

Macro Roundup Article

Headline: [The Labor Market Is Primed For a Soft Landing](#)

Article Link: <https://www.briefingbook.info/p/the-labor-market-is-primed-for-a>

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Tweet: Monthly nominal wage growth is now in line with both the pre-pandemic period and current productivity growth plus 2% inflation, suggesting the current expansion is sustainable. @kevinrinz

Summary: Counterintuitively, elevated wage growth could be a problem for sustaining a strong labor market if it generates concerns about (or actual) higher inflation and leads the Federal Reserve to keep monetary policy tighter than it otherwise would have. Labor productivity growth, however, would alleviate this concern. Figure 4 shows the three measures of wage growth considered above alongside a measure of sustainable wage growth that is equal to productivity growth plus the Federal Reserve's two percent inflation target. From 2001 through 2019, actual wage growth tracked this measure well, and inflation was low and stable. Since the onset of the pandemic, labor productivity has fluctuated widely (partially reflecting shifts in the composition of employment as acutely exposed sectors reacted and adapted to the pandemic), and beginning in early 2022, actual wage growth substantially exceeded the sustainable benchmark. Over the course of 2023, however, productivity has rebounded while wage growth has moderated, bringing actual wage growth closer to a level that would be sustainable.

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Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Op-Ed/Blog Post, Unemployment/Participation, Wages/Income, Weekly, Workforce

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