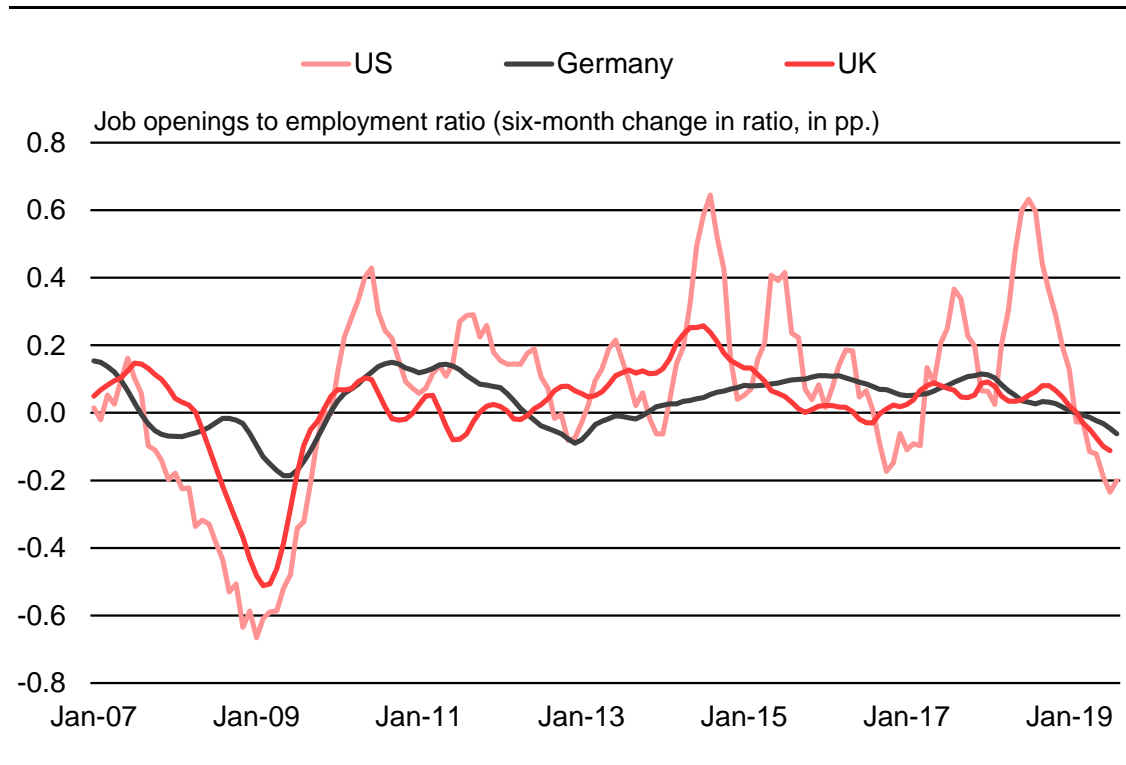


## The labor market is showing signs of softening



Source: BLS, Federal Statistics Office, ONS, UniCredit Research

- In many advanced economies, manufacturing activity and trade are weak, reflecting trade tensions and slower global growth, but so far there are few signs that this weakness is spilling over into domestic labor markets and private consumption. Our *Chart of the Week*, however, shows that this may just be a matter of time. Job openings (or vacancies), which are typically a good predictor of the underlying trend in employment dynamics with a lead of around 3-4 months, have been falling for several months in the US, Germany and the UK.
- Last Friday, the BLS reported that US non-farm payrolls rose 128,000 in October, much better than most expected given that temporary factors are estimated to have subtracted around 62,000, and payrolls in the previous two months were revised up significantly. Still, the underlying trend in US payroll gains remains down: private payrolls have averaged 152,000 year-to-date, down from an average of 215,000 in 2018. And this is not solely due to the more exposed manufacturing sector, with US private service-providing employment averaging 139,000 year-to-date, down from an average of 163,000 in 2018.
- The relative strength of the US labor market is typically offered as the main reason why the US economy might avoid a recession in the next year or so. However, the labor market tends to be a lagging indicator of the business cycle, and our chart shows that labor markets are indeed weakening now “underneath the surface”.

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