

Stagnating US Labor Demand: A Sectoral Look

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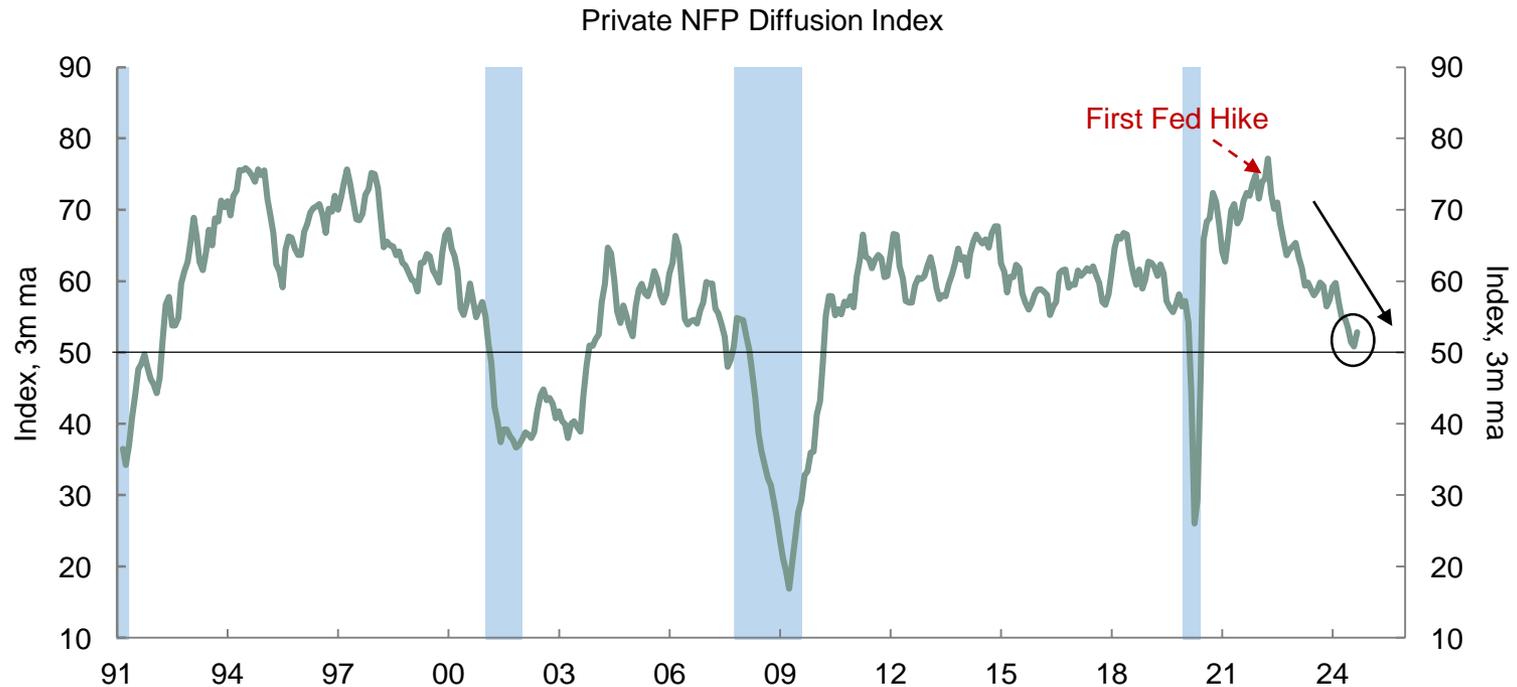
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Summary

- Overall job openings are down 38.9% from their March 2022 peak of 12.2M — the same month the Fed embarked on its hiking cycle. Openings are one component of labor demand.
- We index labor demand to 100 in March 2022 to track the sectoral evolution. We define labor demand as headcount (NFP) plus job openings (the number workers firms seek to add).
- Private sector labor demand has lost momentum, while private sector labor demand continues to upshift. Effectively, this means that resources are being diverted out of the efficient private sector and into the public sector. In theory, this should lead to slower growth and elevated wage pressures. In the last two periods where government labor demand growth outpaced the private sector, the economy was in recession.
- Goods sensitive sectors like retail trade and manufacturing (amongst others) are seeing the most pronounced labor demand slowdown, declining -4% and -2%.
- The accommodation and food services sector — discretionary spending sensitive — may have topped. Private education and health services (which includes healthcare and social assistance) and construction (housing sensitive) appear to be stagnant.
- Arts, entertainment and recreation services (a subset of leisure and hospitality) has grown 15.8% since March 2022 while state and local governments' labor demand has grown 5.2%.

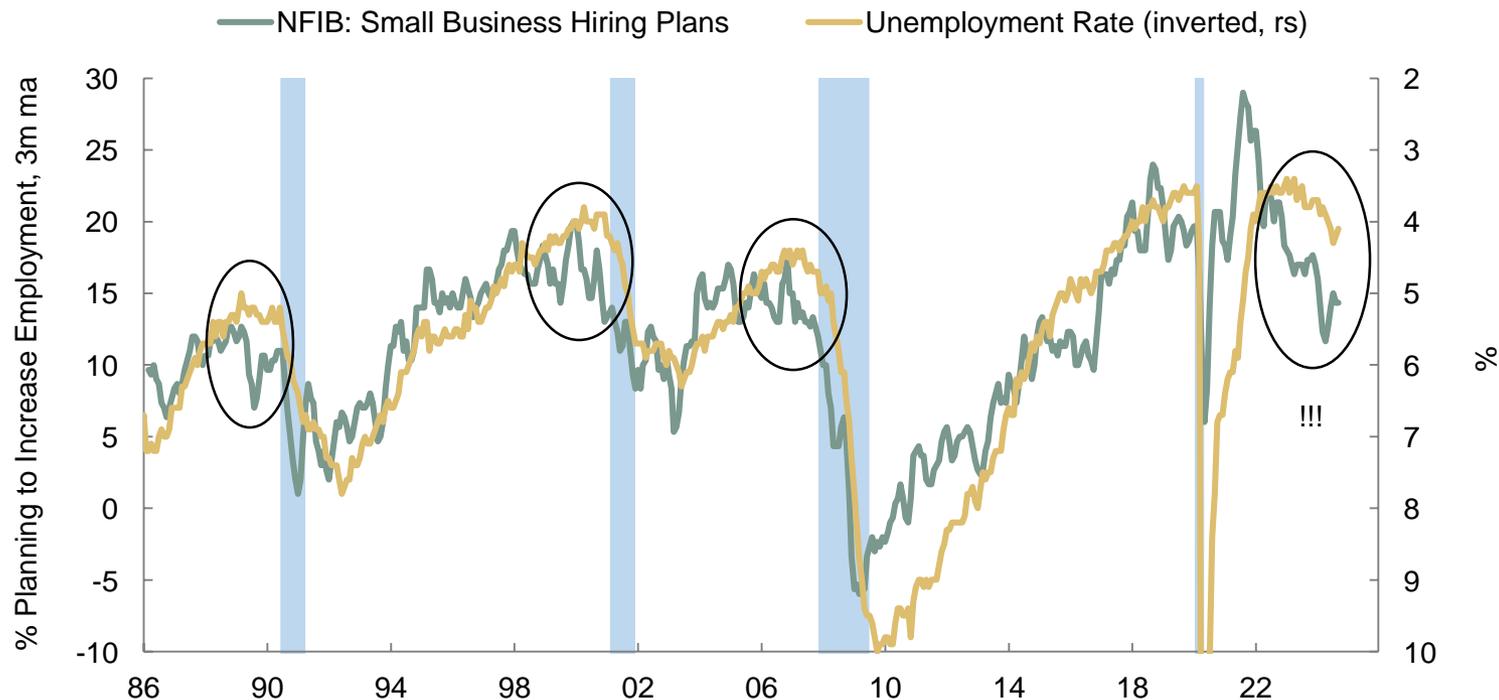
The Breadth of Private Job Growth is Collapsing

Healthy labor markets, generally, have private sector breadth readings around 60, a far cry from September's 52.9 reading.



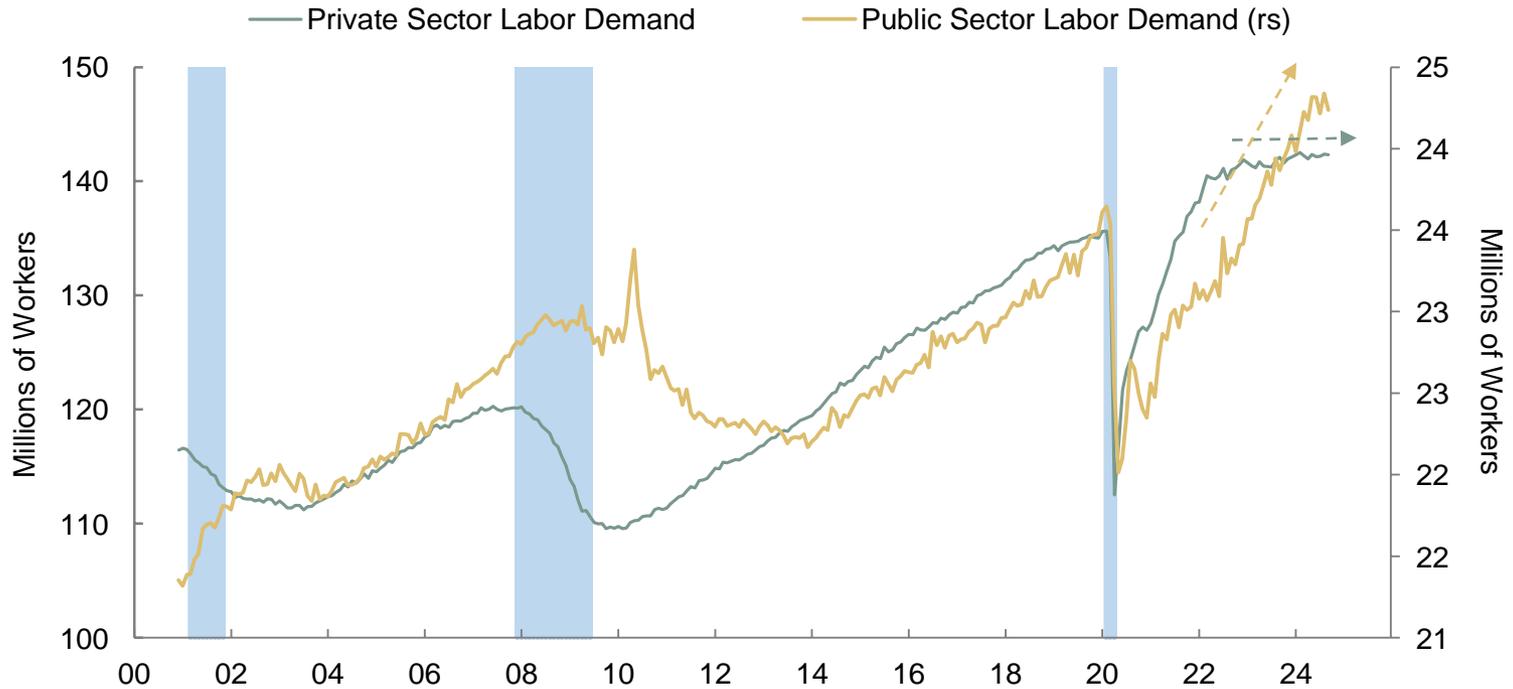
Small Business Blues

Small businesses are highly cyclical entities that have an outsized impact on the overall job market. If small business weakness provides any clue, unemployment should head to the high 4% range in the near term.



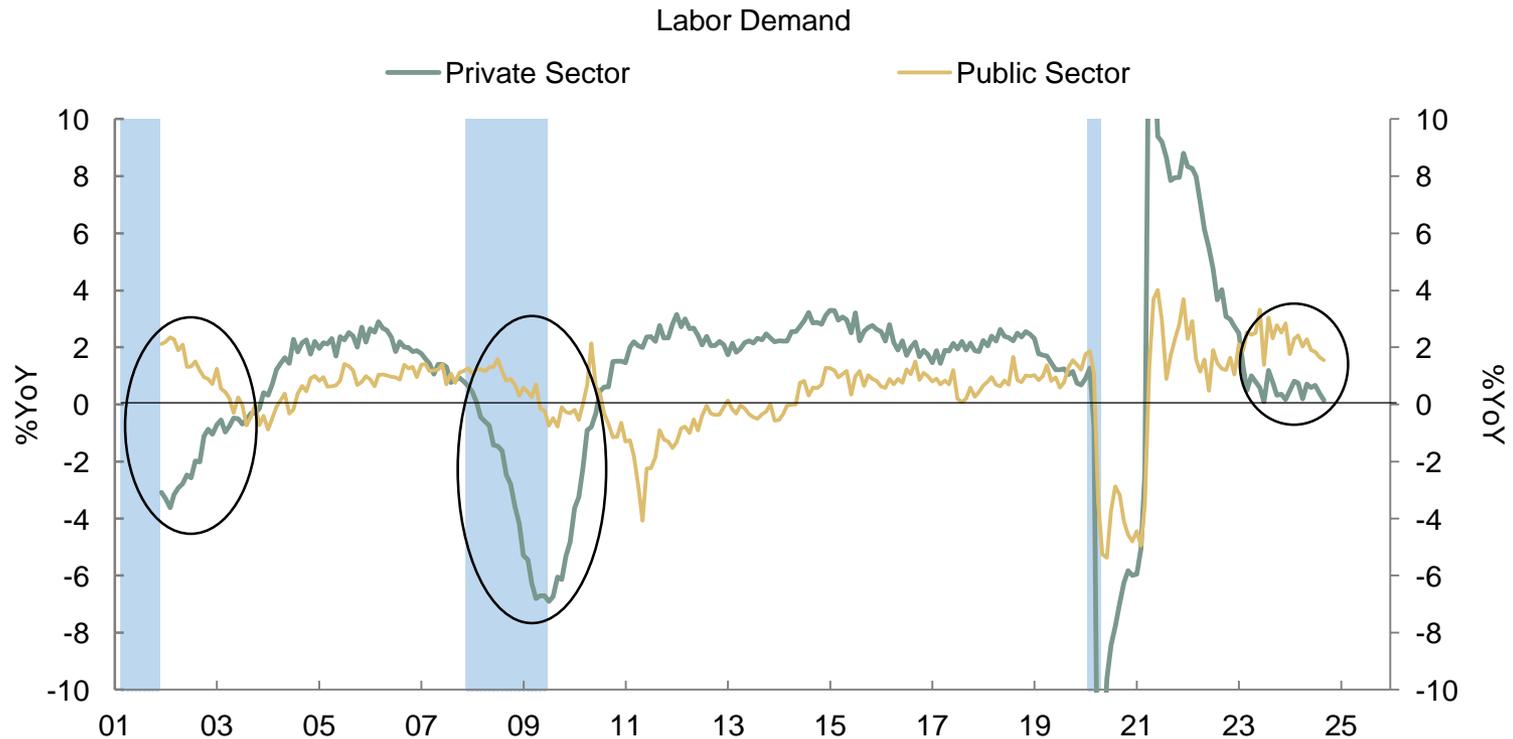
Labor Demand Crosscurrents

Private sector labor demand has lost momentum, while public sector labor demand continues to upshift.



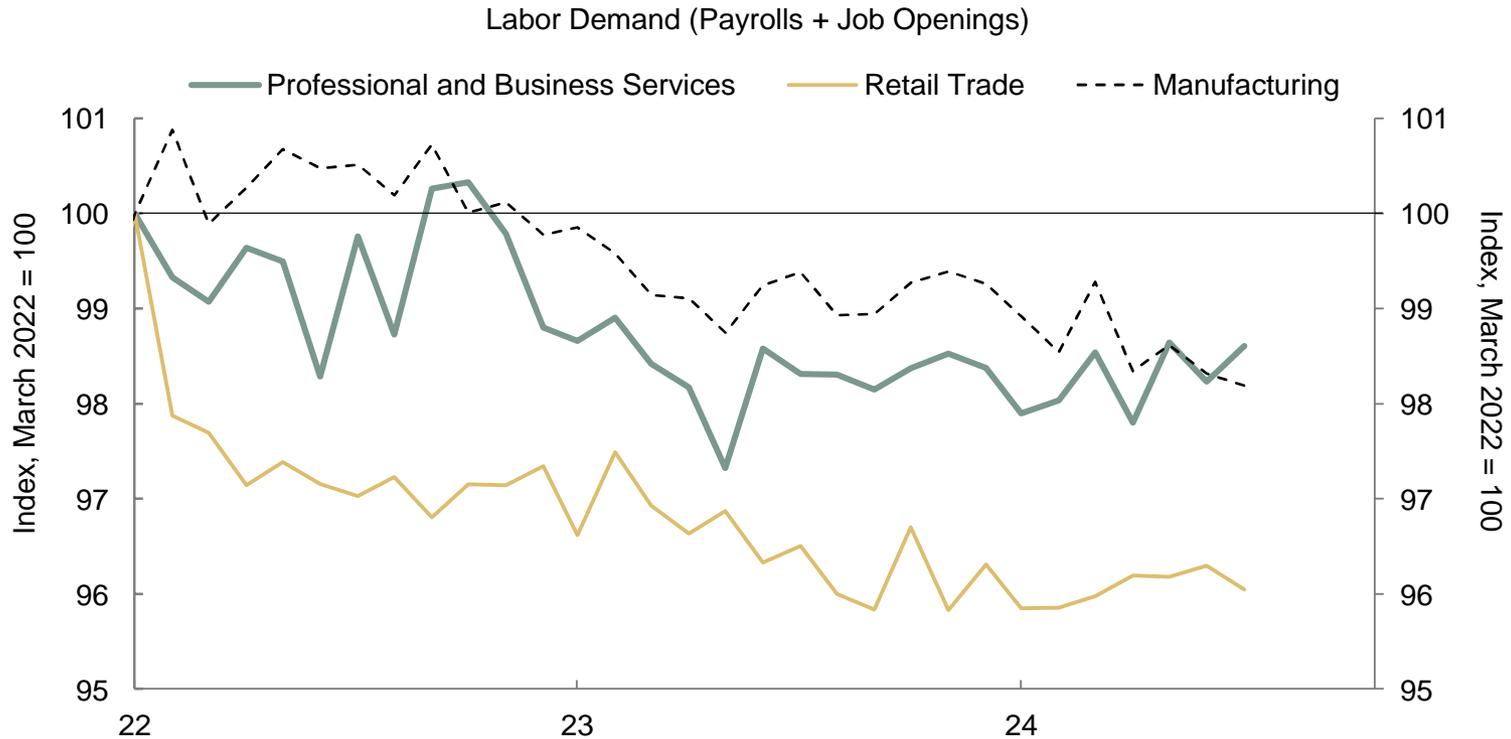
Labor Demand Crosscurrents (2/2)

Although private sector labor demand growth is still barely positive for now, it is being outpaced by government labor demand. This behavior is almost recession-esque.



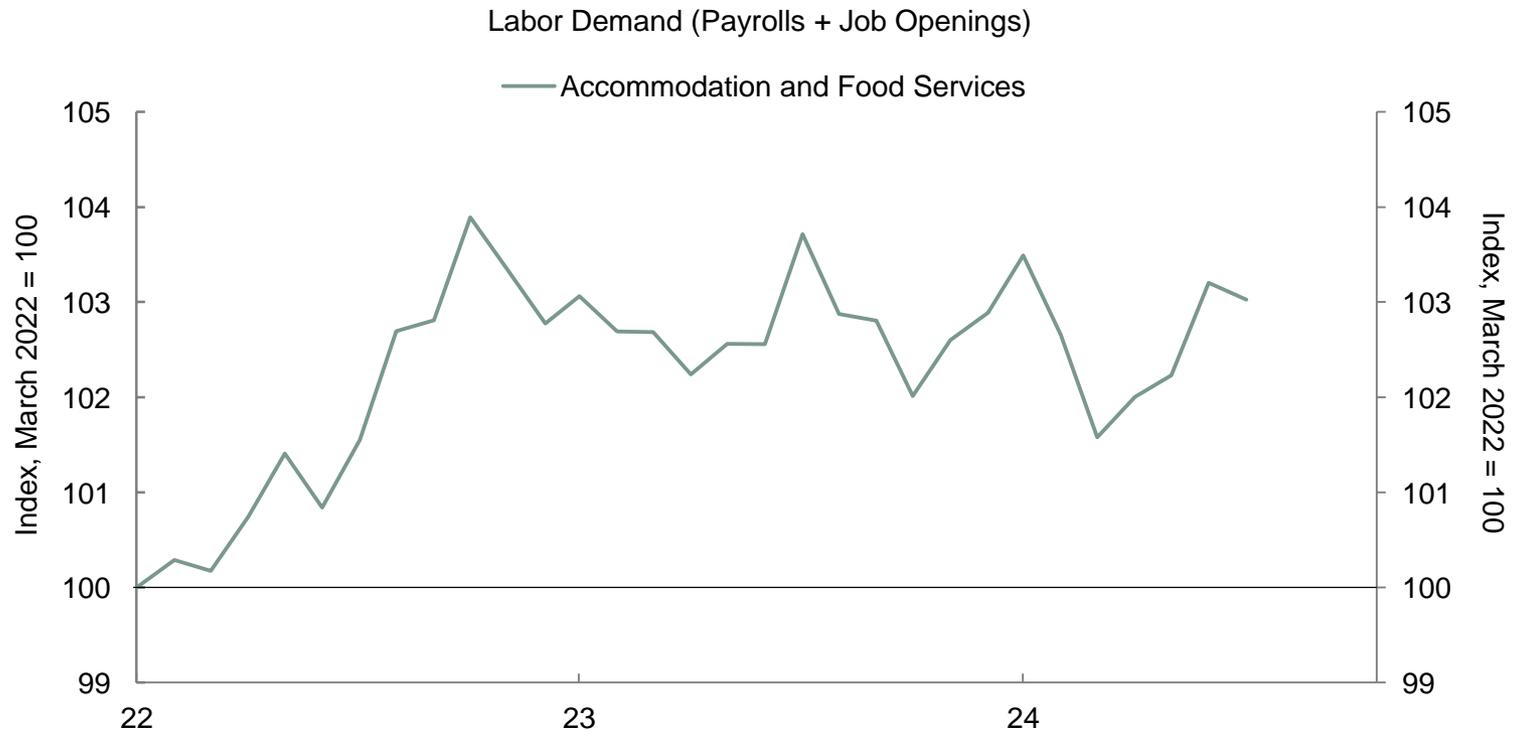
Sector Specific Weakness

The retail and manufacturing sectors, which are connected to the interest rate sensitive goods sector, have seen the most pronounced cuts to labor demand. The professional and business services sector has fallen 1% so far, due to a 16% peak-to-trough decline in temporary help jobs (a leading indicator).



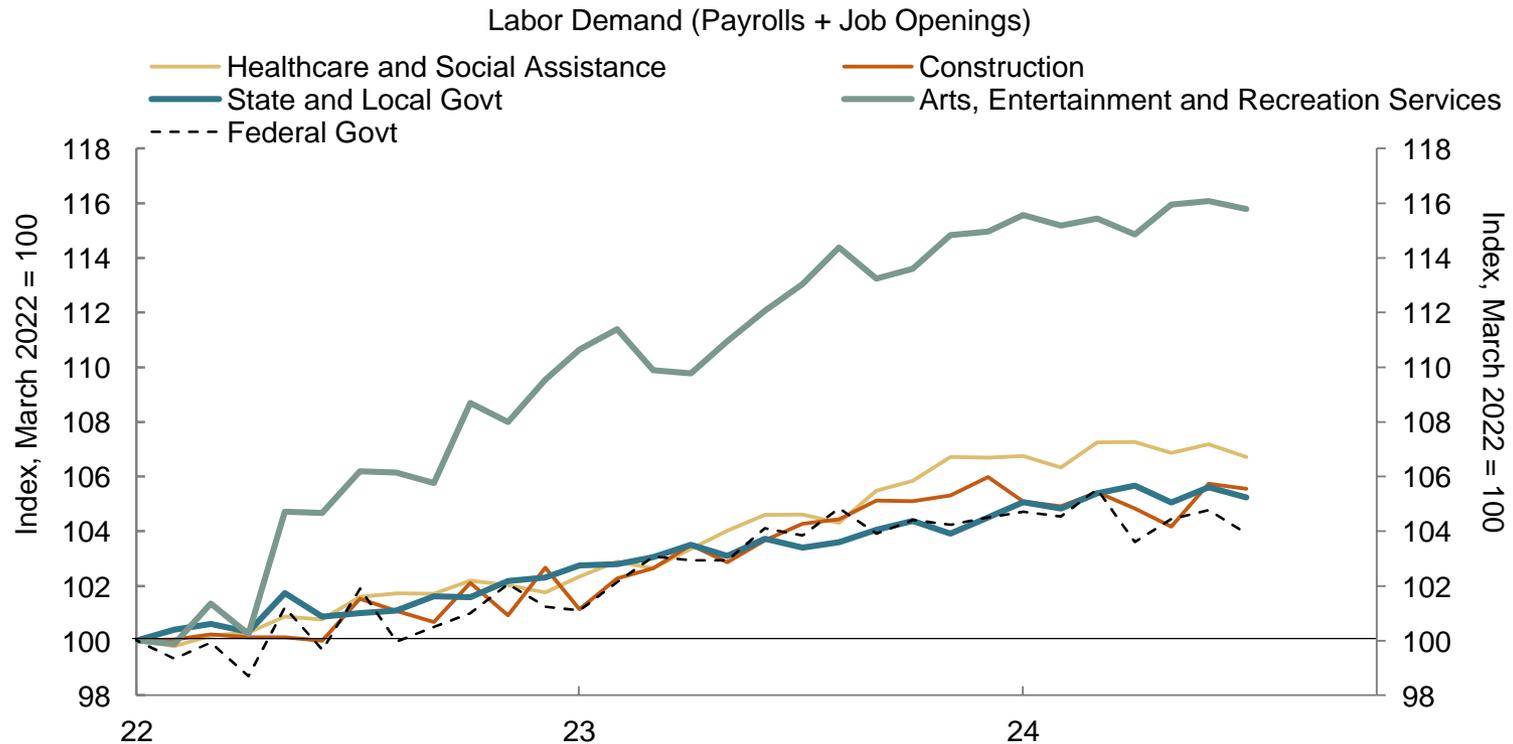
Topping Out?

The accommodation and food services sector — a key discretionary spending sector which includes restaurants, bars, and hotels — employs 14.4M workers and has seen overall labor demand stall beginning in December 2022.



Where is the Outperformance?

Offsetting this is government labor demand growing 4%, with state and local governments growing 5%. The arts, entertainment and recreation sector has shown a near **16% increase** since March 2022 (due to 32% job growth in the performing arts and spectator sports). Healthcare and social assistance is up 7%.



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