

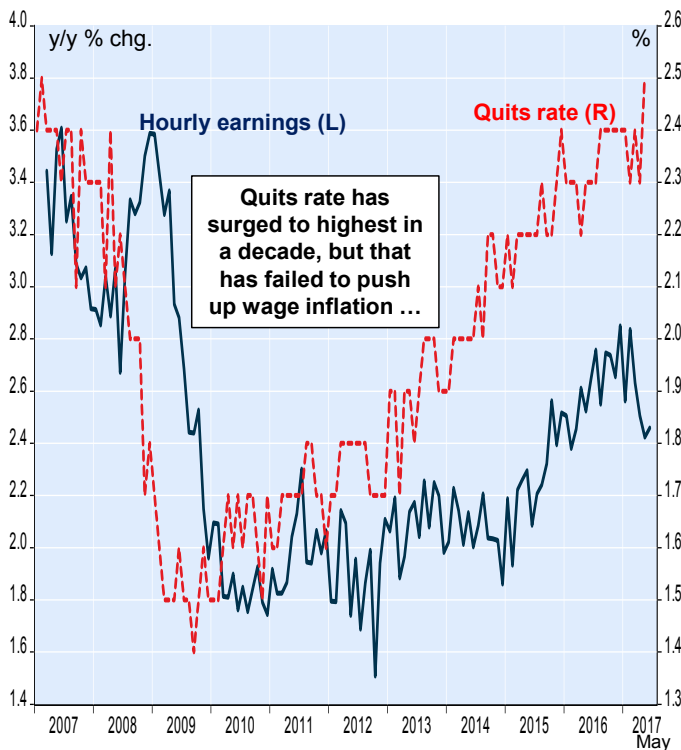
U.S. Watch

According to the latest *Job Openings and Labor Turnover Survey*, the quits rate in the U.S. private sector — number of quits during the month as a percentage of total employment — jumped in May to 2.5%, the highest since early 2007. Wasn't that supposed to ignite U.S. wage growth and hence push up the overall inflation rate? As today's *Hot Charts* show, perhaps the lack of progress on wage growth (and the overall inflation rate) is because quits over the past several years have largely been in industries that do not require particularly high levels of skills. Industries such as food services, hospitality and retailing have at their disposal a large pool of unused low skilled labour which they can cheaply tap into to replace departing workers. Does that mean we'll get a boost to wage inflation if the quits rate eventually jumps in high-wage sectors such as manufacturing where the unused labour pool is not as plentiful? To the Fed's chagrin, the answer is Probably not. In a highly competitive marketplace, there's arguably a limit to how much manufacturers can raise wages before contemplating replacing workers with machines.

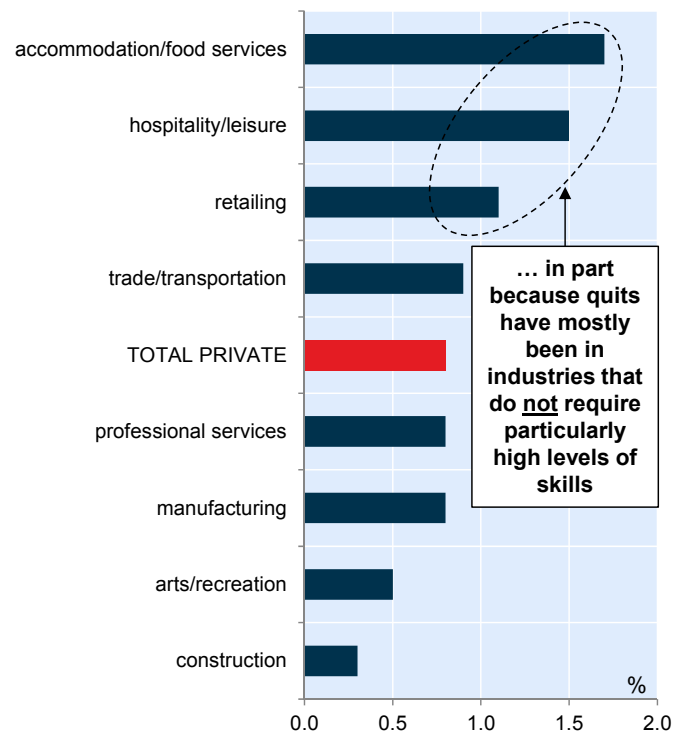
Krishen Rangasamy

U.S.: Private sector quits rate highest in a decade

Private sector wage inflation and quits rate



Change in quits rate from end-2010 to May 2017



Economics and Strategy

Montreal Office

514-879-2529

Stéfane Marion

Chief Economist and Strategist
stefane.marion@nbc.ca

Paul-André Pinsonnault

Senior Fixed Income Economist
paulandre.pinsonnault@nbc.ca

Krishen Rangasamy

Senior Economist
krishen.rangasamy@nbc.ca

Marc Pinsonneault

Senior Economist
marc.pinsonneault@nbc.ca

Matthieu Arseneau

Senior Economist
matthieu.arseneau@nbc.ca

Angelo Katsoras

Geopolitical Analyst
angelo.katsoras@nbc.ca

Kyle Dahms

Economist
kyle.dahms@nbc.ca

Toronto Office

416-869-8598

Warren Lovely

MD, Public Sector Research and Strategy
warren.lovely@nbc.ca

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