

Worker caution on US jobs market suggests momentum is shifting

Consumer confidence rebounded in October, but job vacancies surprisingly fell at a time when worker sentiment surrounding the jobs market is already weakening. If workers are increasingly concerned about job security this may run the risk that they start changing their spending behaviour, justifying ongoing gradual interest rate cuts from the Fed



Workers seem to value tenure more in a cooling jobs market

Data surprises continue with sentiment rebounding while job vacancies fall sharply

Consumer confidence and the Job Openings and labour Turnover Statistics reports are the highlights for the day and both have surprised, albeit for different reasons. Job openings fell to 7.443mn from a downwardly revised 7.861mn, coming in 300k below even the most pessimistic prediction. Meanwhile, the Conference Board measure of consumer confidence jumped to 108.7 from an upwardly revised 99.2. This was nearly six points higher than even the most optimistic projection and leaves sentiment at its strongest since January.

Workers are feeling a change in the jobs market

However, the headline readings don't offer a great read-through to other metrics and instead it is the details that are typically of greater use. Within the Conference Board report the jobs plentiful less jobs hard to get index has historically been an excellent lead indicator for the directional call on the unemployment rate. Despite the decent payrolls growth over the past 18 months it hasn't been enough to absorb the new entrants into the jobs market. This excess supply has resulted in the unemployment rate rising from 3.4% up to 4.1%, having hit 4.3% in July.

Jobs "plentiful" less jobs "hard to get" series leads shifts in the unemployment rate



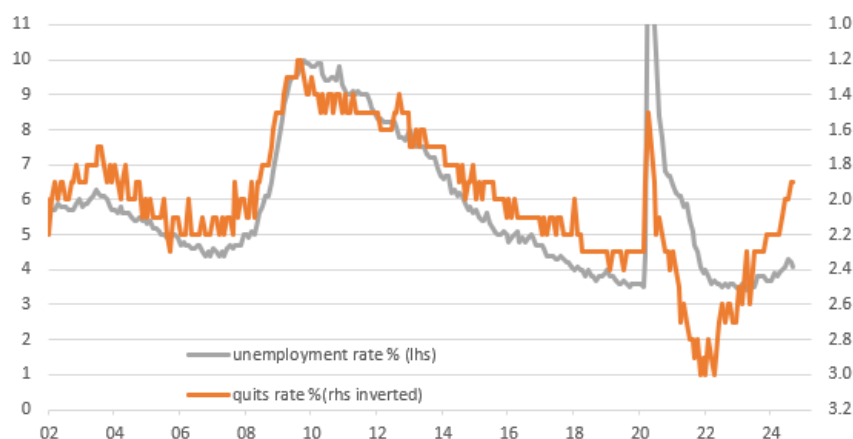
Source: Macrobond, ING

In October there was a slight rise in people believing "jobs are plentiful" and a slight drop in those saying jobs are "hard to get", but the trend is still pointing to a cooling jobs market and signals upside risk to the unemployment rate in the months ahead – people notice and feel changes before they show up in the official data.

Workers are seemingly valuing tenure more

This then leads us onto the Quits Rate within the JOLTS report. When the jobs market was at its most frenzied in late 2021/early2022 we had 3% of all workers quitting their jobs, invariably to move to a more highly paid role elsewhere. However, as the chart below shows this has swung violently to just 1.9% now.

Plunging quits rate hints at worker caution on the jobs market



Source: Macrobond, ING

This could suggest one of three things. Firstly, there are not many jobs out there to move to. The job openings number of 7.4mn would argue against this, but whether those vacancies are actively being filled or are being merely held open to preserve headcount is open for debate. Secondly, the jobs out there are not particularly attractive, either through low pay or the role on offer so there is little incentive to move job. Or thirdly, that workers are becoming more worried about the outlook and are valuing the little bit of security that tenure provides.

Changing behaviours will worry the Fed

Both these measures suggest we are seeing perceptions of the jobs market change and this is prompting a change in behaviour. The concern is that if this momentum continues and workers start to fear that their own job is looking less secure then they could start to change spending patterns. In an environment where the Federal Reserve is more relaxed about the inflation backdrop and is putting more focus onto the jobs story it makes sense to move monetary policy from “restrictive” territory to closer to neutral pretty quickly. The Fed won’t want to see households pull back on their spending too far too quickly and risk turning the soft landing narrative into one that risks resembling a hard landing.

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