Economic Indicator — November 30, 2022

October JOLTS: Quits Coming Down, Taking Openings With Them

Summary

The October JOLTS reports offers one more sign that the hiring frenzy of the past year is starting to die down. Job openings fell to 10.33M and are nearly 7% lower than this time last year. Fewer voluntary departures are likely helping to reduce total openings as the need to refill positions eases amid lower turnover. The number of workers quitting their job fell for the sixth time in seven months and should help to keep a lid on wage pressures. Layoffs, however, were little changed and suggest that while cracks are emerging in the labor market, it is far from crumbling.

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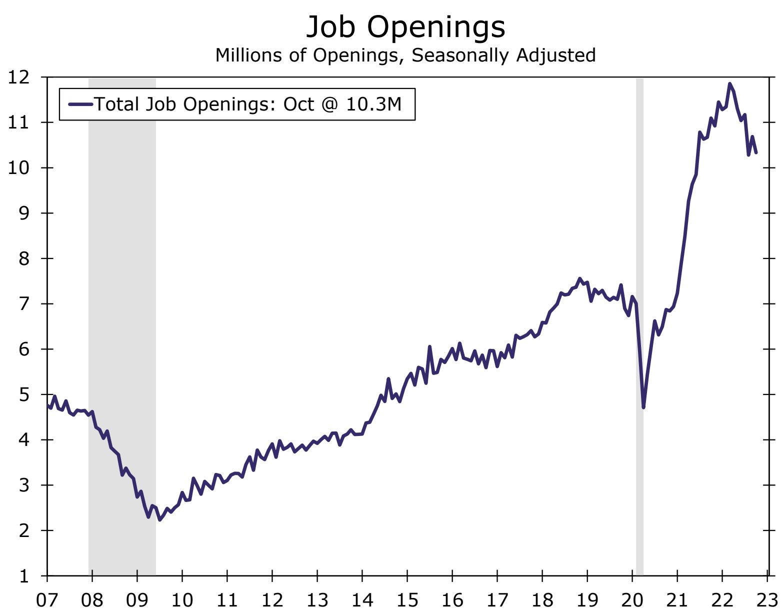
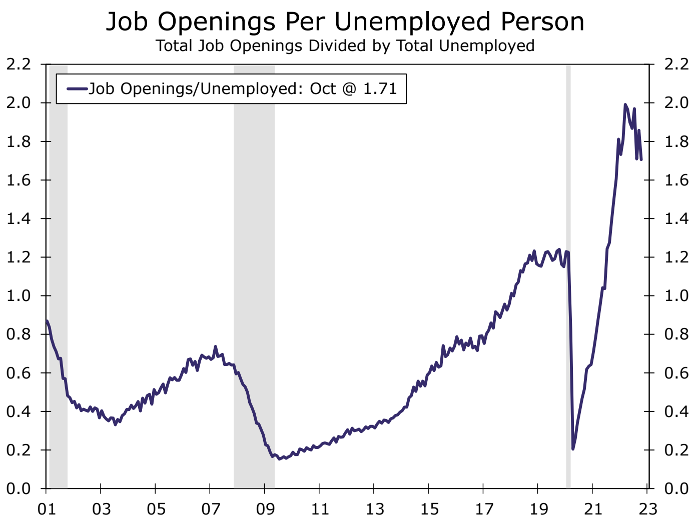


Source: U.S. Department of Labor and Wells Fargo Economics

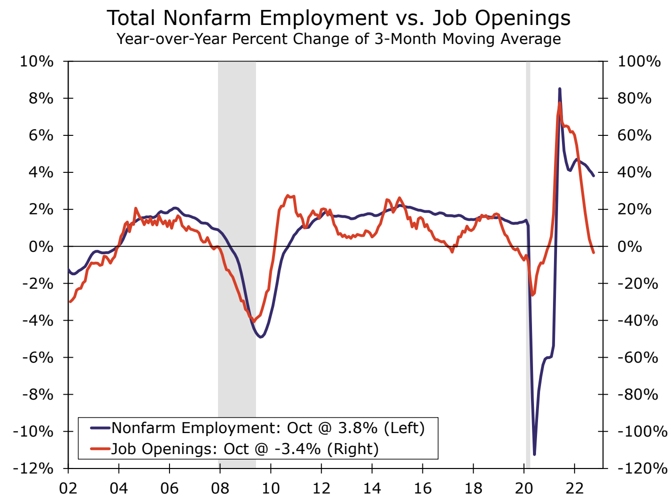
JOLTS Data Shows Gradual Cooling

October's JOLTS report adds to the evidence that labor demand has started to wilt but is a long way from falling off the vine. Job openings fell by 353K in October to 10.33M, only slightly above the recent low set in August but still well above 2019's average of 7.16M when the unemployment rate pointed to a similarly tight labor market. The pullback follows a swath of other data showing the labor market coming off the boil, including small business hiring plans, purchasing managers' indications of hiring, consumers' views of job availability, and the moderation in nonfarm payroll growth since the spring. The number of job openings per unemployed, an often cited measure by FOMC Chair Powell, fell to 1.71 from 1.86 in September, continuing the slide that began in April (chart).

October's retrenchment leaves job openings firmly below their year-ago levels. Prospects for the economy's soft landing have rested partly on the elevated levels of job openings offering scope for labor demand to weaken without employers needing to reduce current headcount. Openings have weakened in prior periods (e.g. 2013 and 2016), without leaving much of a mark on payroll growth (chart), but the pullback this past year has been sharp and is not over yet. We expect job growth to slow further in the coming months, as the headwinds of higher interest rates and flagging demand that lead some businesses to pare back new hiring lead others to cut headcount.

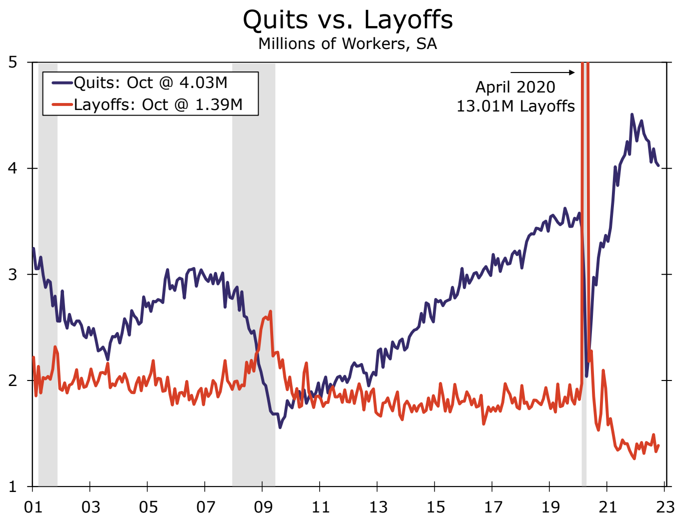


Source: U.S. Department of Labor and Wells Fargo Economics

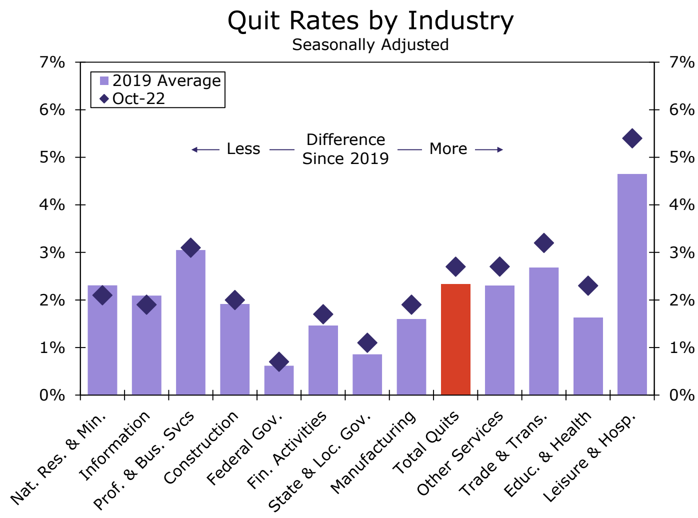


Source: U.S. Department of Labor and Wells Fargo Economics

The deteriorating profile of job openings likely reflects, at least in part, lower voluntary turnover at firms as the "Great Resignation" dies down and leaves fewer positions to refill. The number of workers voluntarily departing their job fell for the sixth time in seven months (chart), pushing the quit rate to its lowest level in 17 months. Fewer voluntary departures alongside growing reluctance to bring on additional workers should help tamp down wage pressures. Quits are now more or less in line with pre-COVID averages in a number of industries, including information, professional & business services and construction (chart). In contrast, quits remain historically high in the lower-paying leisure & hospitality industry, and are still elevated, albeit easing, in education & healthcare. Meantime, layoffs edged up slightly in October. The trend over the past few months, however, is little changed and suggests that the jobs market is merely beginning to crack rather than crumble.



Source: U.S. Department of Labor and Wells Fargo Economics



Source: U.S. Department of Labor and Wells Fargo Economics

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