

4 April 2024

US Labour Market Monitor

Supply-driven recovery

Labour market data released ahead of the March Jobs Report continues to paint a picture of solid and supply-driven recovery. February JOLTs job openings remained close to expectations at 8.76m (cons: 8.75m) with January figures revised down from 8.9m to 8.75m. Coupled with an increasing supply of workers in February, the ratio of unfilled vacancies per unemployed edged down to 1.36 from 1.43, close to the lowest levels seen post-pandemic – yet still a tad above pre-pandemic averages.

Recently, immigration has provided a significant boost to available workers. Together with slowing hiring this combination has paved the way for labour markets becoming more balanced. Should immigration truly ease some of the persistent labour shortages seen since the pandemic, job openings could continue to trend lower.

Accordingly, NFIB's small business survey revealed that the hurdle of finding qualified labour is easing. Rising number of available workers could maintain jobs growth at healthy levels over the coming months, and while the ADP private sector employment report is typically not the best predictor of NFP growth, the March release exceeded expectations at 184k.

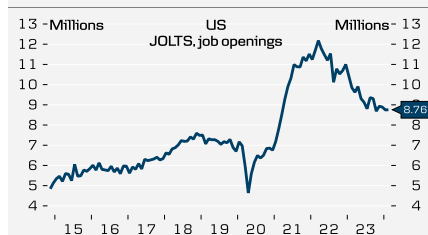
Similarly, ISM manufacturing data surprised clearly to the upside at 50.3, reaching the highest level since September 2022. The strong print mainly attributed to the production subcomponent soaring, whereas the employment index remained in contractionary territory. Conversely, ISM services data was below expectations at 51.4 (cons: 52.7), though still in expansionary territory. Slower new orders growth, easing price pressures and weaker employment contributed to the downtick.

Past few months of NFP and ADP data have showed that jobs gains occur especially within the services sector, which has suffered the most from labour shortages over the recent years. For instance, the leisure & hospitality sector accounted for the largest share of job gains (63k) in the March ADP report. But as labour force is growing and the unemployment rate climbed higher to 3.9% (prior: 3.7%), it seems that some slack is finally building in labour markets. **Rising labour supply allows wage inflation to ease even without a significant slowdown in jobs growth.**

In February, average hourly earnings growth surprised to the downside at 0.1% m/m (cons: 0.3%) and 4.3% y/y (cons: 4.4%), although this mostly reflected an uptick in average hours worked to 34.3. **Importantly, wage sum growth remains on a declining trend, despite monthly data being volatile.**

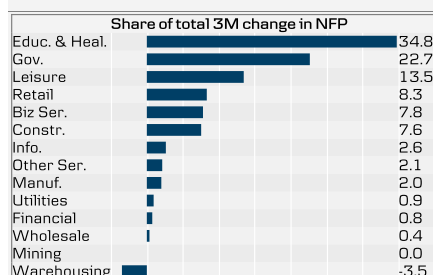
In the March Jobs Report, we expect to see further signs of supply-driven employment growth. We forecast nonfarm payrolls growth cooling down to 180k, which would mark a slowdown from February, yet still a healthy pace in historical context. We see average hourly earnings coming in at 0.2% m/m SA. Further rise in labour supply, jobs growth being concentrated on services sectors and/or an uptick in unemployment rate would suggest that labour market balance continues to improve, even if NFP growth remains far above recessionary levels for now.

Job openings coming lower



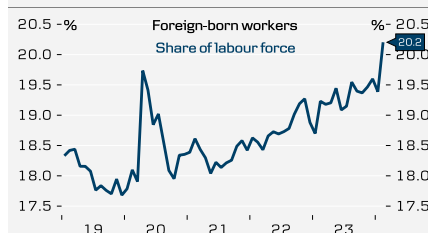
Sources: Macrobond Financial, U. S. Bureau of Labor Statistics (BLS), Danske Bank

The services sector is the main driver of jobs gains recent months



Sources: Macrobond Financial, BLS, Danske Bank

Immigration has provided a significant boost to labour-supply



Sources: Macrobond Financial, BLS, Danske Bank

Senior Analyst

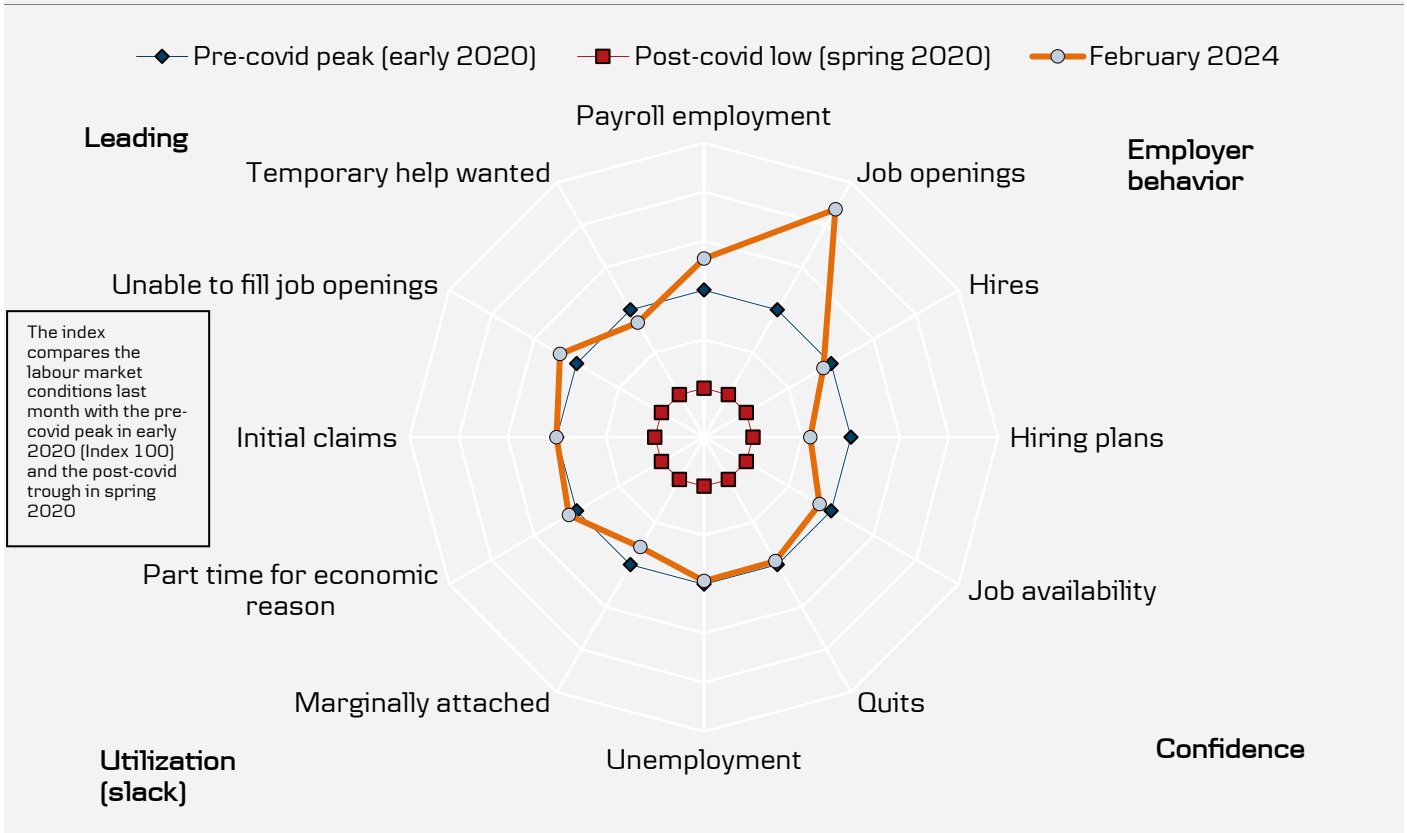
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US labour market in one chart

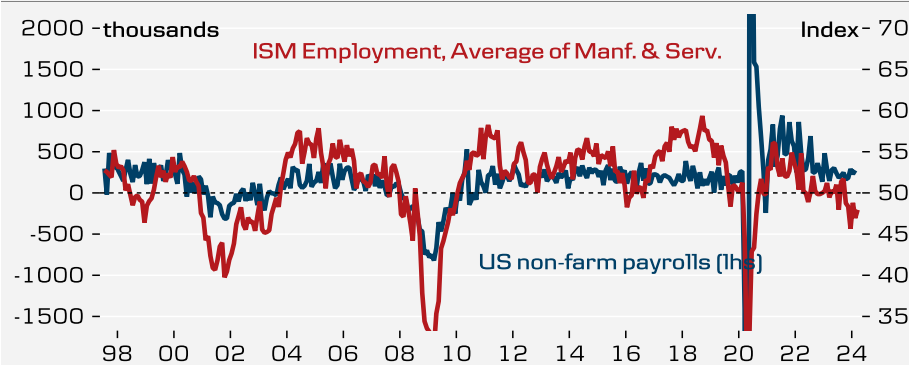
Labour market conditions vary across sectors and employers are holding on to their workers. As such, labour shortages still persist on some sectors even if hiring has already cooled down clearly.



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, Danske Bank

ISM employment vs nonfarm

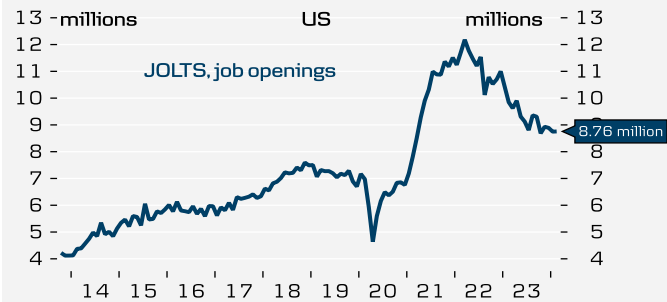
ISM employment indices point towards some easing in nonfarm payrolls growth



Source: Macrobond Financial, ISM, BLS, Danske Bank

Labour demand

Job openings ticked slightly lower



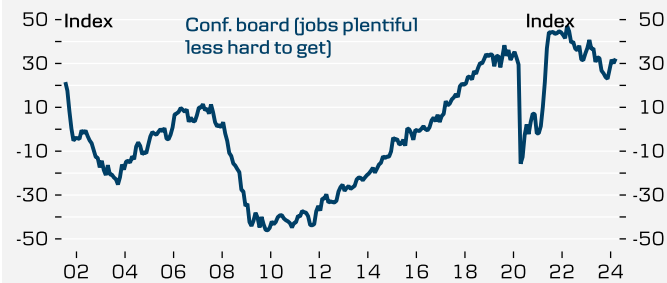
Source: Macrobond Financial, US Department of Labor, BLS, Danske Bank

Hiring plans creeping lower



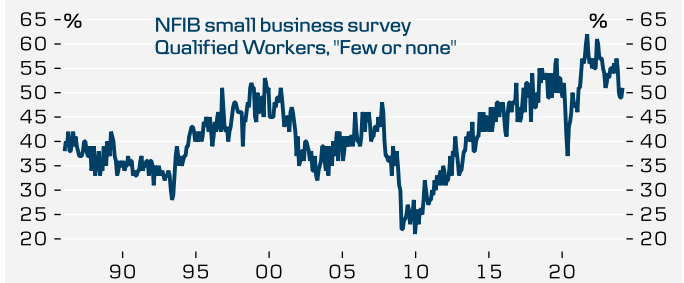
Source: Macrobond Financial, NFIB, Danske Bank

Americans still relatively confident in their job prospects



Source: Macrobond Financial, US Department of Labor, BLS

Labour shortages have not yet fully dissipated



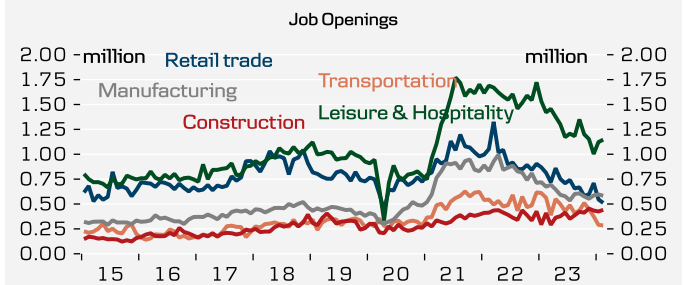
Source: Macrobond Financial, NFIB

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



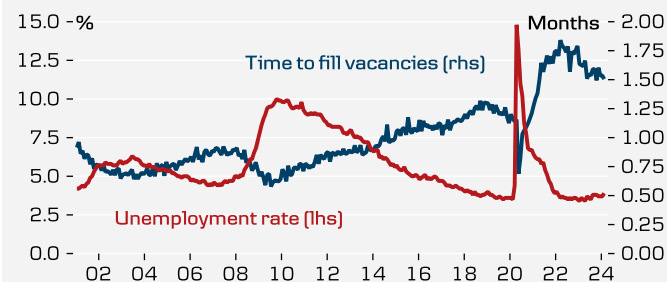
Source: Macrobond Financial, NFIB, Danske Bank

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



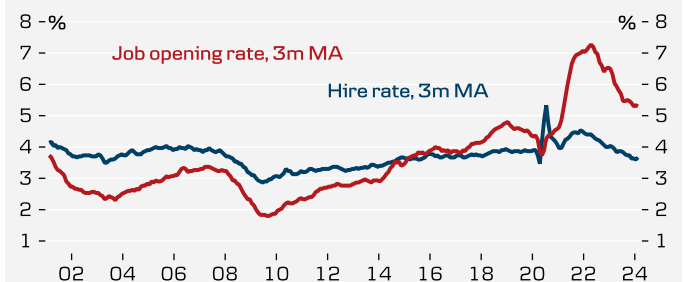
Sources: BLS, Macrobond Financial, Danske Bank

Unemployment rate remains very low



Source: Macrobond Financial, BLS, Danske Bank

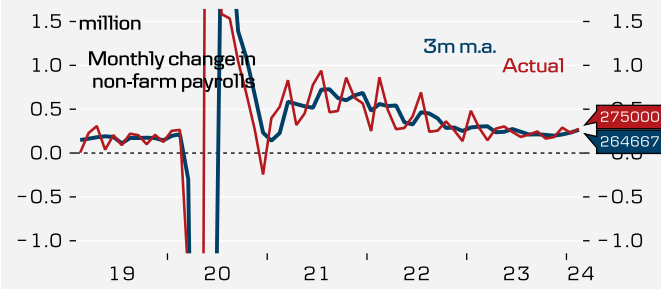
Some cooling in both job openings and hires



Source: Macrobond Financial, BLS, Danske Bank

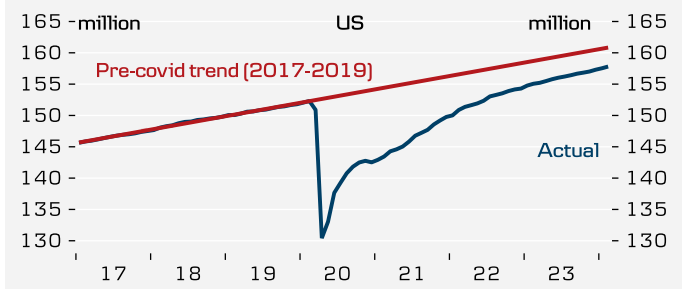
Employment measures

Employment growth at strong levels



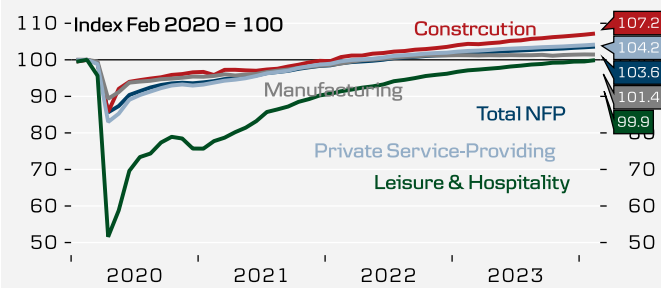
Source: Macrobond Financial, BLS, Danske Bank

Employment above pre-covid level, but still below trend



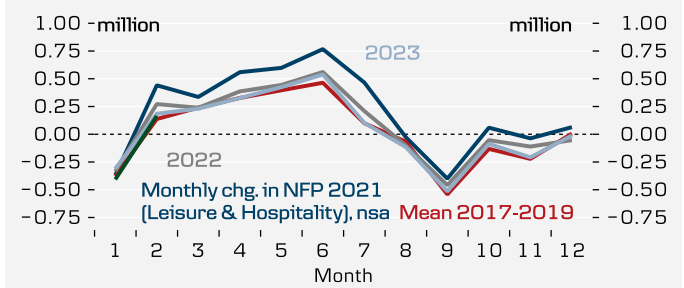
Source: Macrobond Financial, ADP, Danske Bank

"Leisure & Hospitality" sector creeping closer to the February 2020 employment level



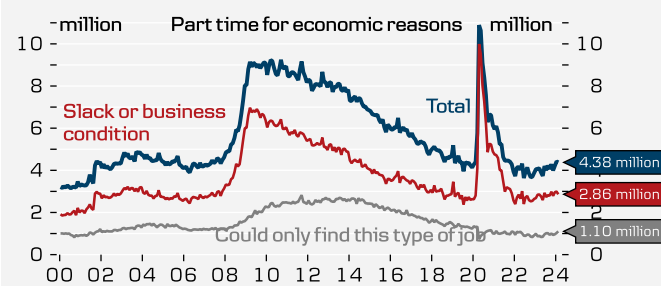
Source: Macrobond Financial, BLS, Danske Bank

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



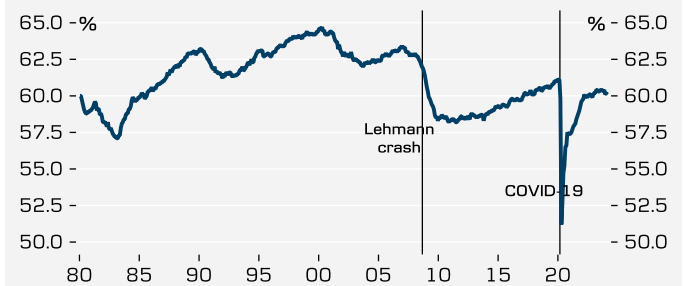
Source: Macrobond Financial, BLS, Danske Bank

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



Source: Macrobond Financial, BLS, Danske Bank

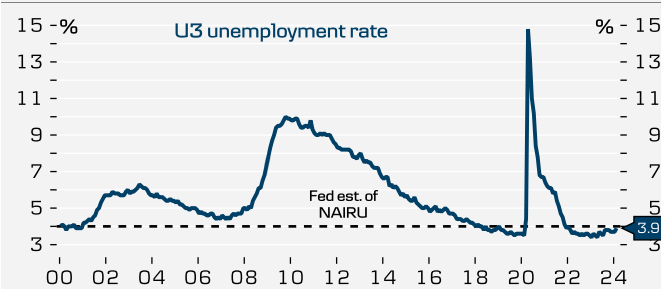
Employment to population ratio still below previous levels



Source: Macrobond Financial, BLS, Danske Bank

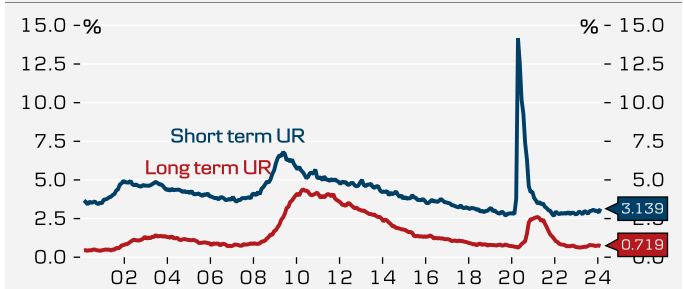
Unemployment measures

Unemployment rate is still below Fed's NAIUR estimate



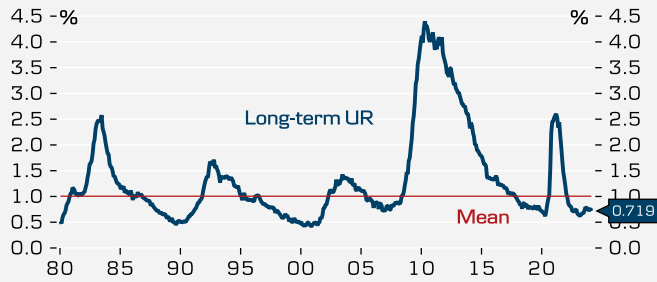
Source: Macrobond Financial, FOMC, BLS, Danske Bank

Long-term unemployment is little changed



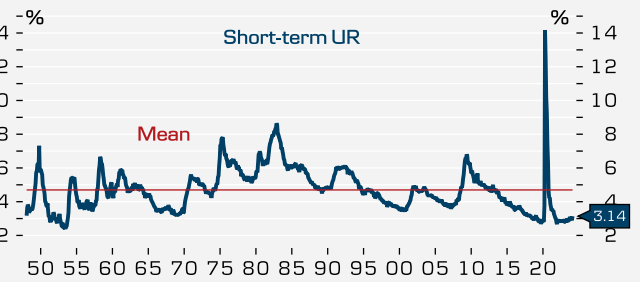
Source: Macrobond Financial, BLS, Danske Bank

Long-term unemployment rate below the historical average



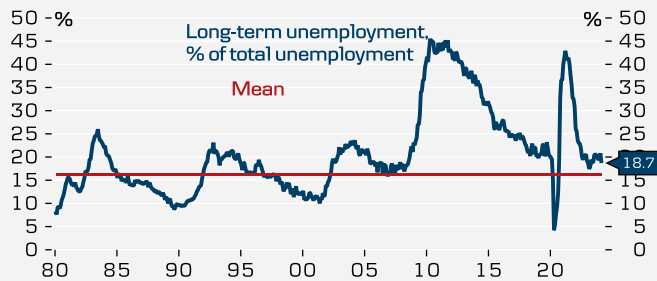
Source: Macrobond Financial, BLS, Danske Bank

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



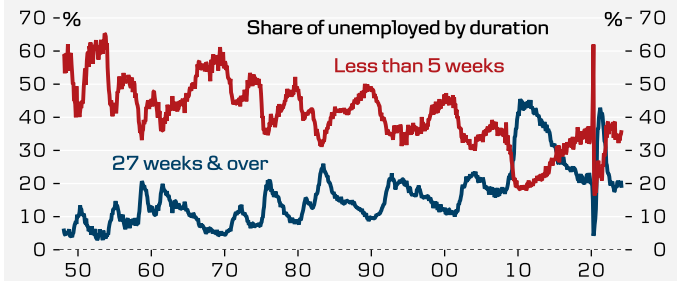
Source: Macrobond Financial, BLS, Danske Bank

Long-term unemployment in % of total unemployment remains low



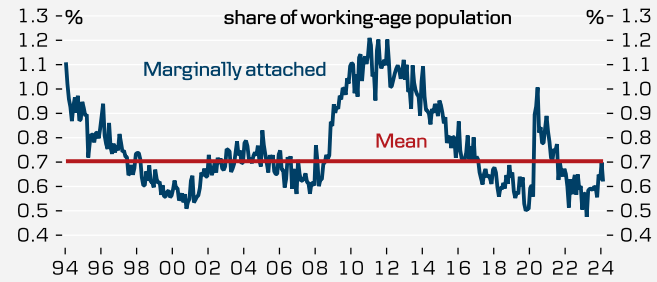
Source: Macrobond Financial, BLS, Danske Bank

Long-term unemployment still at low levels



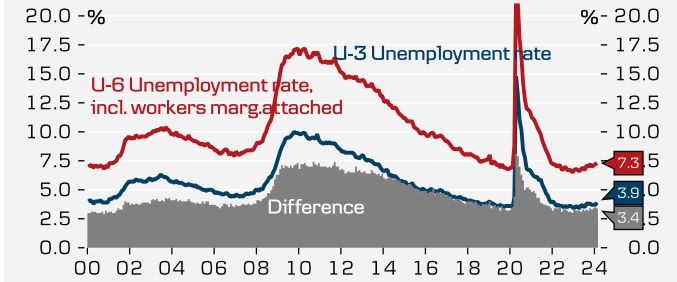
Source: Macrobond Financial, BLS, Danske Bank

Marginally attached workers below average



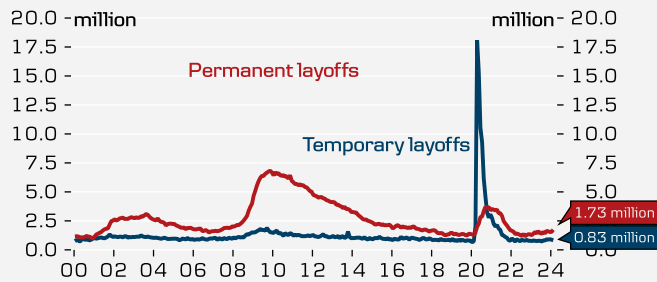
Source: Macrobond Financial, BLS, Danske Bank

U6 unemployment slowly increasing



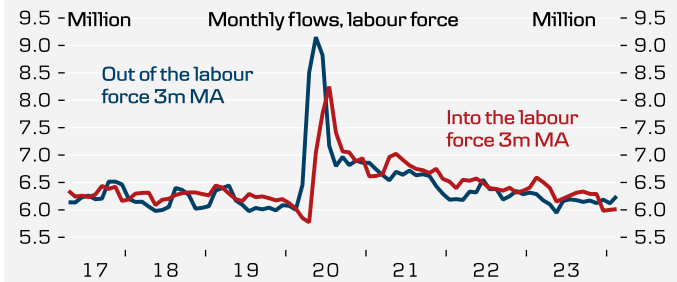
Source: Macrobond Financial, BLS, Danske Bank

Permanent layoffs remain low



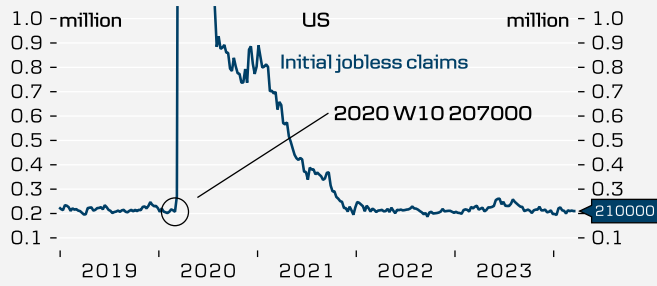
Source: Macrobond Financial, BLS, Danske Bank

Labour market flows



Source: Macrobond Financial, BLS, Danske Bank

Initial jobless claims have hardly even risen from the lows



Source: Macrobond Financial, Department of Labor, Danske Bank

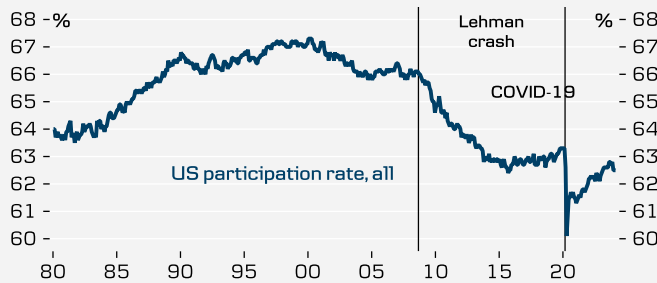
Total continuing claims remain low



Source: Macrobond Financial, Department of Labor, Danske Bank

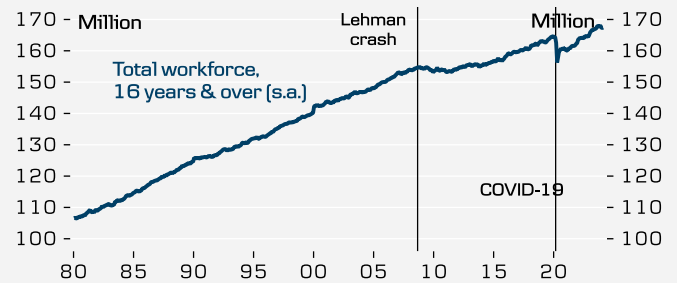
Participation

Participation rate stalling



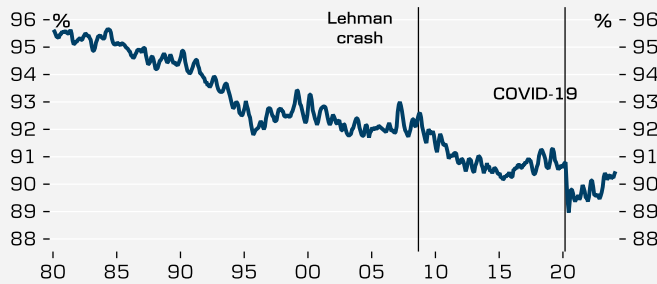
Source: Macrobond Financial, BLS, Danske Bank

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



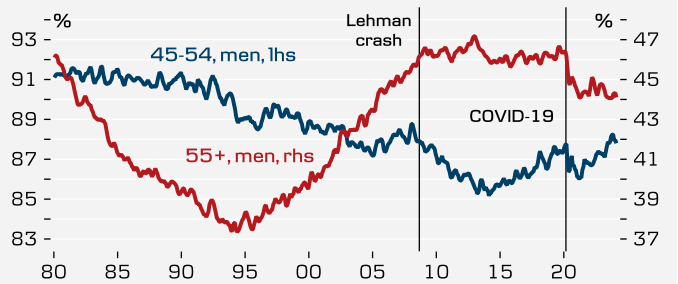
Source: Macrobond Financial, BLS, Danske Bank

Participation rate, 35-44, men



Source: Macrobond Financial, BLS, Danske Bank

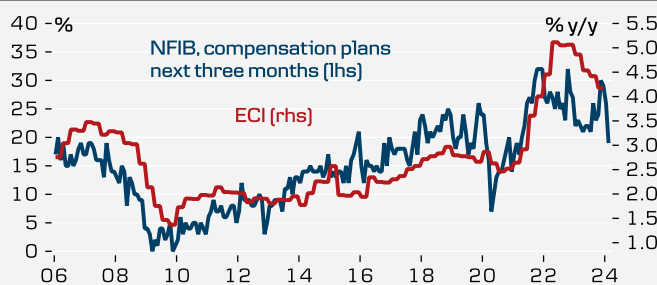
Early retirements have likely contributed to labour shortages



Source: Macrobond Financial, BLS, Danske Bank

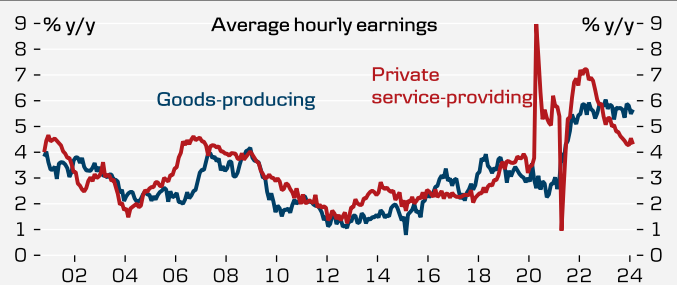
Wage growth and inflation

Employment cost growth ticking lower



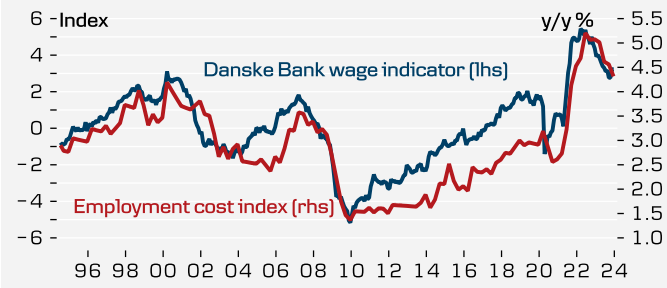
Source: Macrobond Financial, NFIB, Danske Bank

Clear signs of easing labour shortages in service-sector



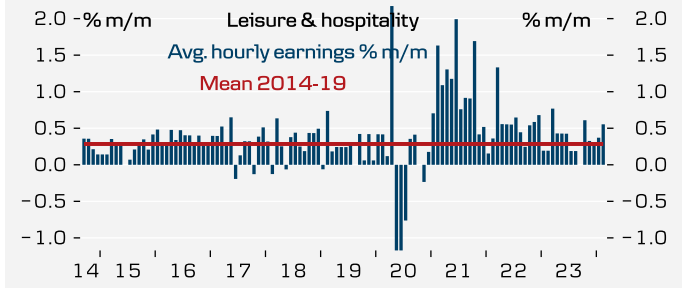
Source: Macrobond Financial, BLS, Danske Bank

Declining wage pressure



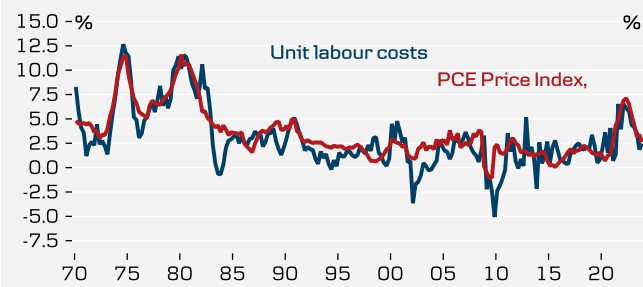
Source: BLS, Danske Bank

Wage growth within "Leisure & Hospitality"



Source: BLS, Conference Board, Danske Bank

Unit labour cost growth continues to turn south



Source: Macrobond Financial, BLS, Census, BEA, Danske Bank

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