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U.S. Job Openings Pass 11 Million

Vacancies at U.S. employers unexpectedly increased at the end of 2022, illustrating a solid appetite for labor that the Federal Reserve sees as one of the last hurdles to bring down inflation.

Feb. 01, 2023

By Molly Smith, Bloomberg News (TNS).

Vacancies at U.S. employers unexpectedly increased at the end of 2022, illustrating a solid appetite for labor that the Federal Reserve sees as one of the last hurdles to bring down inflation.

The number of available positions climbed to a five-month high of just over 11 million in December from 10.4 million a month earlier, the Labor Department's Job Openings and Labor Turnover Survey, or JOLTS, showed Wednesday. The increase was the largest since July 2021 and mostly reflected a jump in vacancies in accommodation and food services.

The openings figure exceeded all economists' estimates in a Bloomberg survey that had a median projection of 10.3 million. The S&P 500 fell and Treasury yields rose after the report.

The figures are consistent with a jobs market where labor demand far outpaces supply and poses a risk of sustained upward pressure on wages that could reignite inflation.

That's likely to be a big talking point of Fed Chair Jerome Powell when he speaks this afternoon at the conclusion of the central bank's first policy meeting of 2023. Officials are expected to slow the pace of interest-rate hikes to a quarter point.

Job openings also increased in retail trade and construction. Meantime, vacancies decreased in the information sector, which includes many tech jobs.

Fed ratio

The ratio of openings to unemployed people rose to a near record-high 1.9 in December from 1.7 a month earlier. It was around 1.2 before the pandemic.

Fed officials watch this ratio closely and have pointed to the elevated number of job openings as a reason why the central bank may be able to cool the labor market — and therefore inflation — without an ensuing surge in unemployment.

That said, many economists expect Fed tightening to push the economy into recession over the coming year and for unemployment to rise to some degree.

What Bloomberg Economics says...

> "The ratio of jobs openings to unemployed is one of the most closely watched labor market metrics for the Fed — and it's moving in the wrong direction. While wage growth might be slowing, it's not clear it's decelerating to a level consistent with the Fed's price target."
>
> — *Anna Wong, economist*

The JOLTS report showed that the so-called quits rate, which measures voluntary job leavers as a share of total employment, held at 2.7% or around 4.1 million Americans.

Hiring edged higher, including in industries like construction, retail trade and health care. Meantime, layoffs also ticked up.

Many of the companies that have been shedding workers are also slashing bonuses to further reduce costs. In another sign the labor market is cooling, employment costs rose at a slower-than-expected pace in the closing months of 2022, data out Tuesday showed.

However, the job market is still tight by several measures. Applications for unemployment benefits are around pre-pandemic levels, and the January jobs report at week's end is expected to show still historically low unemployment and steady hiring.

Separate figures Wednesday showed a moderation in private hiring last month. Payrolls rose at the slowest pace in two years, largely reflecting inclement weather, ADP Research Institute said.

Meantime, manufacturing continues to struggle. The Institute for Supply Management's gauge of factory activity fell for a fifth month in January to the lowest level since May 2020.

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(Bloomberg News editor Chris Middleton contributed to this report.)

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