

US jobs market reverting to pre-pandemic norms

Job openings improved, but the trend is still softening. At the same time the soft quits rate suggests the jobs market has normalised and means that inflation pressures emanating from the jobs market should continue to cool, keeping the door open for rate cuts later this year

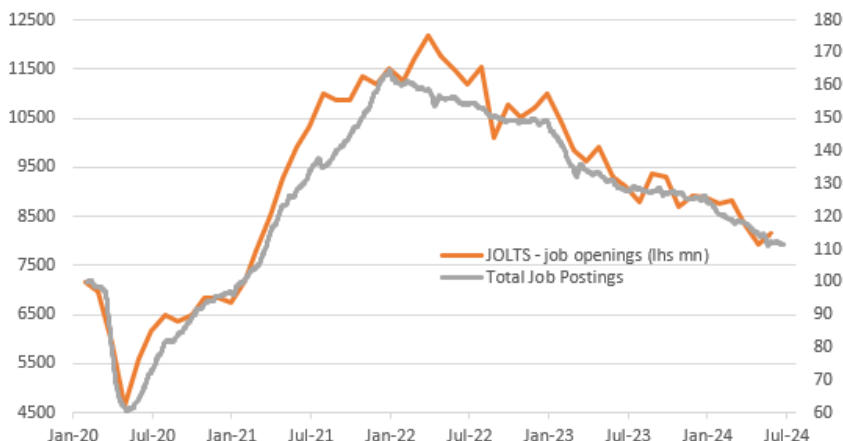


Job openings continue in the US with a reduced trend along with slowing wage growth

Job openings rise, but the trend is softening

Job openings rose to 8140k in May from a downwardly revised 7919k in April. This is above the 7946k that was expected. We use the Indeed job website's total job postings numbers as a guide when we put our forecast for job openings together and as the chart below shows, the series tends to fluctuate around where Indeed's numbers are. The trend remains one of shrinking vacancy numbers with the US economy tending towards pre-pandemic levels and likely hitting that point before the end of this year.

Job openings versus Indeed job postings

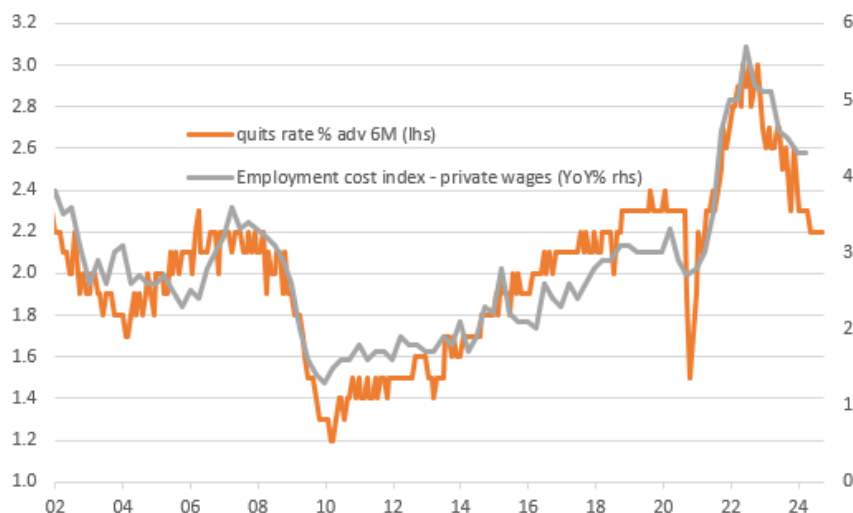


Source: Macrobond, ING

Quits rates points to slower wage growth and inflation

The quits rate was the big warning signal of an impending spike in labour costs that ensured inflation took off in 2021 and remained elevated ever since. As firms looked to rehire as the economy re-opened, firms were having to pay up to attract staff and this incentivized workers to move to new employers. In turn, as companies experienced higher staff turnover we saw bosses being more prepared to raise pay to retain staff. However, the swing sharply lower in the quits rate suggests that the jobs market is cooling with firms less willing to pay up to recruit staff or workers themselves becoming more reluctant to move. This is already prompting a slowdown in employment costs that we think will intensify through the second half of the year, as suggested in the chart below, and help to slow inflation pressures in the economy more broadly.

Quits rate & employment costs YoY%



Source: Macrobond, ING

Data still on track for a September rate cut

This all follows on from some tentatively dovish comments from Fed Chair Jerome Powell, who has been speaking at the ECB's Forum on Central Banking in Sintra, Portugal. He acknowledged that the economy and jobs market has been strong, but that inflation is showing "signs of resuming its disinflationary trend" together with a "rebalancing in the labour market". He refused to be drawn on the timing of any potential rate cut, but markets are now pricing around a 75% chance of a cut at the September FOMC meeting and we agree.

If we get another couple of 0.2% month-on-month or below core inflation prints, unemployment breaking above 4% and more evidence of cooling consumer spending growth, we believe the Fed will start to move monetary policy from restrictive territory to "slightly less" restrictive territory in 25bp increments down to around 4% by mid-2025.

Author

James Knightley

Chief International Economist

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.