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U.S. Labor Market and Economic Conditions

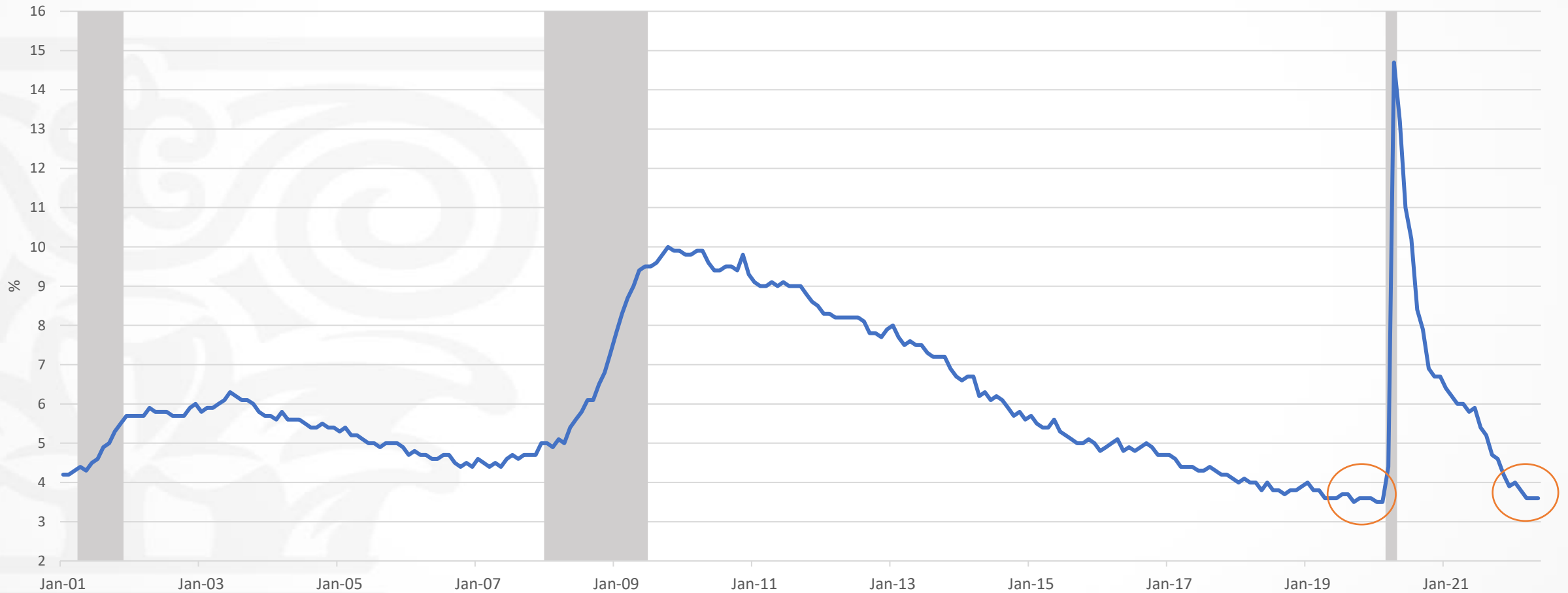
John Robertson

June 29, 2022

The views expressed here are mine and do not necessarily reflect those of the Federal Reserve Bank of Atlanta or the Federal Reserve System

The unemployment rate suggest the labor market is “normal”

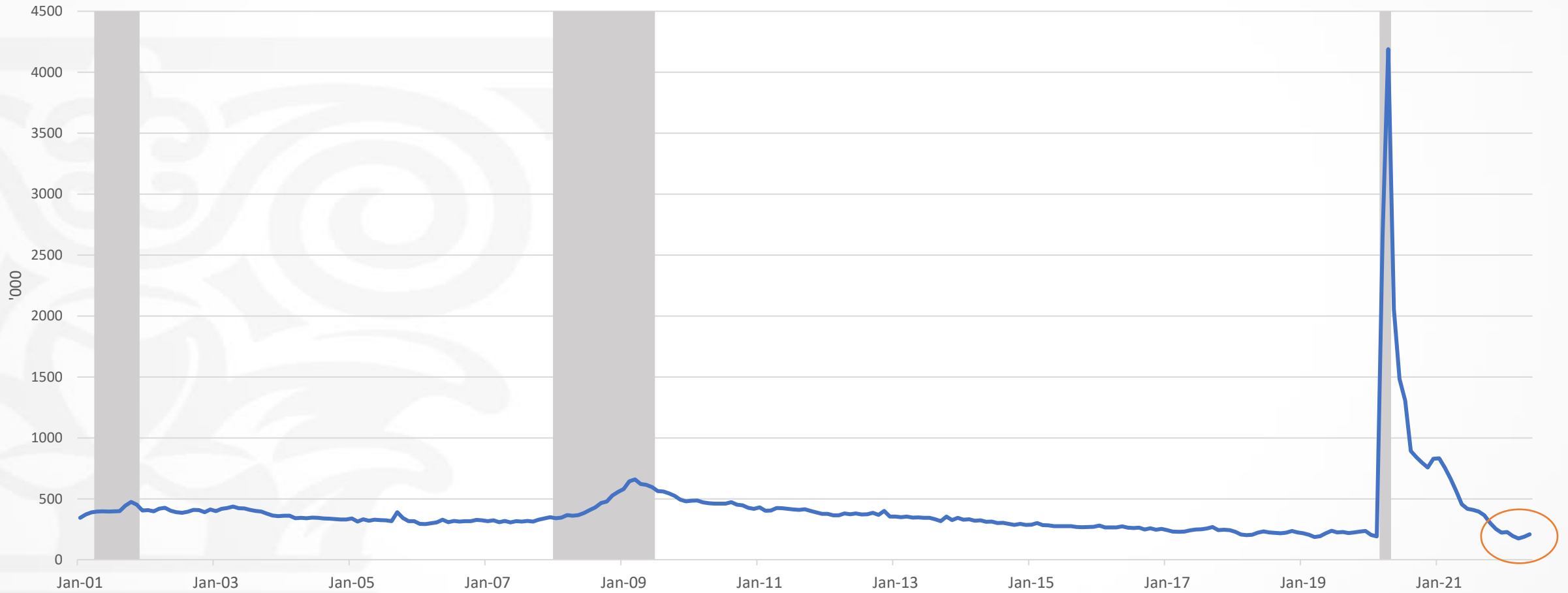
Unemployed Job Seekers as % of Labor Supply



Source: U.S. Bureau of Labor Statistics. Data through May 2022

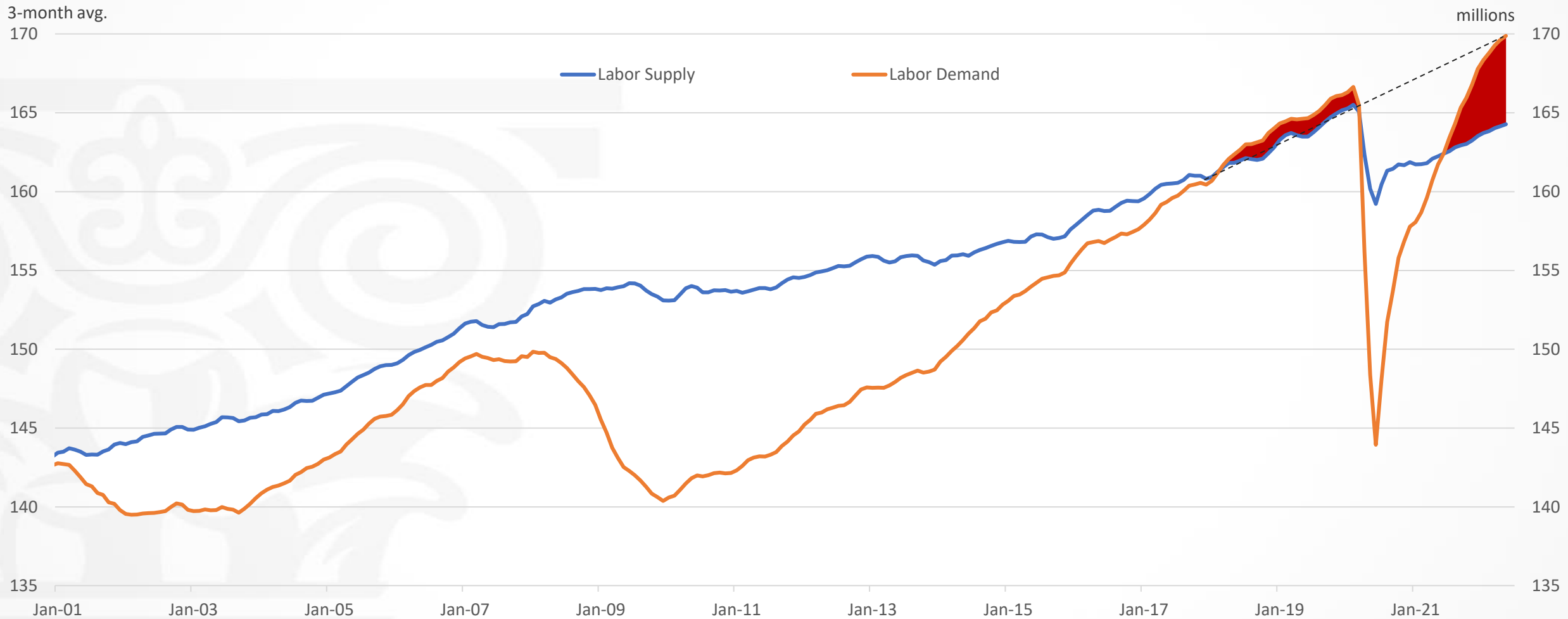
And layoffs have been quite low in recent months, suggesting demand for labor is strong

Initial Claims for Unemployment Insurance



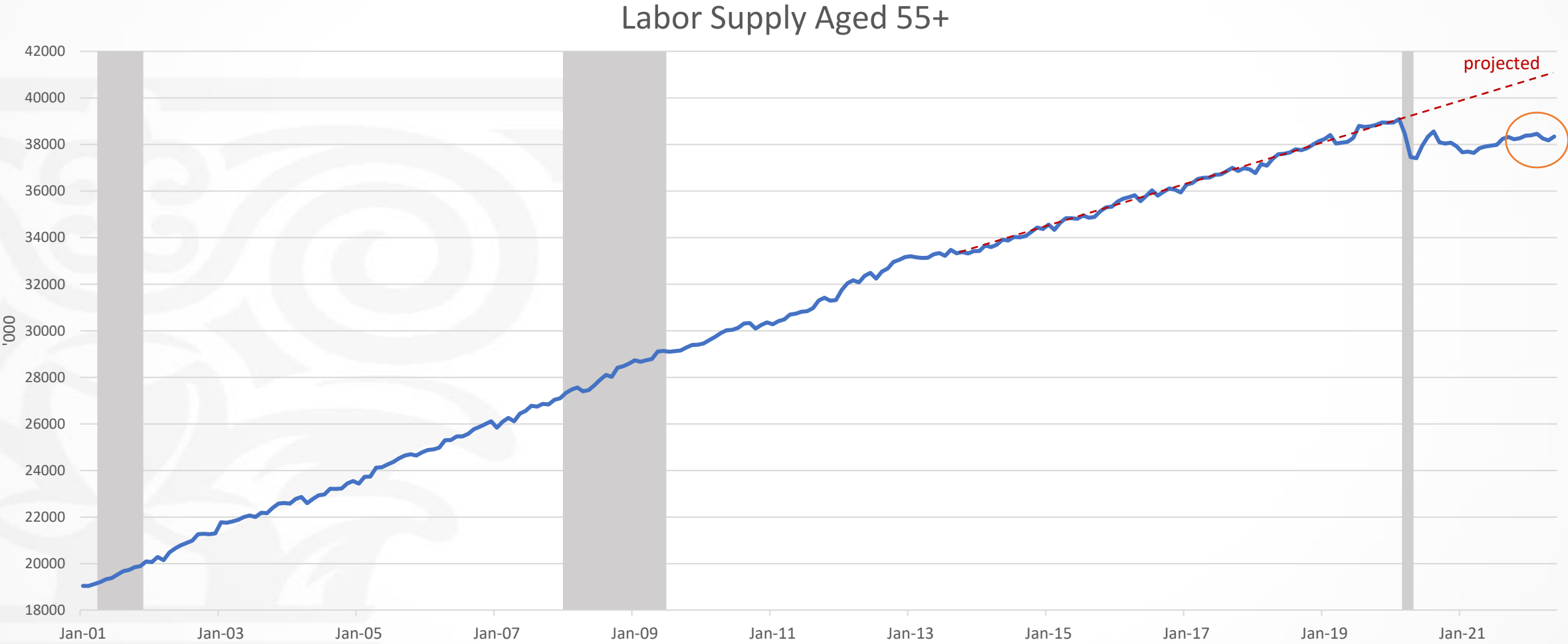
Source: U.S. Department of Labor. Data through May 2022

However, there has been a large and growing imbalance between labor Supply and Demand



Data through May 2022. Source: For labor force and employment, BLS, Current Population Survey (adjusted for effects of population controls). For job openings, BLS, Job Openings and Labor Turnover Survey.

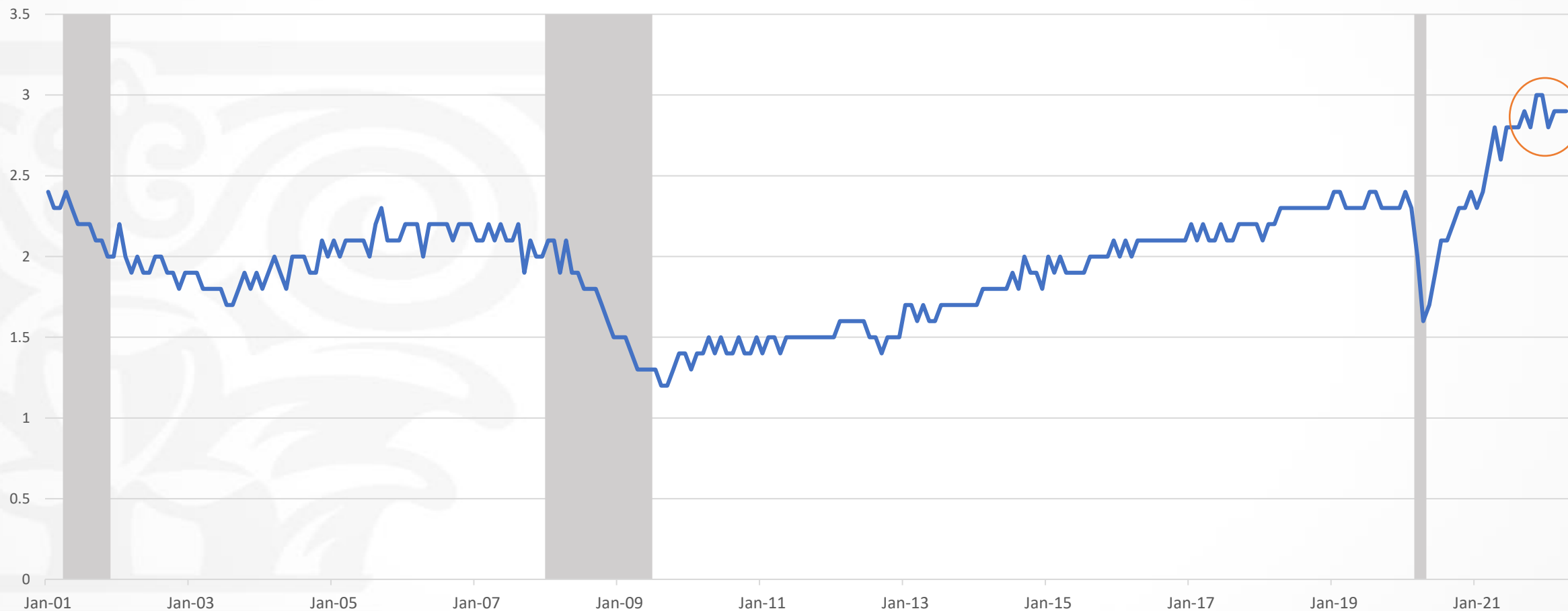
One factor behind the sluggish recovery in labor supply is that participation of older Americans declined when the pandemic hit and has not recovered



Source: U.S. Bureau of Labor Statistics. Author calculations. Data through May 2022

The shortage of labor has contributed to a high rate of job quitting and job-to-job transition

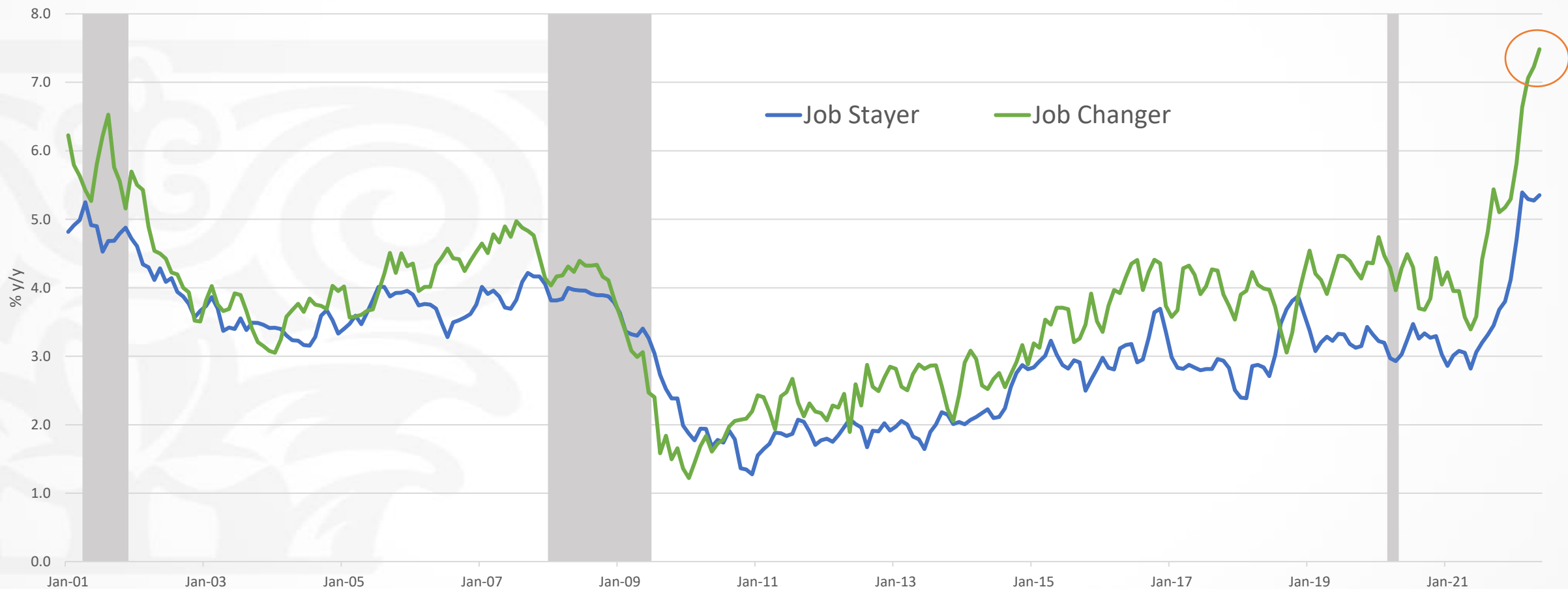
Job Quits as % of Employment



Source: U.S. Bureau of Labor Statistics

Wages have responded strongly to the shortage of labor – especially benefiting those who change jobs

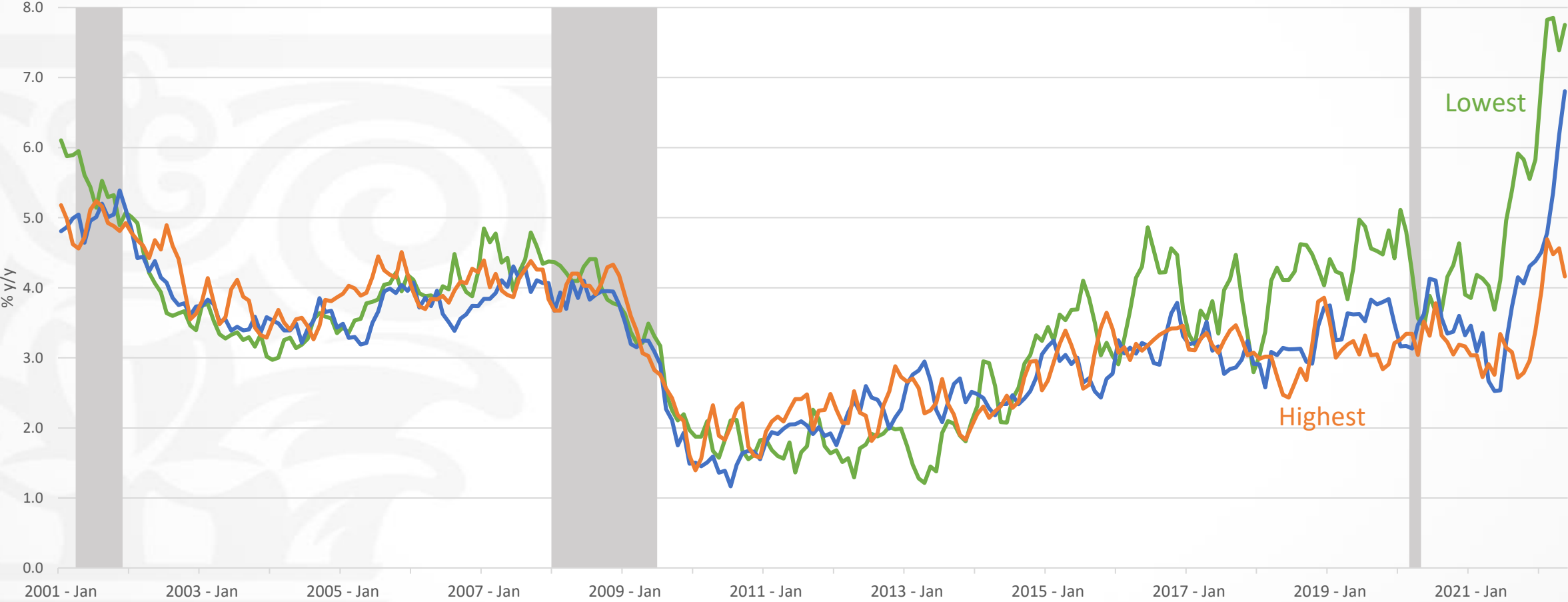
Median Wage Growth: Job Changer vs Stayer



Source: U.S. Bureau of Labor Statistics. Author calculations. Data through May 2022

And those in relatively lower paying jobs

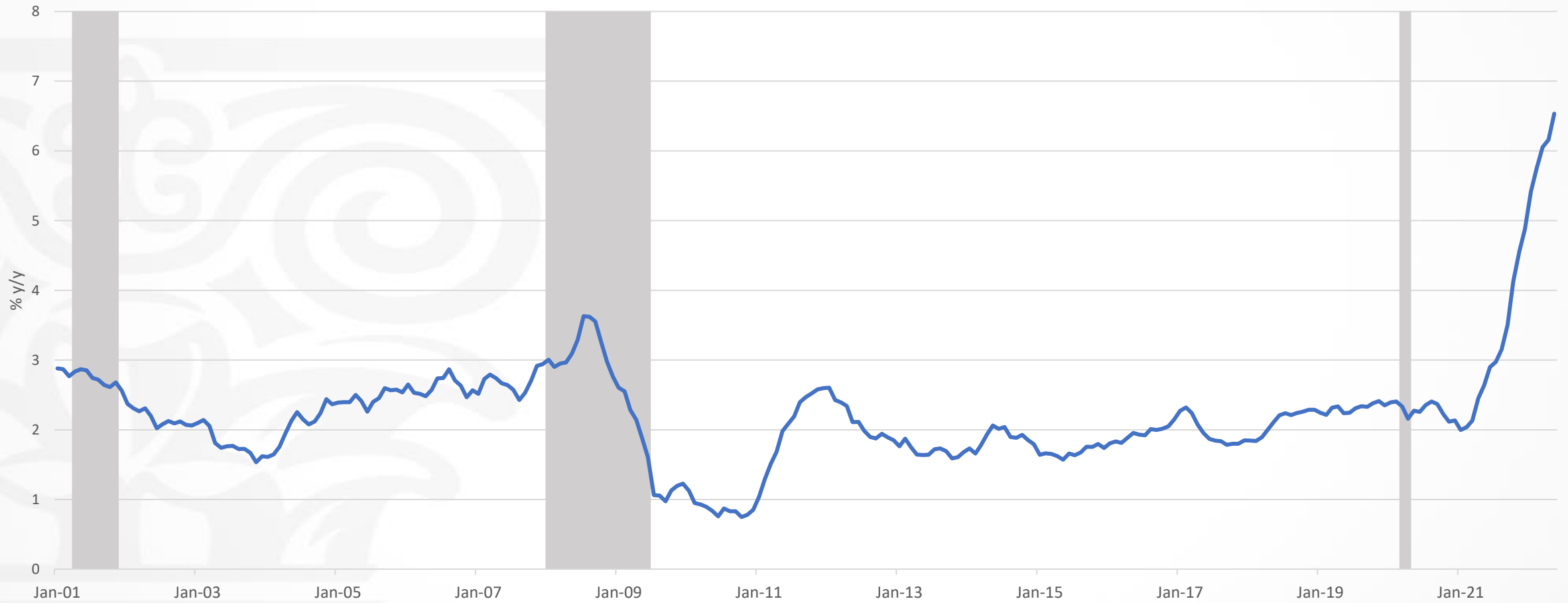
Median Wage Growth: Lowest Paid vs Middle and Highest Paid



Source: U.S. Bureau of Labor Statistics. Author calculations. Data through May 2022

However, higher wage growth has struggled to keep up with the rising cost of living

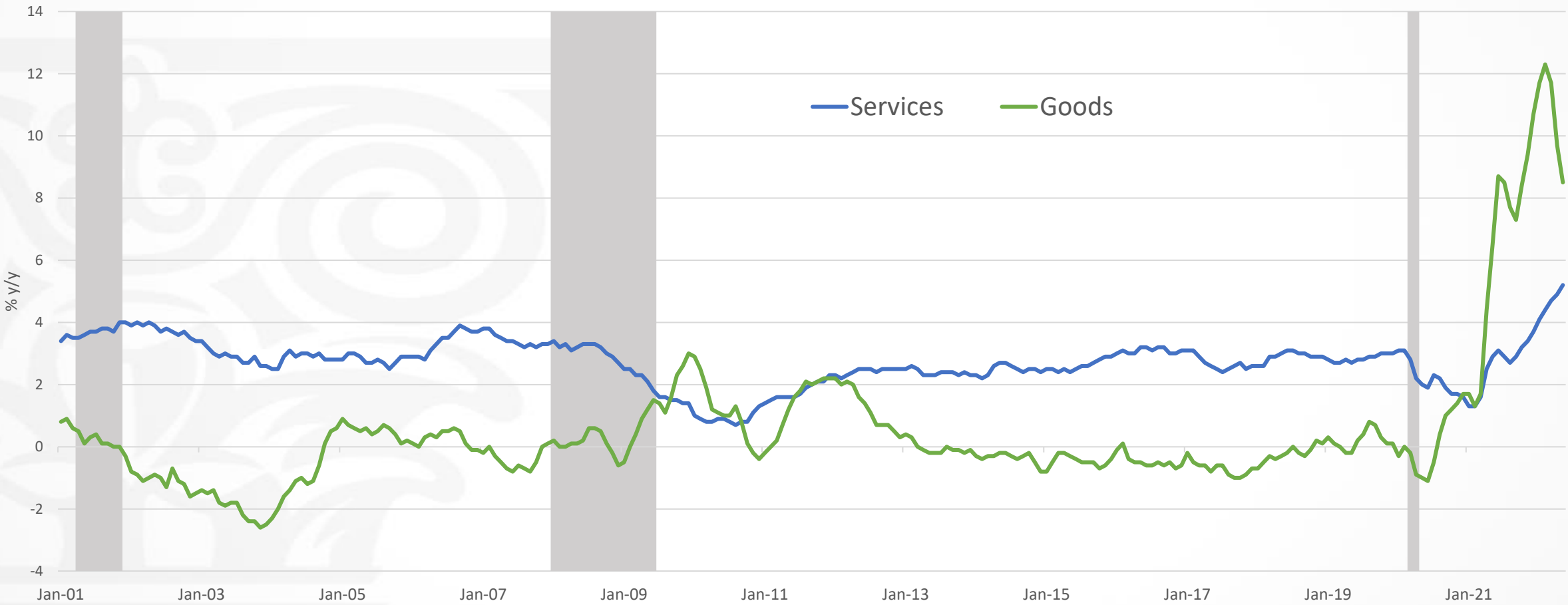
Trimmed-mean CPI Inflation Rate



Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of Cleveland. Data through May 2022

Outside food and energy, while the rate of increase in goods prices has eased a bit, service price inflation has continued to trended higher

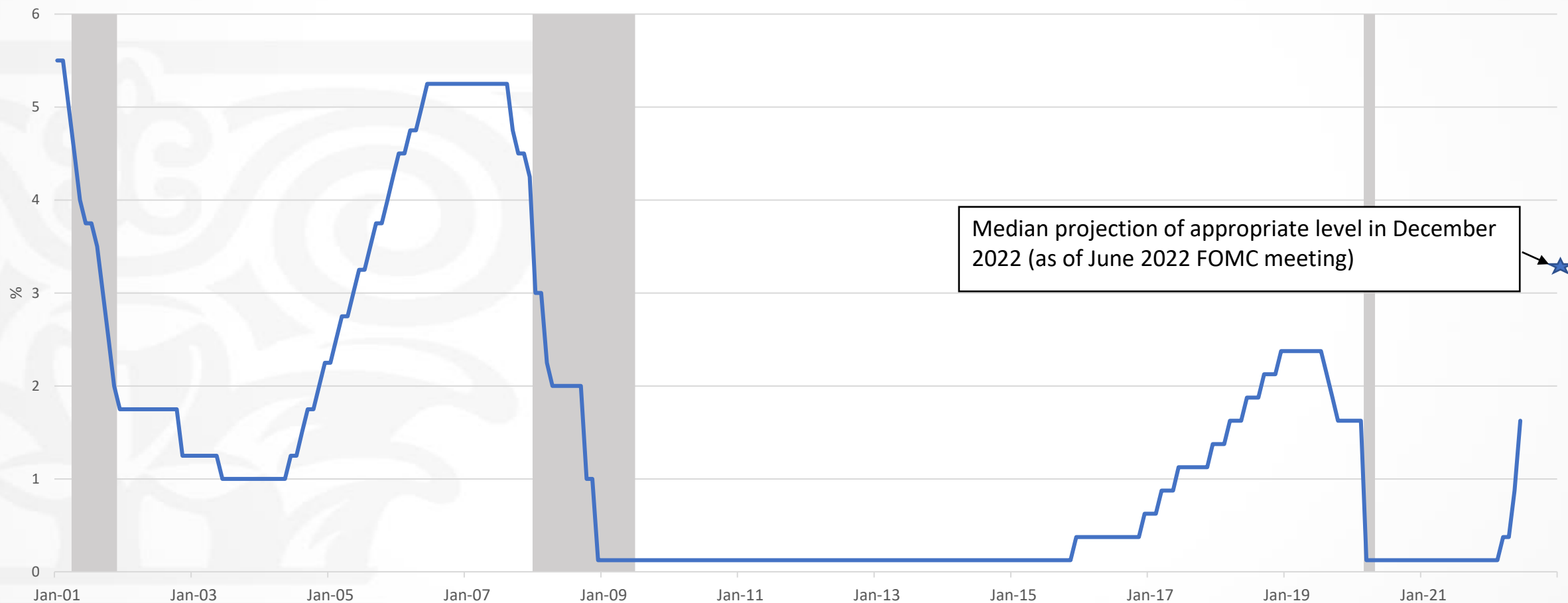
Non-food & Energy CPI Inflation Rates



Source: U.S. Bureau of Labor Statistics. Data through May 2022

In response to the high inflation, the Fed has increased its target interest rate and anticipates that further increases will be required

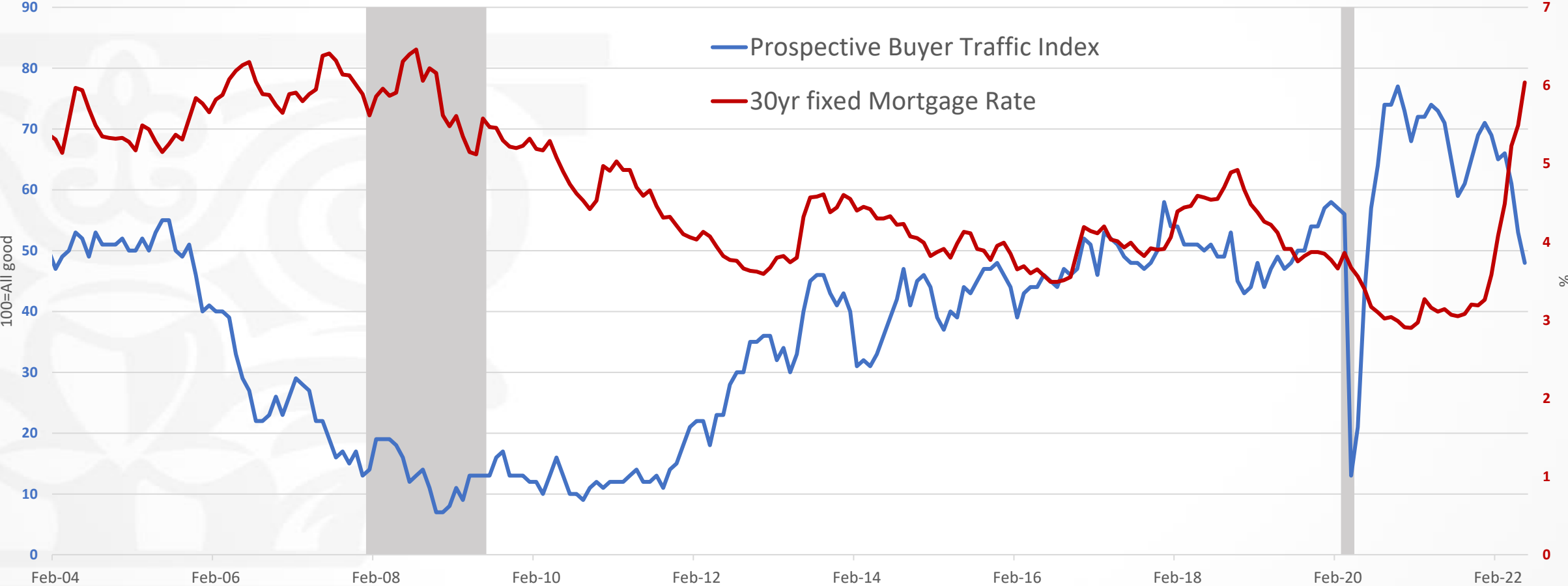
Federal Funds Rate Target set by FOMC



Source: Board of Governors of the Federal Reserve, Federal Open Market Committee. Data through June 2022

One area you would expect to see an impact of this policy change is in interest rate sensitive sectors such as housing

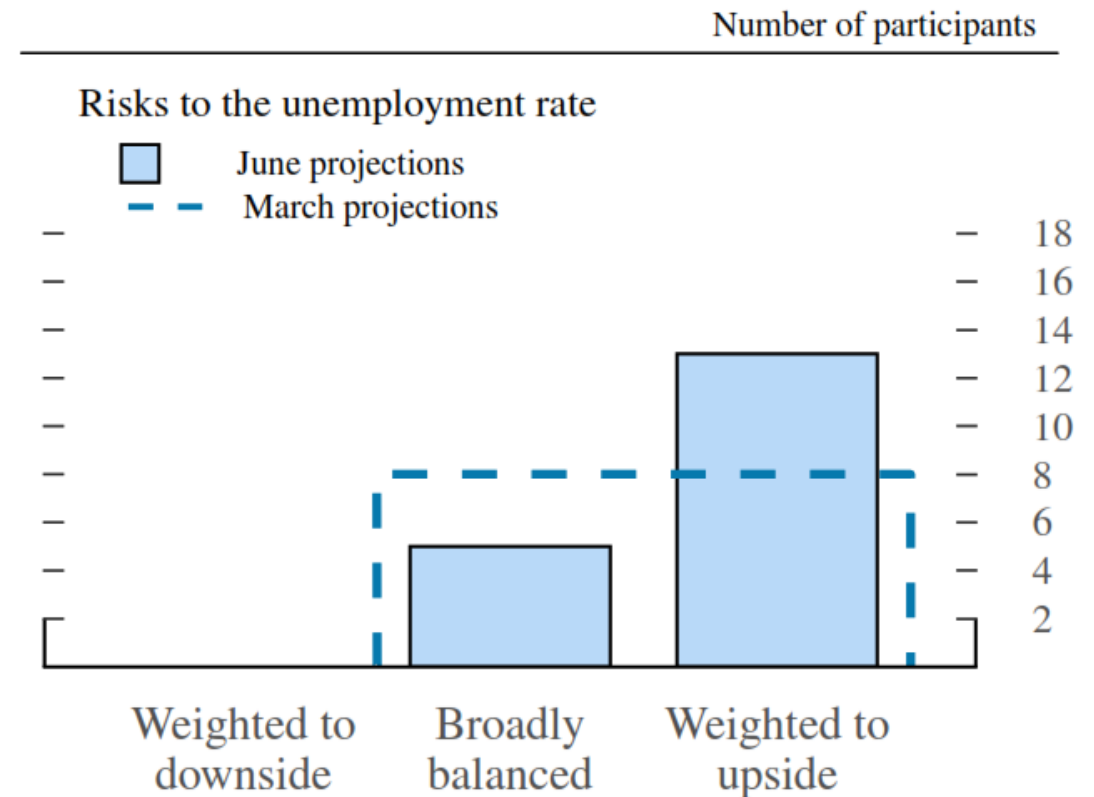
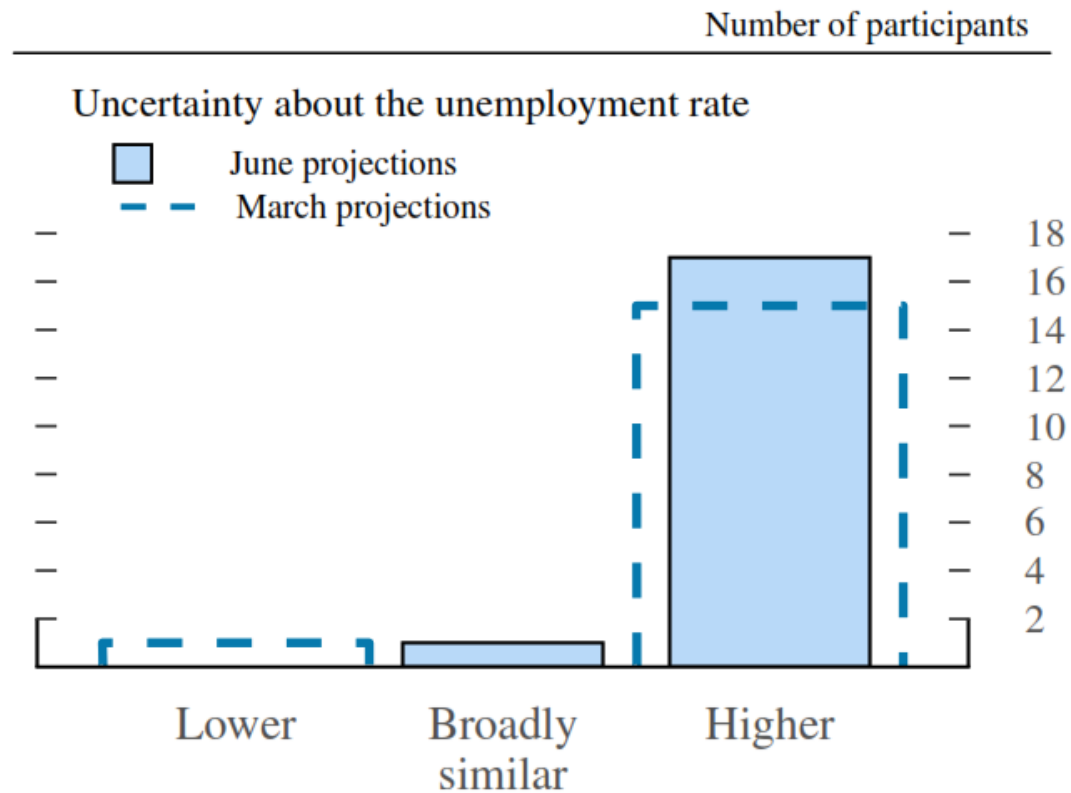
Housing Activity Indicators



Source: National Association of Home Builders, Wall Street Journal. Data through June 2022

The FOMC does not currently anticipate a recession, but uncertainty about the outlook is elevated and the risks not balanced

FOMC participants' assessments of uncertainty and risks around their economic projections



So far, overall business expectations have held up well

Year-ahead Employment Growth Expectations



Source: Federal Reserve Bank of Atlanta Survey of Business Uncertainty. Data through May 2022



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