

# Making Sense

## Labor Market Softening: Normalization, Not Weakening

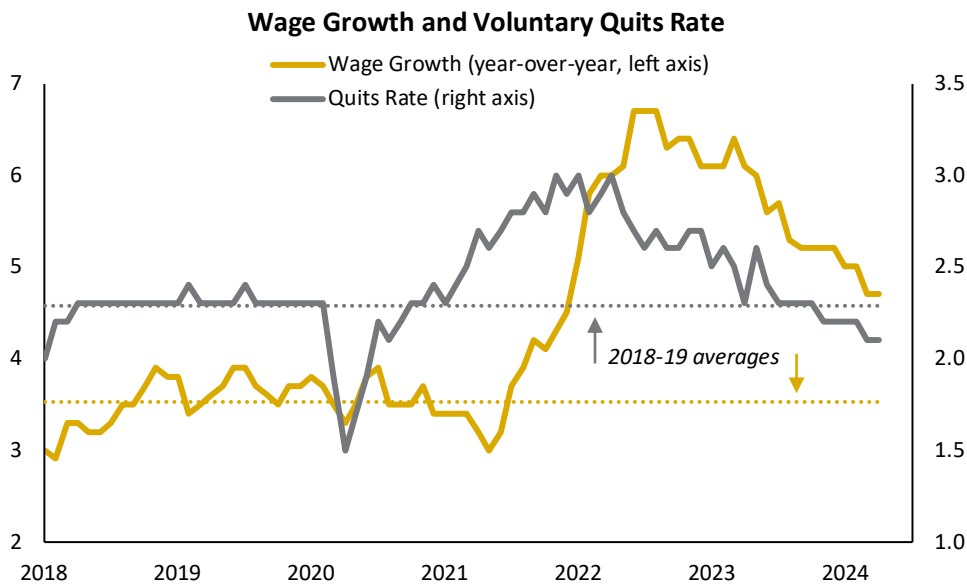
In [this month's market update](#), we discussed the path forward for interest rates, continued housing market imbalances, and the May equity rally. We also considered labor market trends, which we analyze further in today's note.

**The labor market has begun to normalize.** Supply shortages have been a defining feature of the labor market and the macroeconomic situation in general for the last few years. There were multiple job openings available per unemployed person, wages were growing at a rate inconsistent with stable inflation, and firms were reporting persistent worker shortages. Over the last several months, these trends have abated.

Each month, the Labor Department releases its latest Job Openings and Labor Turnover Survey (JOLTS). We closely follow that report's quits rate, the number of workers who voluntarily leave their positions as share of total employment. This measure peaked at 3% in 2021-22 when there was a fair amount of churn in the labor market and workers were leaving roles for new opportunities. **Over the last few months however, this rate has fallen even below the pre-pandemic level, suggesting workers may now feel less confident about their prospects.**

Several other labor market variables have notably softened recently: the unemployment rate is up to 3.9% (from a low of 3.4%), the most recent jobs report posted a sub-200,000 gain, and wage growth has slowed to 4.7% (down from 6.7%). These declines are substantial, but their magnitude really says more about the extraordinary period following the pandemic than the current state of the labor market. **We believe the recent softening of labor market data currently represents a return to normality and not a material weakening.**

Figure 1: Labor Market is Coming into Balance



Source: Labor Department; Federal Reserve Bank of Atlanta

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