

US worker demand continues to soar

With job openings hitting a new all-time high in July, the JOLTS report suggests disappointing jobs numbers are due to a lack of workers willing or able to take them rather than any weakness in demand. With the quit rate also at its highest ever point, the expectation is wages continue being bid higher, adding to medium-term inflation pressures



Source: Shutterstock

10.934mn

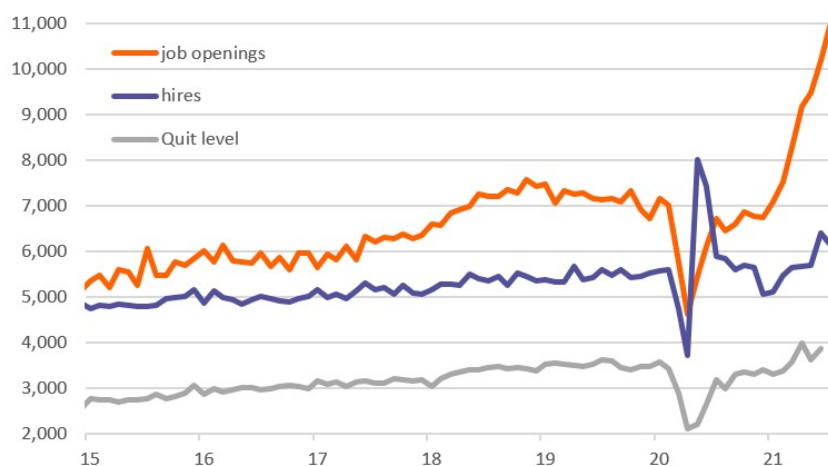
 Number of US job openings

While last Friday's August's jobs number was disappointing, today's Job Opening and Labour Turnover Statistics (JOLTS) support the argument that the weakness is primarily due to a lack of workers being willing or able to take the jobs available and is little to do with any perceived lack of demand.

Job openings (vacancies) rose to 10.934mn in July from an upwardly revised 10.19mn figure for June (consensus was 10.05mn).

OK, this is for July, and some of the vacancies may have disappeared in August given the softening in activity in the wake of Covid-19 resurgence, but this report still suggests the appetite to hire is incredibly strong. This was affirmed in the August NFIB small business employment data showing a net 50% of small firms have vacancies they can't fill – an all-time high just like today's job opening number.

Job openings surge, hiring stalls and quits grind higher

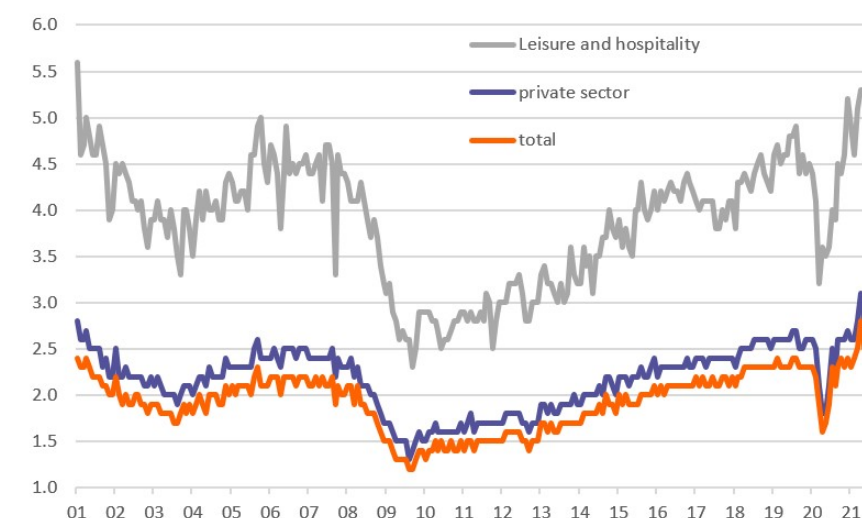


Source: Macrobond, ING

The quit rate – the proportion of private sectors workers quitting their job to move to another – rose back to match the all-time high of 3.1% for the series that goes back 20 years. This can indicate wage pressures as we assume that if the quit rate is on the rise, firms no longer think purely about having to raise pay to attract staff but also need to consider raising pay for staff retention purposes.

Interestingly for the leisure and hospitality industry, it actually dropped back a touch, but for most other industries, it is on a clear upward path, especially in construction, manufacturing and wholesale & retail trade.

US quit rate - the proportion of workers quitting their job to move to a new employer



Source: Macrobond, ING

The general hope is that reasons for labour shortages, such as childcare, the financial attractiveness of extended unemployment benefits and Covid-19 related anxiety, will ease over the next couple of months given schools are returning, extended benefits are ending, and vaccine effectiveness is high. However, we continue to think that early retirements will significantly hold back the labour supply, and businesses will continue to struggle to hire people with the right skill sets.

In turn, this means the competition for staff is likely to keep wages and benefits under upward pressure, which in turn should mean broader inflation risks remain somewhat elevated. While near-term caution from the Federal Reserve is understandable, we still think they will choose to taper their QE asset purchases at the November FOMC meeting and hike rates from late next year.

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