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The Labor Market is Normalizing, Not Weakening

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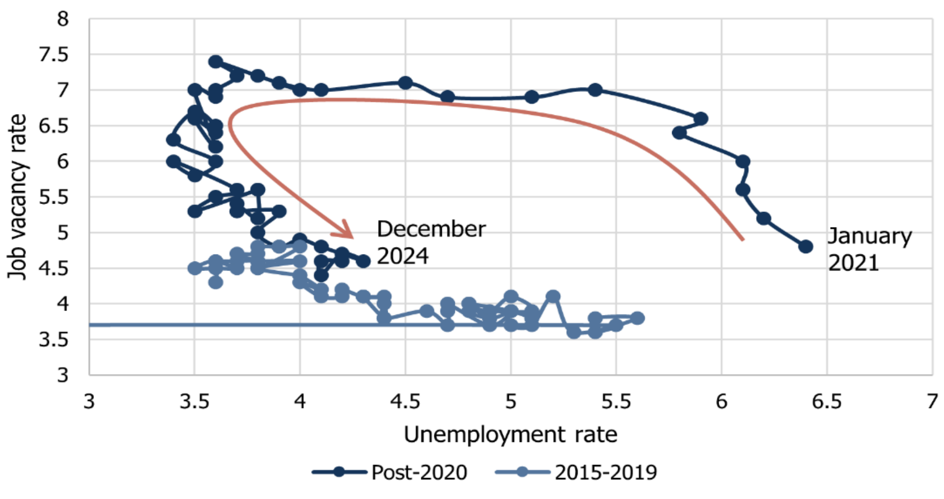
Friday's payroll report indicated further normalization in a still resilient labor market.

We can see the normalization in the Beveridge Curve (Fig. 1), which plots the job vacancy rate against the unemployment rate. Vacancies were very high relative to the unemployment rate between 2021-2023, which led to competition for workers, a high level of voluntary quits, and significant wage increases. Today, job vacancies and unemployment has reverted back to its pre-COVID relationship. The unemployment rate remains quite low, but vacancies have also declined to levels commensurate with the current level of unemployment. Overall, we believe the totality of economic data continues to suggest a soft-landing and that the mid-2024 labor market concerns from the Fed were premature.

Fig. 1: The Beveridge Curve implies further normalization, not weakness.



Source: Bloomberg, Mill Creek.

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