FLORIDA PRIME™

Weekly Commentary

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Labor market data diverges

We've heard the term "divergence" attached to "monetary policy" in recent months as the world's major central banks appear to be going in different directions. The Federal Reserve is likely to keep rates higher for longer, while the Swiss National Bank, Bank of Canada and European Central Bank have all cut rates recently and others seem likely to follow.

Last week brought a case of labor market divergence. Earlier in the week, the Job Openings and Labor Turnover Survey indicated that openings were 8.06 million in April, down from March's 8.35 million. For many quarters now, there have been more unfilled employment positions than candidates: as many as two to one. But that ratio is now 1.2. In other words, the labor market appeared to be softening.

Then came the surprisingly robust May jobs report. The Bureau of Labor Statistics (BLS) said the economy added 272,000 new hires, far above the average expectation of 180,000. If these reports cancel each other in the minds of policymakers, they are likely to remain focused on inflation when they meet next week. Price pressures remain stubborn, and they will see how it behaved in May when the BLS releases the Consumer Price Index a few hours before they vote on rate action.

Consumer Price Index (CPI): A measure of inflation at the retail level.

The Job Openings and Labor Turnover Survey (JOLTS) is conducted monthly by the U.S. Bureau of Labor Statistics.

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