expectations continued to rise to 4.3%, which could also lead to further pressure on wages, if workers begin to demand higher wages again.

While the ISM and PMI employment indices point to employment strengthening, these volatile data should be viewed with caution. The widely followed "jobs plentiful"-index from NFIB fell to its lowest level since last September, but it may be influenced by respondents' perception of Trump. Other leading indicators have shown a noticeable difference in optimism between Republican respondents and more pessimistic Democrats.

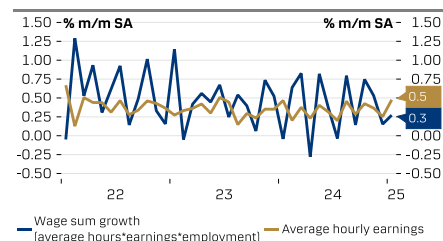
**Overall, labour market conditions remain solid, underscored by healthy labour demand and low layoff numbers.** Looking ahead, we anticipate some slowing in employment growth, setting the scene for the Fed to deliver further rate cuts. **However, risks are tilted towards more persistent wage pressures amid weaker productivity, higher unit labour costs and rising inflation expectations from consumers.**

**Chart 1: Employment measures closer to each other after revisions**



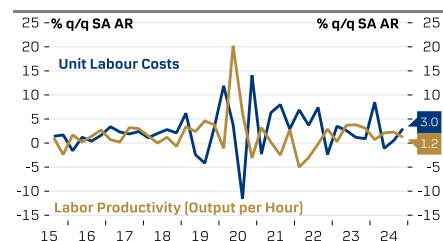
Sources: Macrobond Financial, The Bureau of Labor Statistics (BLS), Federal Reserve Bank of Philadelphia

**Chart 2: Wage sum growth pointing to only modest increases**



Sources: Macrobond Financial, BLS

**Chart 3: Productivity growth weakened, while unit labour costs crept higher**



Sources: Macrobond Financial, BLS

**Senior Analyst**

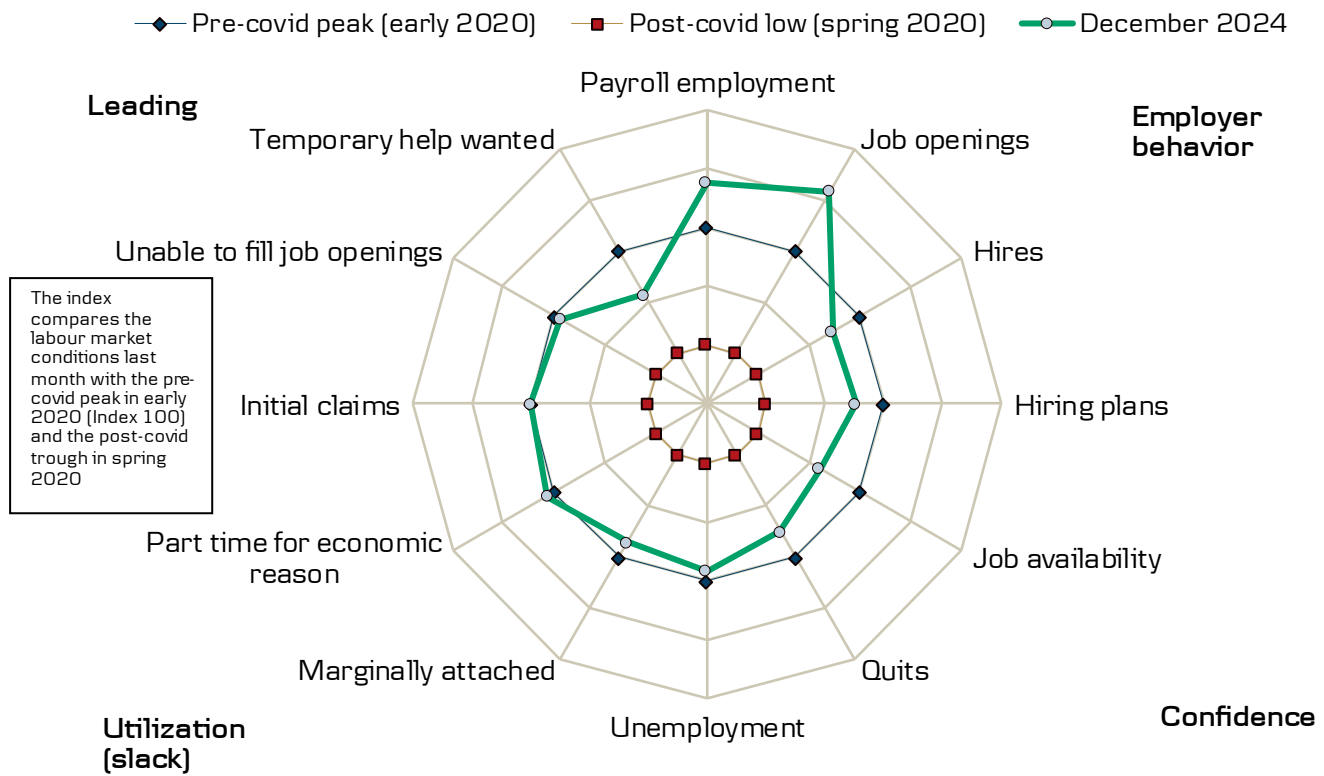
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## US labour market in one chart

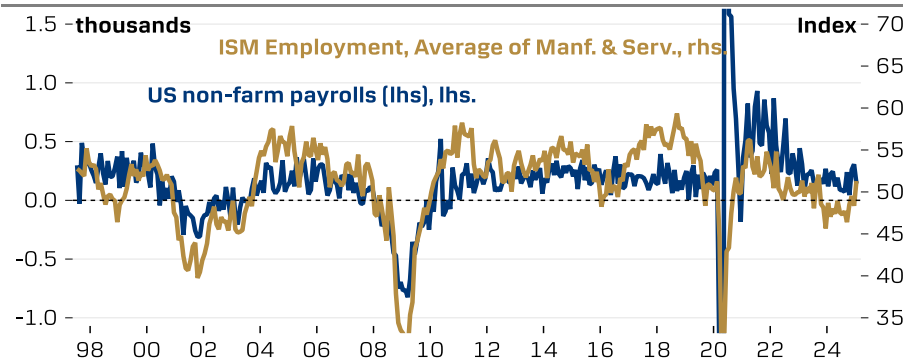
Labour market conditions vary across sectors and employers are holding on to their workers. As such, labour shortages still persist on some sectors even if hiring overall has already cooled down clearly



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: U. S. Bureau of Labor Statistics (BLS) (JOLTS), Atlanta Fed, Macrobond Financial

## ISM employment vs nonfarm

ISM employment indices point towards an uptick in nonfarm payrolls growth



Source: Macrobond Financial, ISM, BLS

## Labour demand

### Job openings have largely normalized



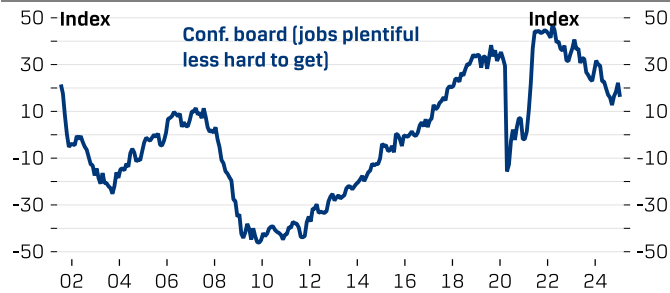
Source: Macrobond Financial, US Department of Labor, BLS

### Hiring plans staying put



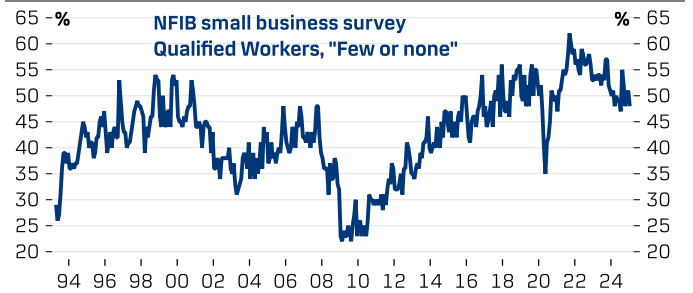
Source: Macrobond Financial, NFIB

### Americans still relatively confident in their job prospects



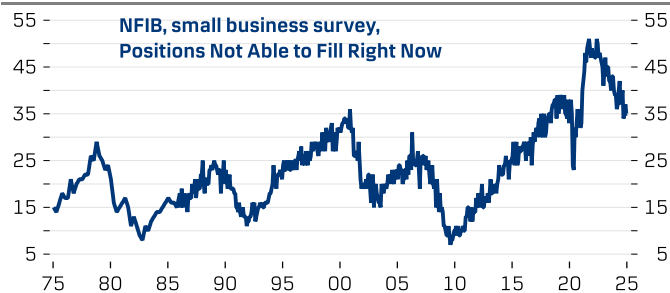
Source: Macrobond Financial, US Department of Labor, BLS

### Labour shortages have not yet fully dissipated



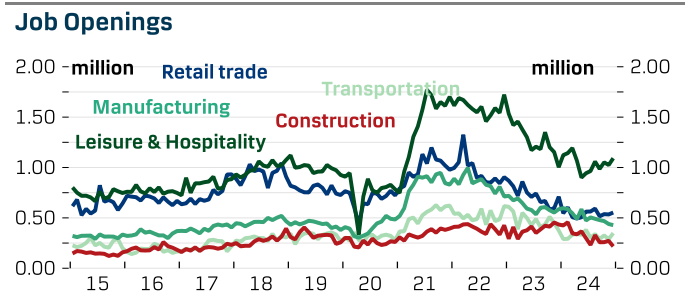
Source: Macrobond Financial, NFIB

### Difficulties is down from its historically tight starting point



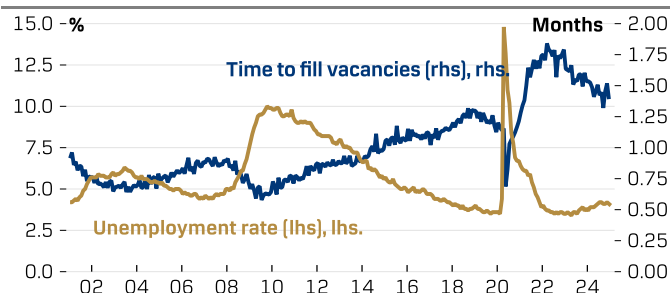
Source: Macrobond Financial, NFIB

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



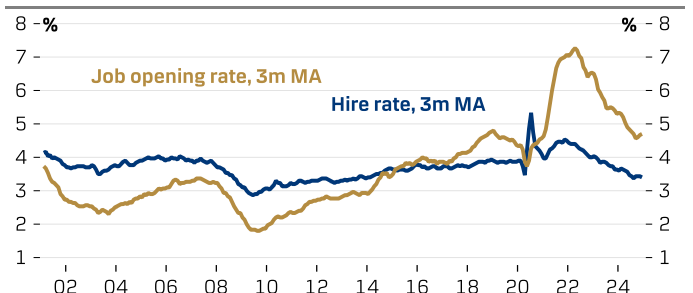
Sources: BLS, Macrobond Financial

### Unemployment rate ticks down



Source: Macrobond Financial, BLS

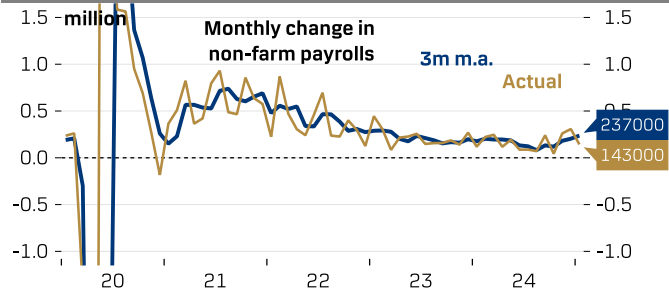
### Job openings increasing slightly, while hires continued to ease somewhat



Source: Macrobond Financial, BLS

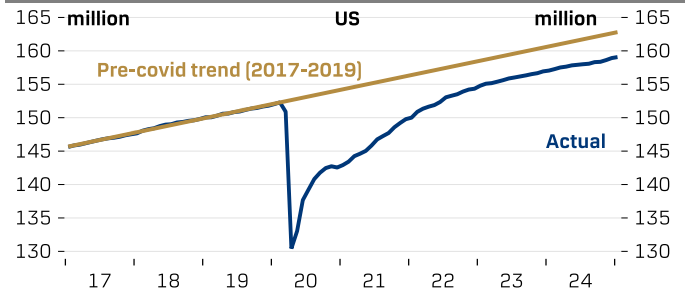
## Employment measures

### Employment growth increasing somewhat



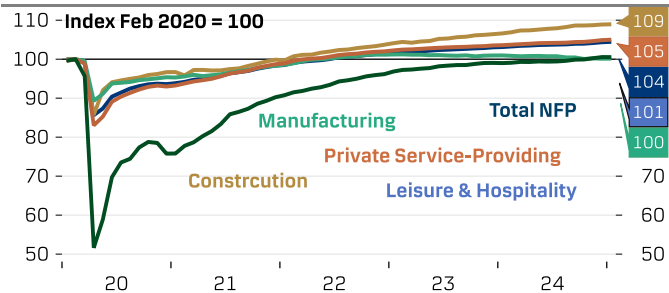
Source: Macrobond Financial, BLS

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



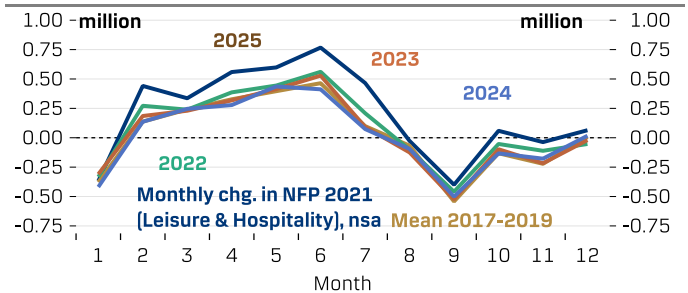
Source: Macrobond Financial, ADP

### "Leisure & Hospitality" sector above the February 2020 employment level



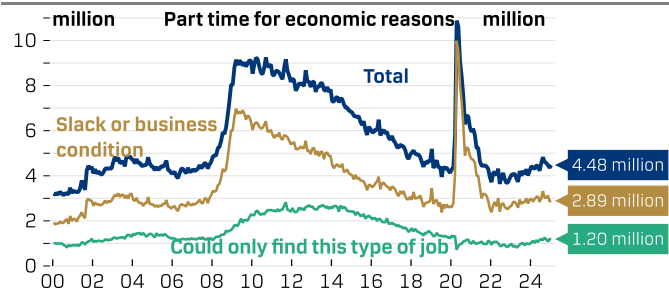
Source: Macrobond Financial, BLS

### Overview of the monthly change in NFP in leisure & hospitality



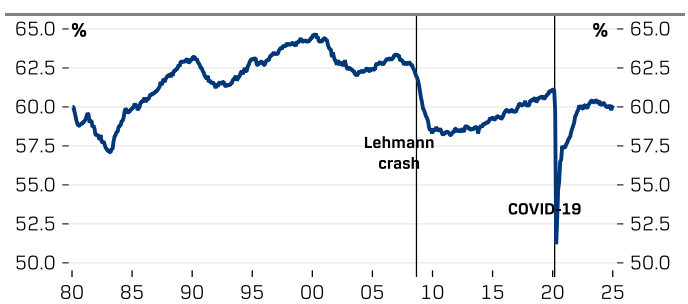
Source: Macrobond Financial, BLS

### Fewer people working part-time for economic reasons ticking slightly higher



Source: Macrobond Financial, BLS

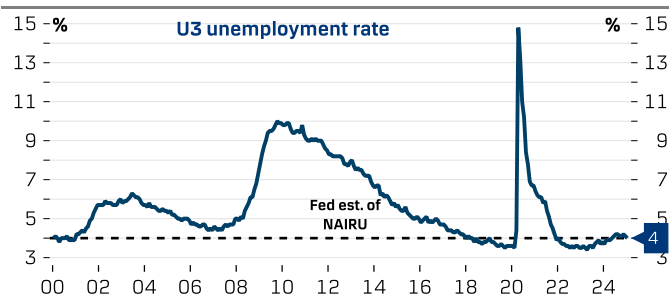
### Employment to population ratio still below previous levels



Source: Macrobond Financial, BLS

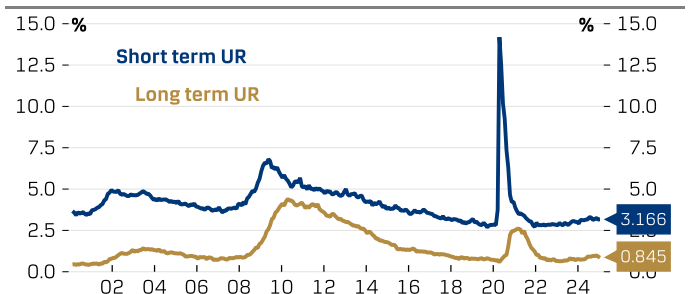
## Unemployment measures

### Unemployment rate hovering around full employment estimate



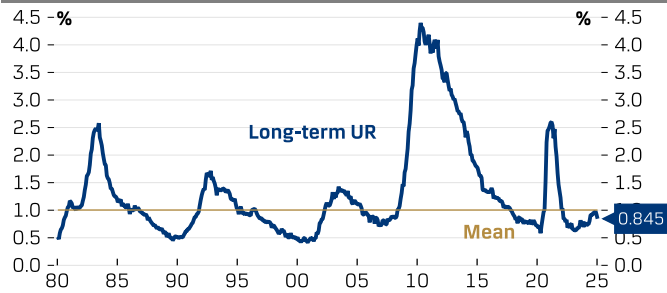
Source: Macrobond Financial, FOMC, BLS

### Long-term unemployment moved lower



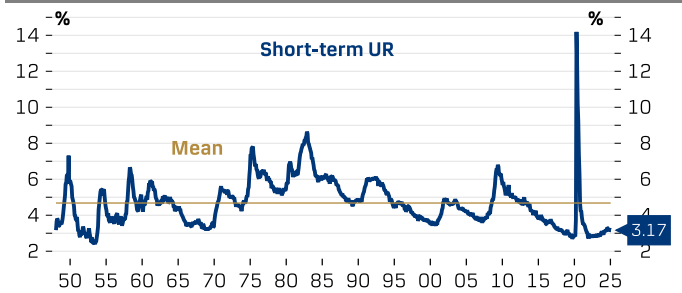
Source: Macrobond Financial, BLS

Long-term unemployment rate below the historical average



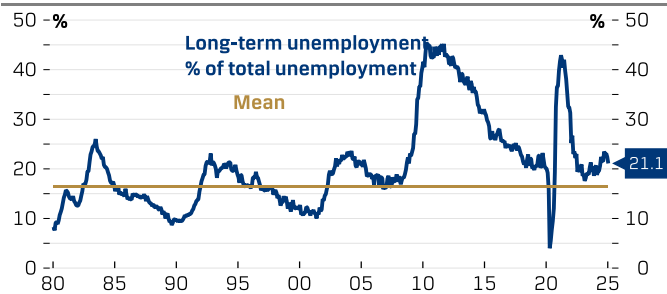
Source: Macrobond Financial, BLS

Short-term unemployment rate below the historical average



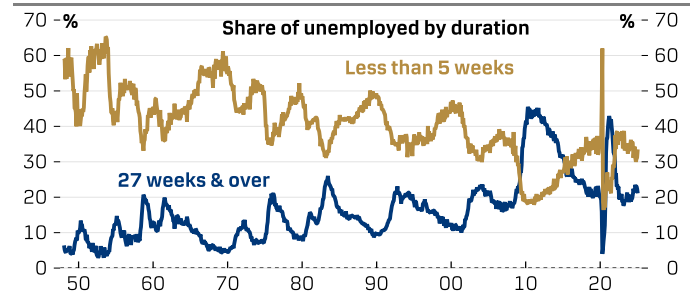
Source: Macrobond Financial, BLS

Long-term unemployment in % of total unemployment remains low



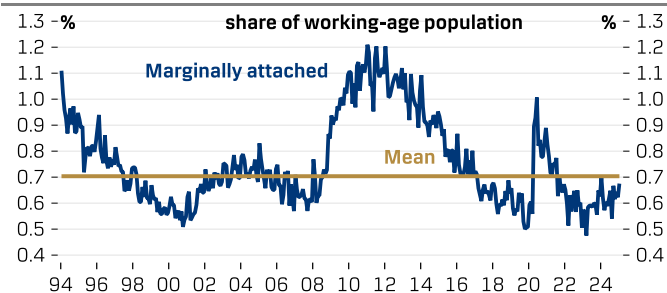
Source: Macrobond Financial, BLS

Long-term unemployment still at low levels



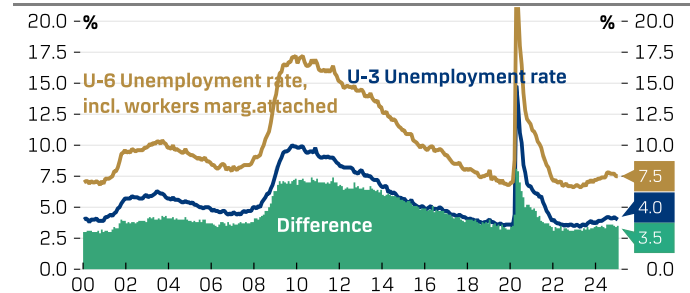
Source: Macrobond Financial, BLS

Marginally attached workers below average



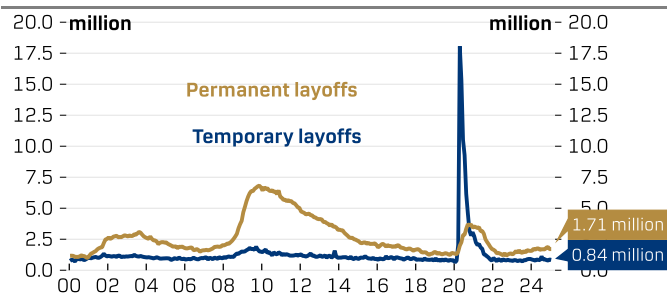
Source: Macrobond Financial, BLS

Unemployment declined in January



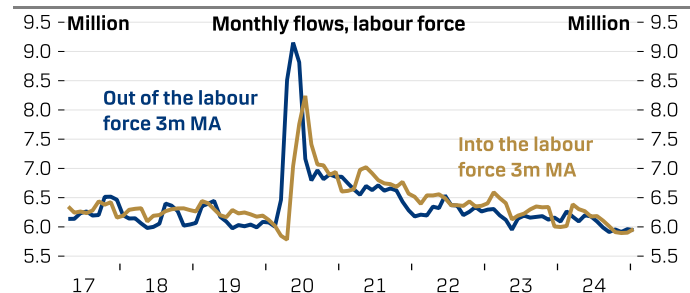
Source: Macrobond Financial, BLS

Permanent layoffs remain low



Source: Macrobond Financial, BLS

Labour market flows



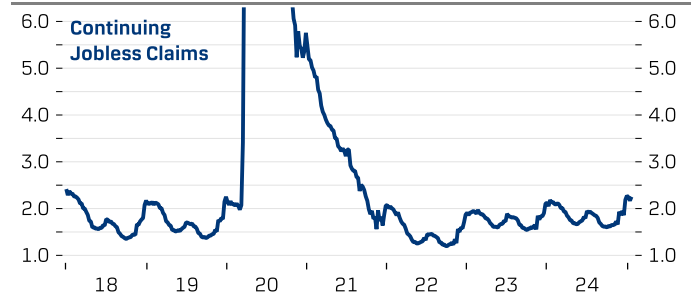
Source: Macrobond Financial, BLS

Initial jobless claims have hardly even risen from the lows



Source: Macrobond Financial, Department of Labor

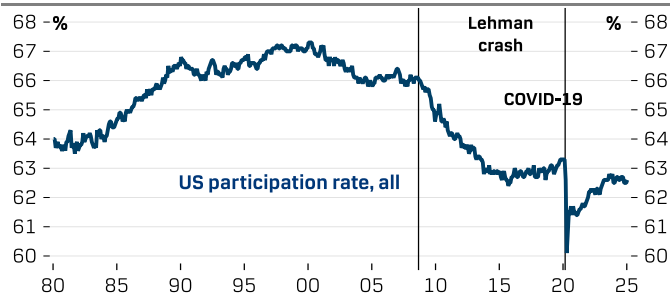
Total continuing claims remain low



Source: Macrobond Financial, Department of Labor

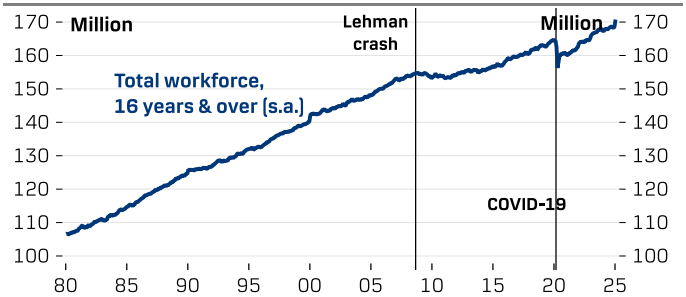
Participation

Participation rate ticked up to 62.6%



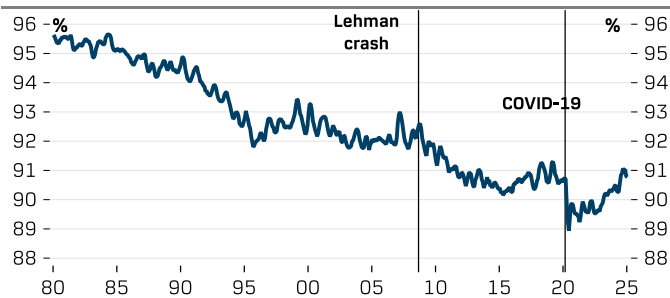
Source: Macrobond Financial, BLS

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



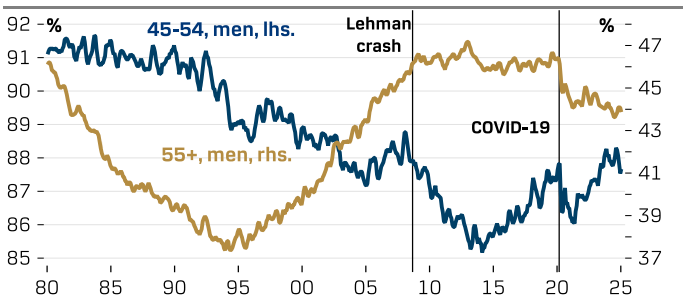
Source: Macrobond Financial, BLS

Participation rate, 35-44, men



Source: Macrobond Financial, BLS

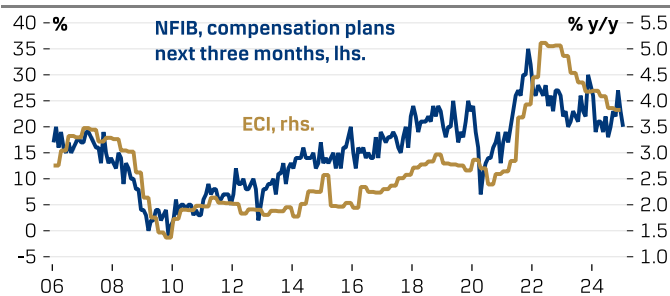
Early retirements have likely contributed to labour shortages



Source: Macrobond Financial, BLS

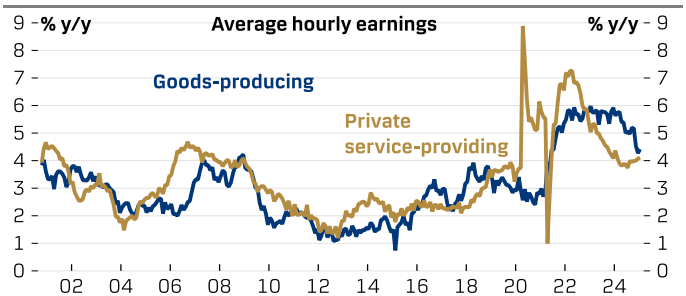
Wage growth and inflation

Compensation plans pointing to lower employment costs



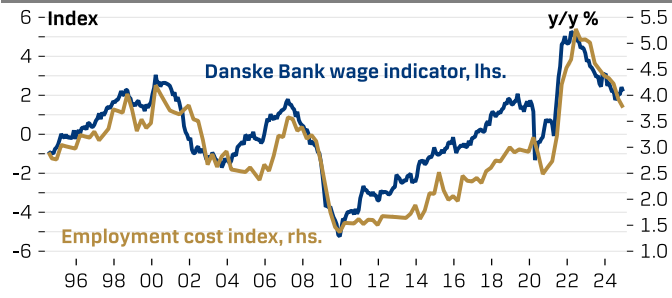
Source: Macrobond Financial, NFIB

Clear signs of easing labour shortages in service-sector



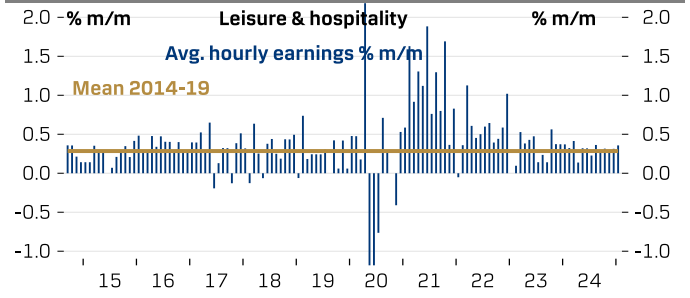
Source: Macrobond Financial, BLS

Declining wage pressure



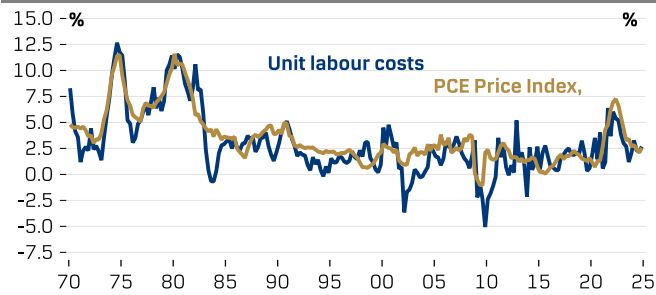
Source: BLS, Danske Bank Markets

Wage growth within "Leisure & Hospitality"



Source: BLS, Conference Board

Unit labour cost growth ticking higher



Source: Macrobond Financial, BLS, Census, BEA

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**Report completed:** 13 February 2025, 11:00 CET

**Report first disseminated:** 13 February 2025, 11:35 CET