

19 June 2024

US Labour Market Monitor

Mixed employment indicators

Labour market data has revealed mixed signals since our last update. The ratio of unfilled vacancies per unemployed fell to 1.24 in April, as JOLT's job openings continued the declining trend to 8.06m. This marks the first time since mid-2021 that the ratio aligns with pre-pandemic averages.

In contrast, the May Jobs Report surprised markedly to the upside. Nonfarm payrolls (NFP) stood at 272k, while the total labour force surprisingly shrank by 250k. Coupled with hotter-than-expected average hourly earnings at 0.4% m/m SA (4.1% y/y), the data would point towards re-tightening labour markets in May. In addition, latest JOLT's data showed hiring picking up speed while layoffs remained low, suggesting that firms are not feeling pressured to cut labour costs. Initial jobless claims have edged higher in early June, but remain at low levels in historical context.

That said, while the overall participation rate moved lower, the prime-age labour force (25-54y) still increased. Furthermore, immigration continued to provide a positive boost to the labour supply. Overall, we still think that labour market conditions are getting gradually looser.

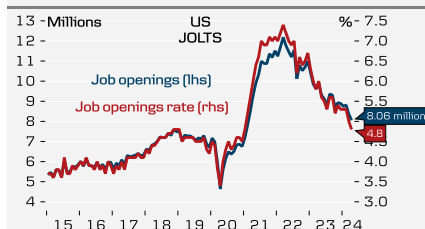
The unemployment rate climbed higher to 4.0% as household employment fell by 408k. Unlike the NFP, which tracks the number of jobs, the household measure, based on a smaller sample size, follows the number of workers. Notably, the two indicators have diverged markedly over the past 6M – even after accounting for obvious differences.

The NFP's annual benchmark revisions every March are based on the Quarterly Census of Employment and Wages (QCEW). This data uses a comprehensive record of firms' unemployment insurance filings, providing a more accurate but less timely employment measure. The latest Q4 23 QCEW data showed job growth halting, suggesting that recent strong NFP prints could be revised down. However, QCEW may miss a key driver of the past year's employment growth, namely immigration, as undocumented immigrants might not be eligible for unemployment insurance. Hence, the QCEW data could be undercounting the true employment boost from immigration.

The ISM employment indices ticked higher in May, with the manufacturing leg entering expansionary territory at 51.1 (prior: 48.6), while services remained in contraction. Hence, the picture was somewhat mixed. Similarly, the May edition of NFIB's small business survey provided ambiguous signals. While hiring plans and business confidence reached their highest levels this year, the looming US presidential election fuelled a rise in uncertainty perception to its highest level since November 2020.

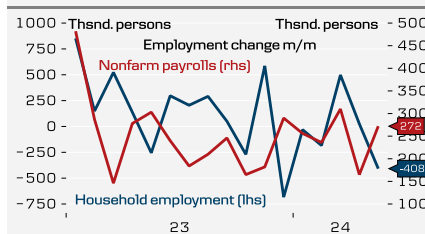
Overall, recent data has presented mixed signals regarding the state of the labour markets, with notable divergence among NFP, and QCEW and household employment. This highlights the importance of considering multiple indicators in order to gain a comprehensive understanding of temperature of labour markets. Despite the upside surprise in NFP, rising unemployment and declining job vacancies point towards cooling overall conditions, in our view.

The declining momentum in job openings continues



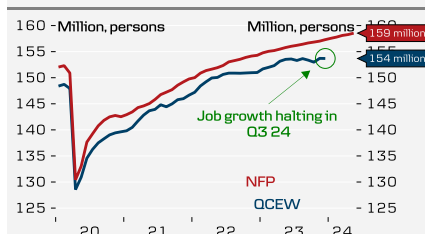
Sources: Macrobond Financial, U. S. Bureau of Labor Statistics (BLS)

Employment indicators paint a mixed picture



Sources: Macrobond Financial, BLS

NFP-QCEW divergence could reflect QCEW undercounting immigration impact



Sources: Macrobond Financial, BLS

Senior Analyst

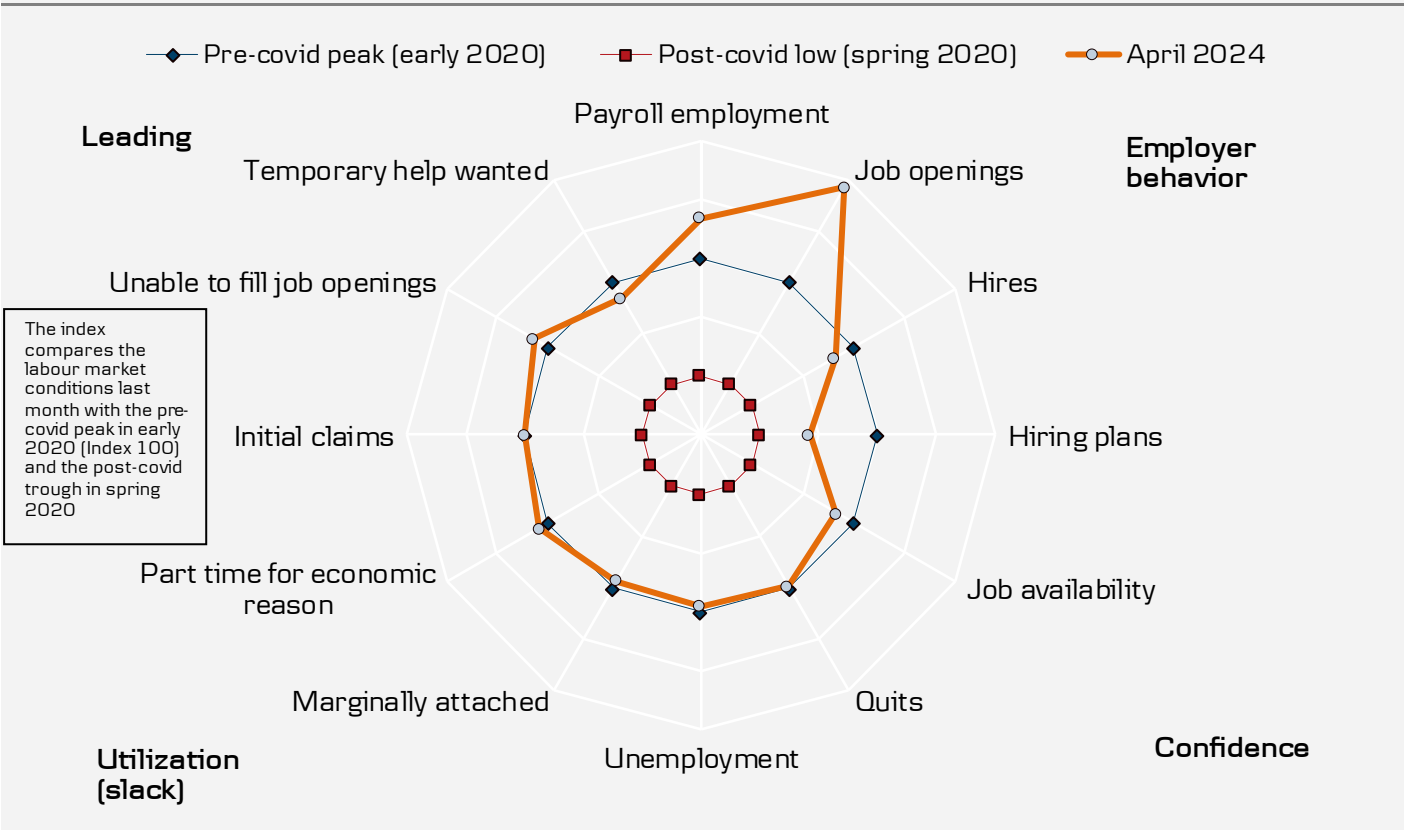
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US labour market in one chart

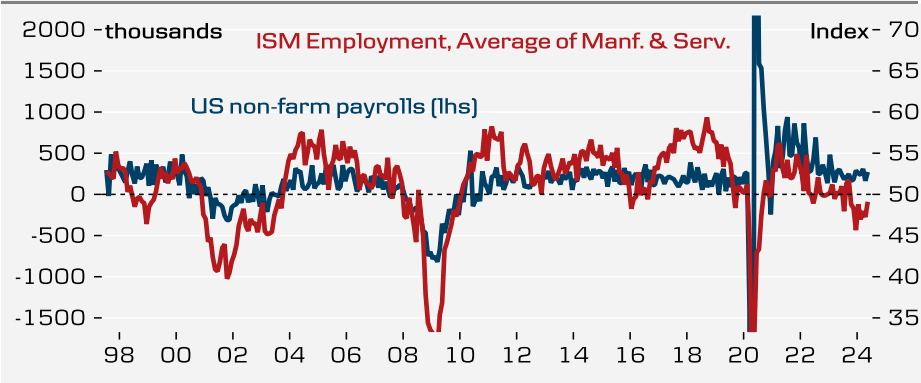
Labour market conditions vary across sectors and employers are holding on to their workers. As such, labour shortages still persist on some sectors even if hiring overall has already cooled down clearly



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 trough 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

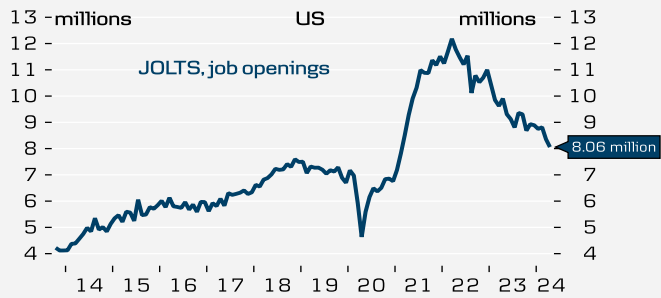
ISM employment hovers below the neutral level of 50



Source: Macrobond Financial, ISM, BLS

Labour demand

Job openings ticked lower



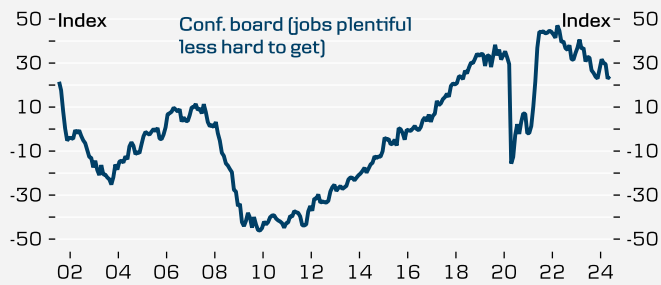
Source: Macrobond Financial, US Department of Labor, BLS

Hiring plans climbing slightly up



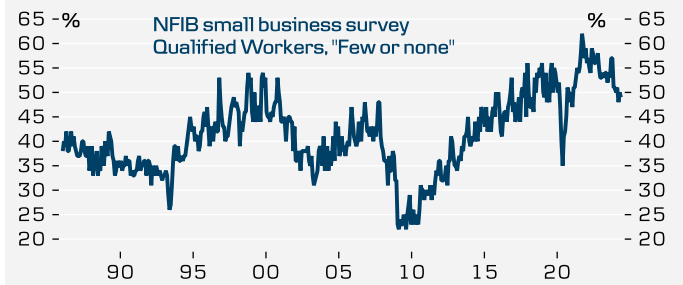
Source: Macrobond Financial, NFIB

Americans still relatively confident in their job prospects



Source: Macrobond Financial, US Department of Labor, BLS

Labour shortages have not yet fully dissipated



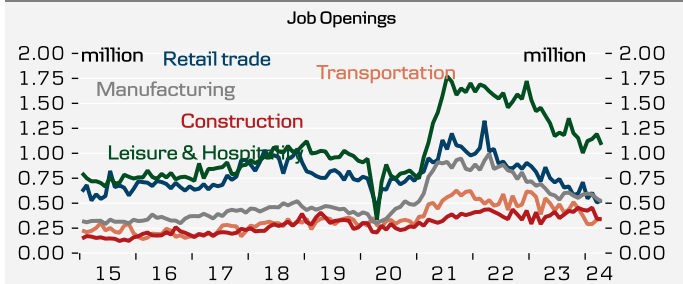
Source: Macrobond Financial, NFIB

Difficulties is down from its historically tight starting point



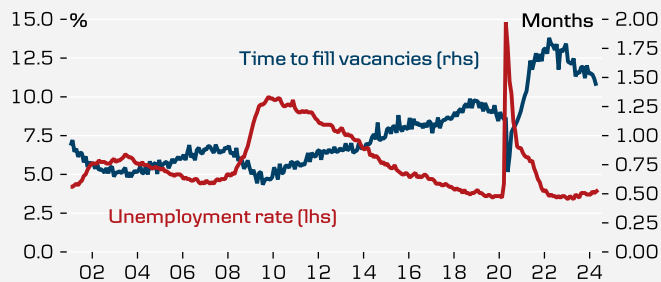
Source: Macrobond Financial, NFIB

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



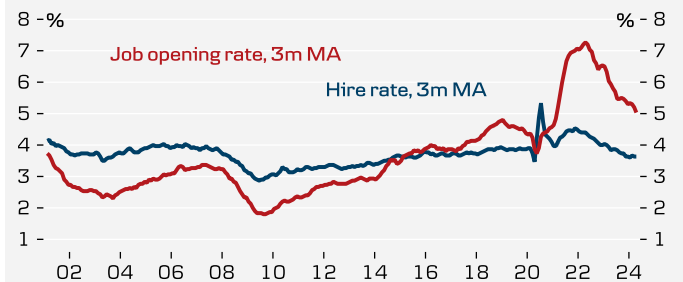
Sources: BLS, Macrobond Financial

Unemployment rate ticks up, but remains very low



Source: Macrobond Financial, BLS

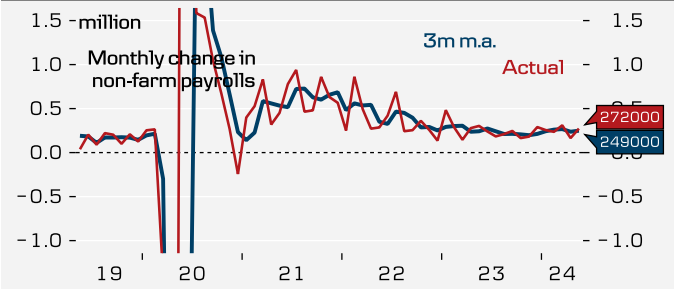
Some cooling in both job openings and hires



Source: Macrobond Financial, BLS

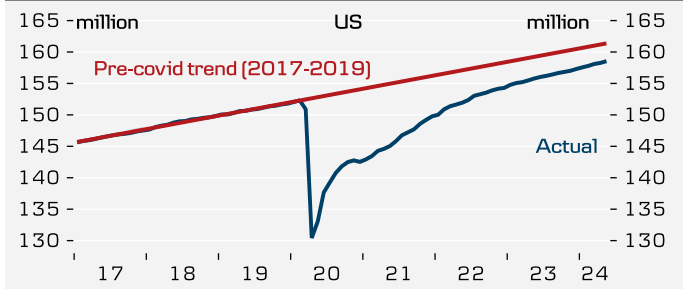
Employment measures

Employment growth at strong levels



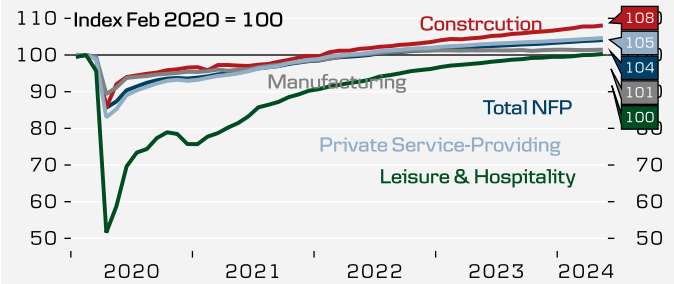
Source: Macrobond Financial, BLS

Employment above pre-covid level, but still below trend



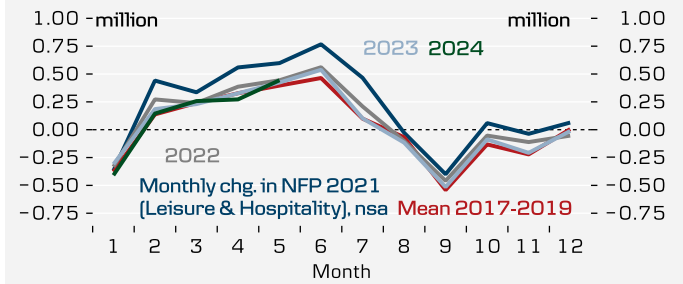
Source: Macrobond Financial, ADP

"Leisure & Hospitality" sector at the February 2020 employment level



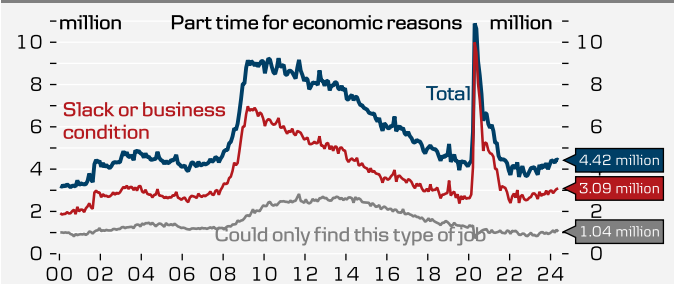
Source: Macrobond Financial, BLS

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



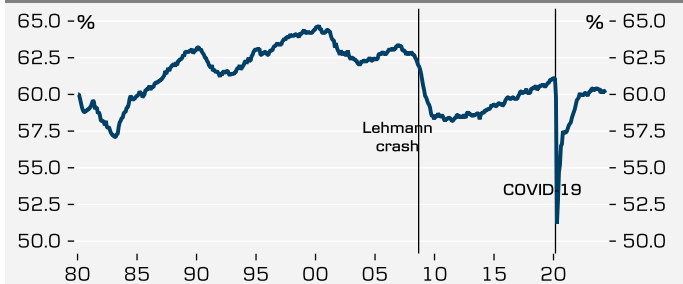
Source: Macrobond Financial, BLS

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



Source: Macrobond Financial, BLS

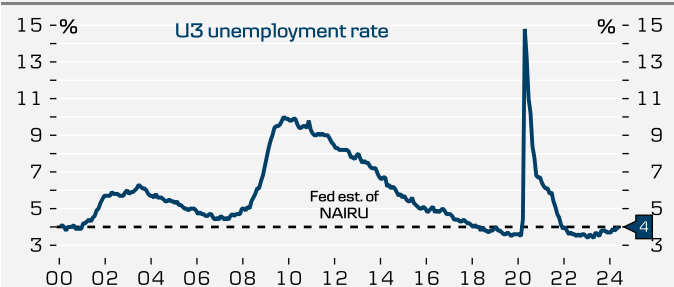
Employment to population ratio still below previous levels



Source: Macrobond Financial, BLS

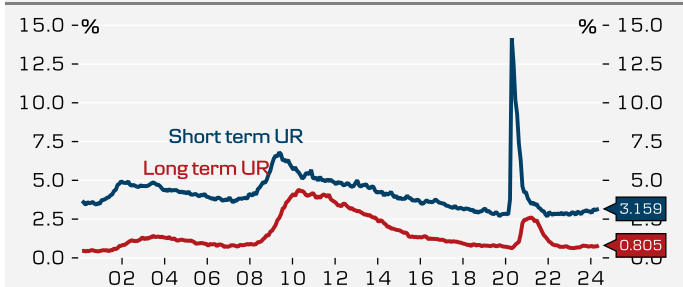
Unemployment measures

Unemployment rate is close to Fed's NAIRU estimate



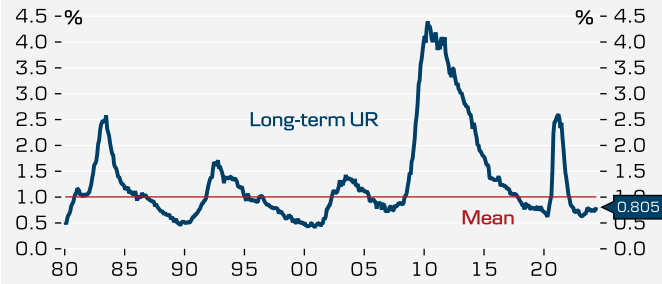
Source: Macrobond Financial, FOMC, BLS

Both long- and short-term unemployment moved a bit higher



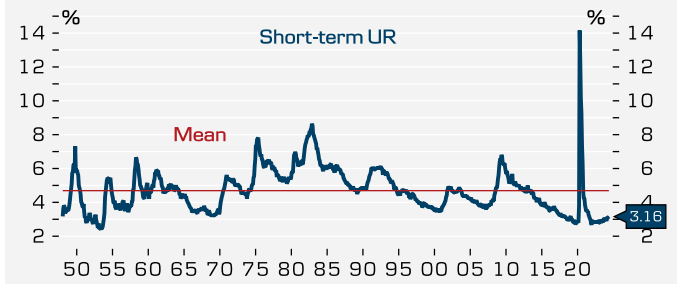
Source: Macrobond Financial, BLS

Long-term unemployment rate below the historical average



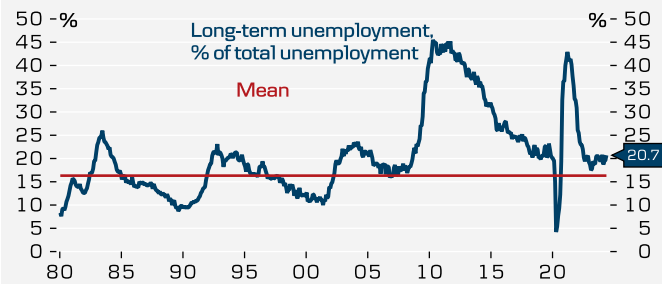
Source: Macrobond Financial, BLS

Short-term unemployment remains far below the historical average



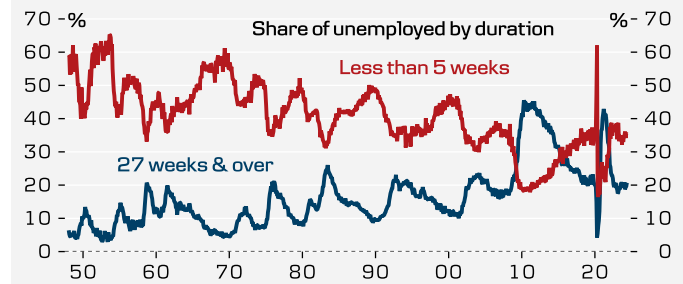
Source: Macrobond Financial, BLS

Long-term unemployment in % of total unemployment remains low



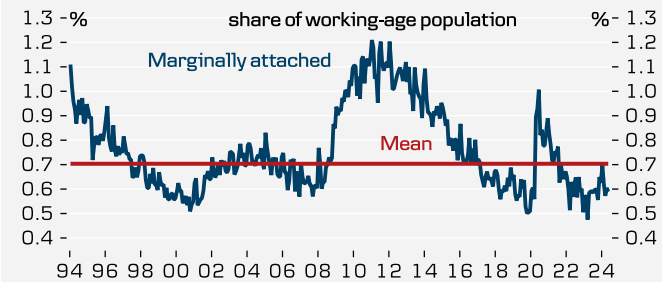
Source: Macrobond Financial, BLS

Long-term unemployment still at low levels



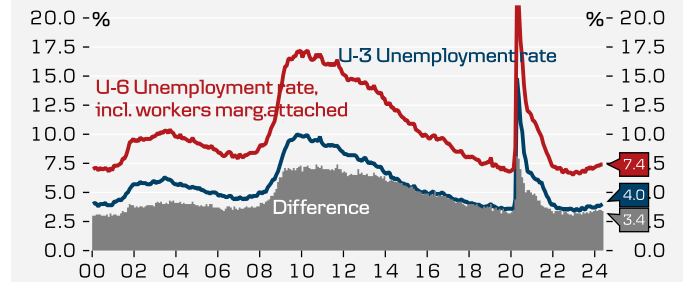
Source: Macrobond Financial, BLS

Marginally attached workers below average



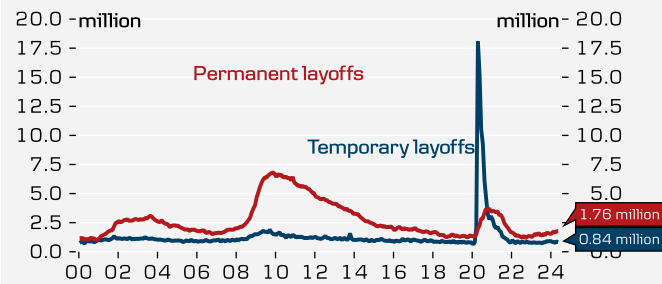
Source: Macrobond Financial, BLS

U6 unemployment staying put



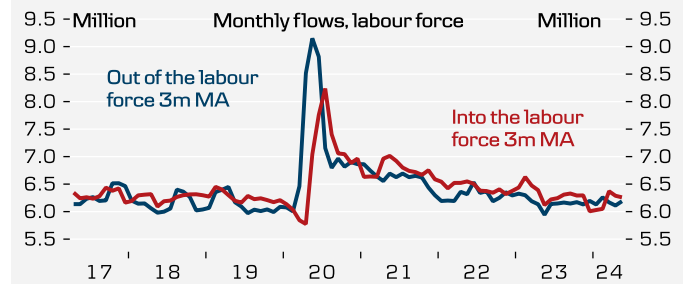
Source: Macrobond Financial, BLS

Permanent layoffs remain low



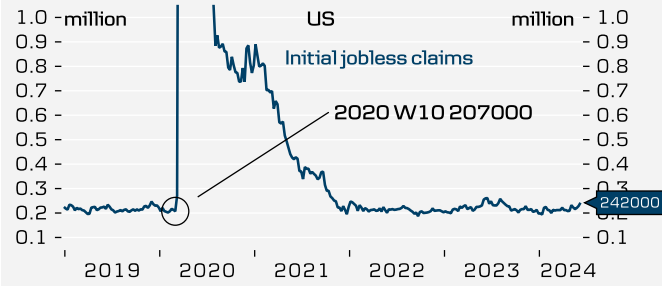
Source: Macrobond Financial, BLS

Labour market flows



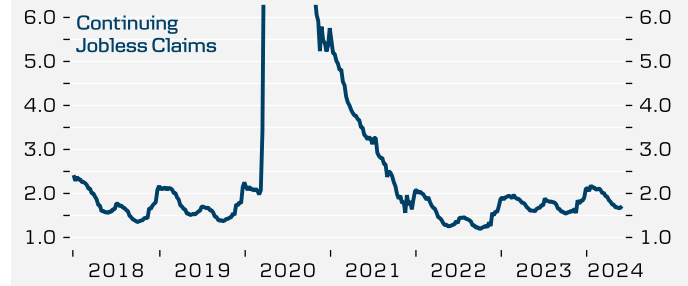
Source: Macrobond Financial, BLS

Initial jobless claims remain low in a historical context



Source: Macrobond Financial, Department of Labor

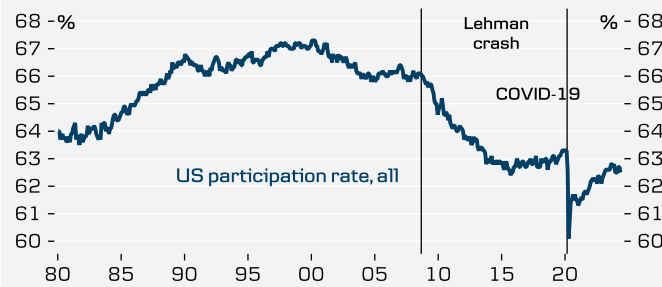
Total continuing claims remain low



Source: Macrobond Financial, Department of Labor

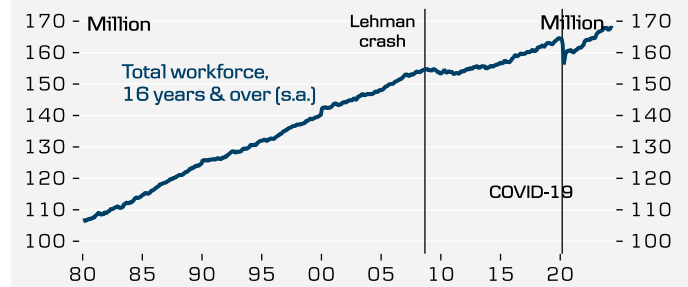
Participation

Participation rate moving lower



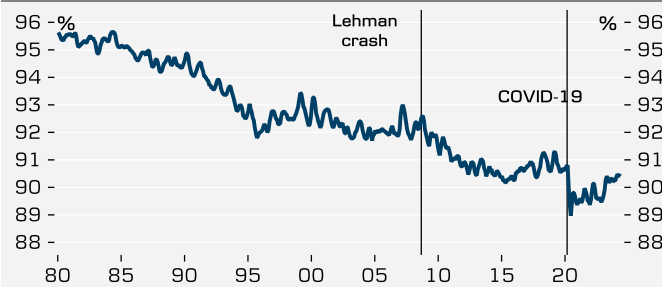
Source: Macrobond Financial, BLS

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



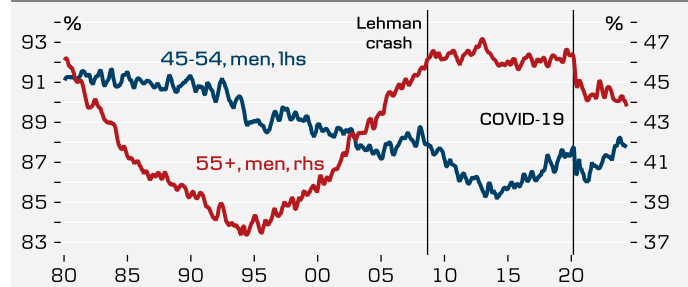
Source: Macrobond Financial, BLS

Participation rate, 35-44, men



Source: Macrobond Financial, BLS

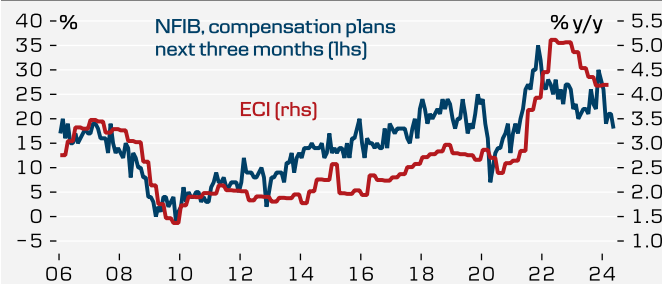
Early retirements have likely contributed to labour shortages



Source: Macrobond Financial, BLS

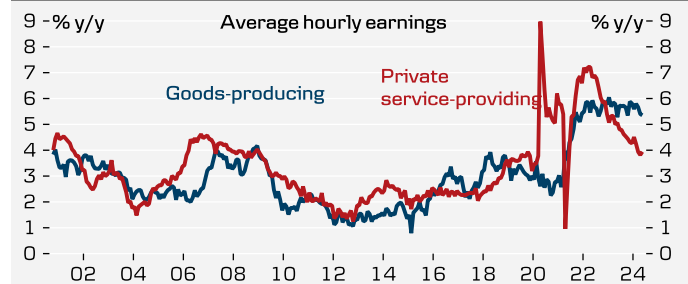
Wage growth and inflation

Employment cost growth somewhat higher



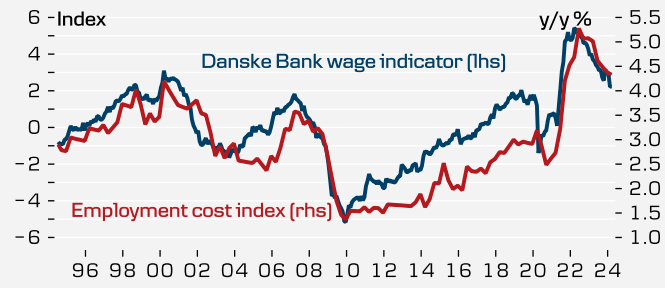
Source: Macrobond Financial, NFIB

Clear signs of easing labour shortages in service-sector



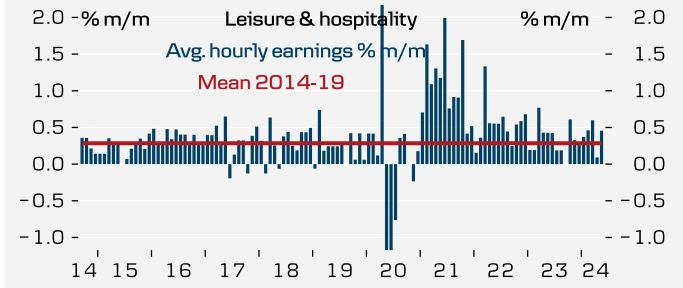
Source: Macrobond Financial, BLS

Declining wage pressure



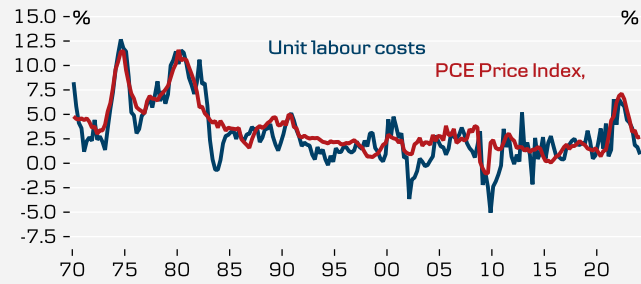
Source: BLS, Danske Bank Markets

Wage growth within "Leisure & Hospitality"



Source: BLS, Conference Board

Unit labour cost growth has generally cooled since 2022



Source: Macrobond Financial, BLS, Census, BEA

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