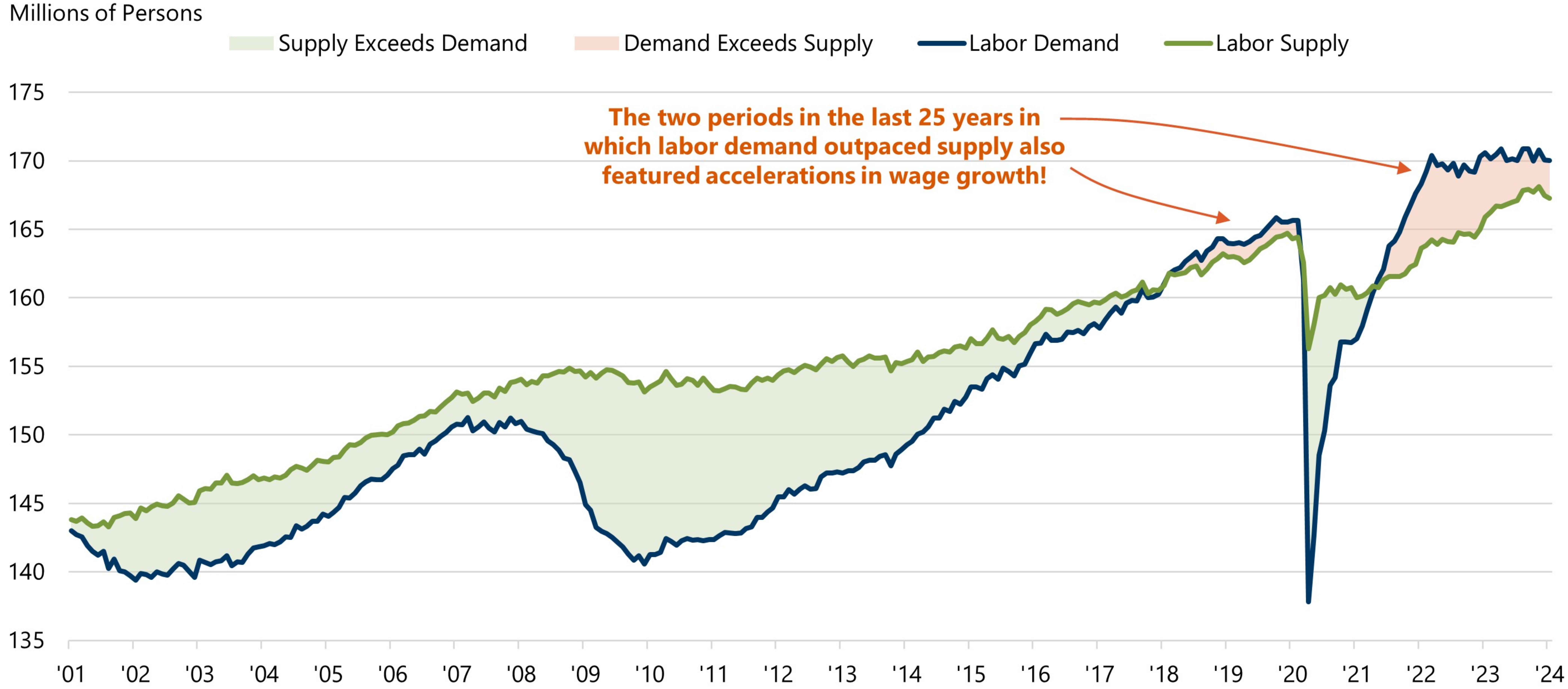
Better Balance?

U.S. Total Labor Demand* Versus Labor Supply+

For The Week Ending 03/08/2024



Sources: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis **Labor demand = total employment + job openings; +Labor supply = total labor force*

The *Employment Situation* report ("jobs report") dominates market commentary in the first week of the month. And for good reason, since it's a timely gauge of labor market health. But, with the Job Openings and Labor Market Turnover Survey (JOLTS) release earlier this week, we can tell a bigger story. First, on the *demand side* of the labor market, total employment rose by 2 million, plus job openings have fluctuated around 9 million for seven months. Meanwhile, on the labor *supply side*, total labor force has increased by 2.5 million over the last year. Putting the two together, in the words of Fed Chair Jerome Powell as he sat before Congress this week, "The labor market remains relatively tight, but supply and demand conditions have continued to come into better balance." Historically, wage growth accelerates when labor demand exceeds supply, as it did briefly in 2018-2019 and during the recent inflation era. In short, while policymakers welcome the "better balance," it's hard to argue there is an urgent need to reduce policy rates.