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# St. Louis Metro Area Labor Market Update and Outlook

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# Outline of today's talk

- **Current labor market conditions**
- **Labor supply outlook**
- **Labor demand outlook**
- **Unemployment rate: combining demand and supply**
- **Risks to the outlook**
- **Conclusion**

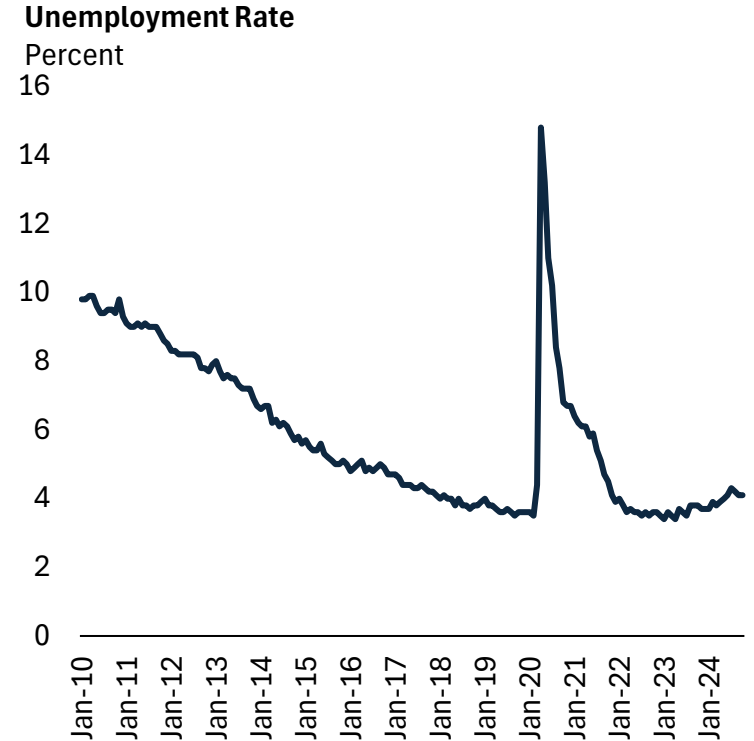
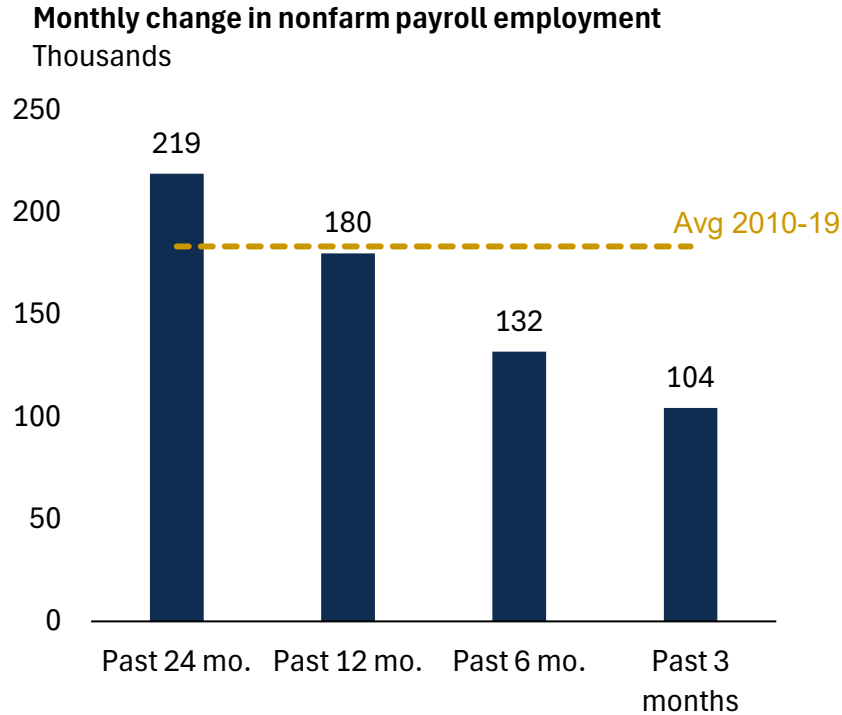
**The views expressed are my own and do not necessarily reflect those of the Federal Reserve Bank of St. Louis or the Federal Reserve System**



**Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low.**

November 7 FOMC Statement

# Job growth has slowed while unemployment has drifted higher



Sources: Bureau of Labor Statistics, Last Obs. (10/2024)

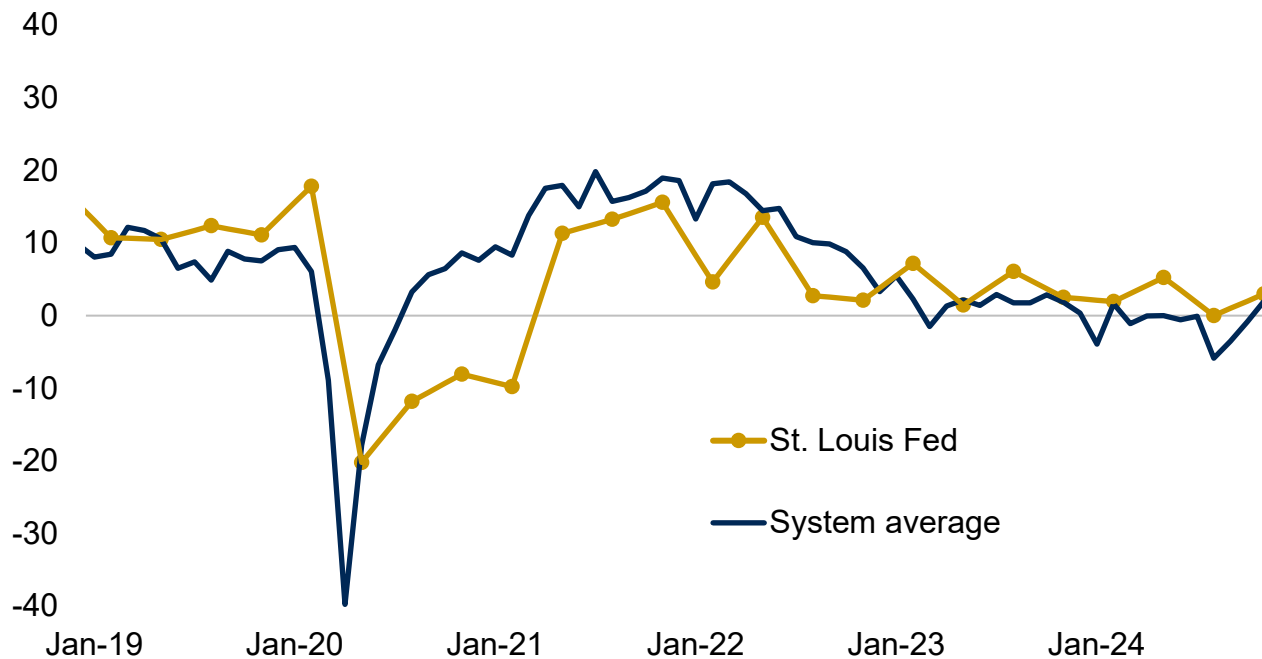
# What is going on behind the headline numbers?

- Strikes and storms resulted in weaker job growth in October(+12k), but forecasters expect a reversal in November (Data to be released Friday)
- Less movement of workers: fewer people voluntarily quitting, layoff rate remains low, and fewer open positions
- Labor supply has increased
  - Participation rates of workers 25-54 higher than pre-pandemic
  - Immigration has also increased labor supply
- Wage growth is returning to normal; job switchers no longer seeing above-average wage growth
- Labor productivity growth has been strong: easing demand for additional labor while supporting stronger wage growth

# Firms report stable employment levels

## Share of firms reporting higher employment

Net % of respondents

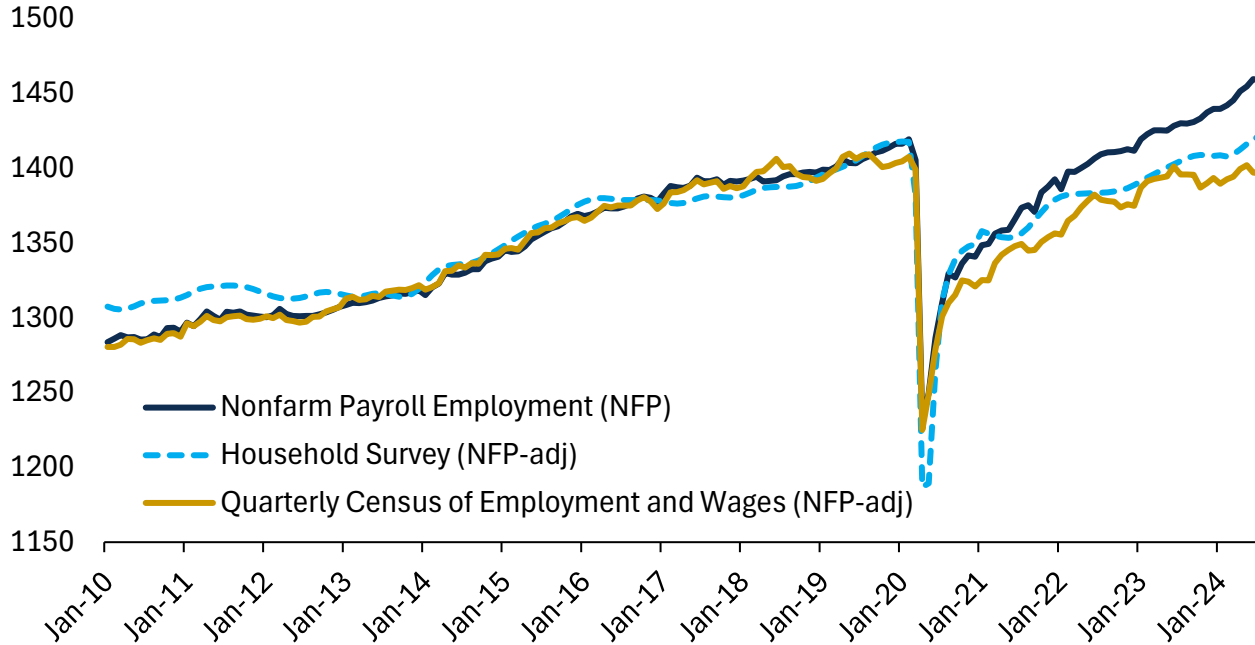


Sources: Federal Reserve Banks of St. Louis, Dallas, Kansas City, Philadelphia, Richmond, BLS. (Last Obs. 11/2024)

# St. Louis job growth varies by data collection method

## Employment in the St. Louis Metro Area

Thousands

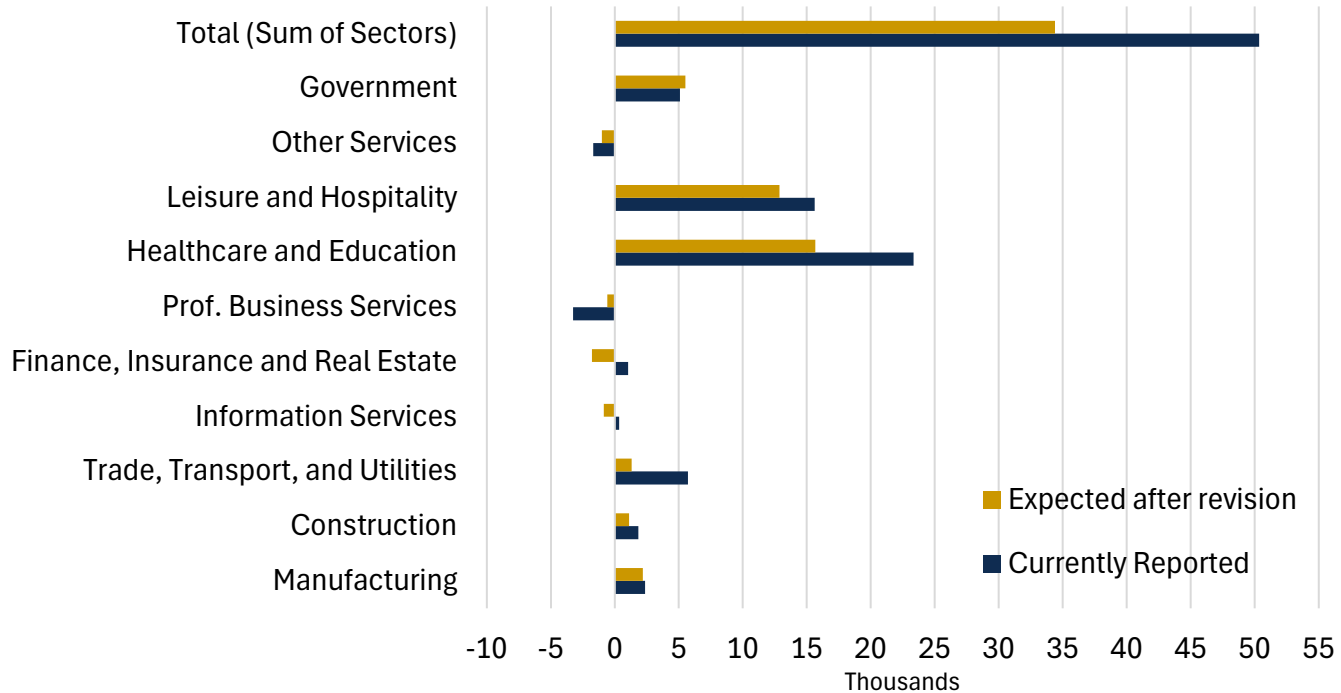


Sources: BLS and authors calculations

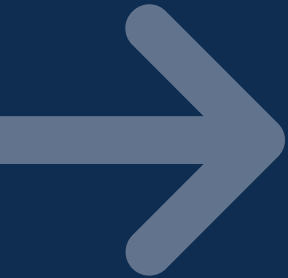


# Expect job growth to be revised downward by about 20k

Change in Nonfarm Employment in the St. Louis Metro Area (Oct' 22 to Oct '24)

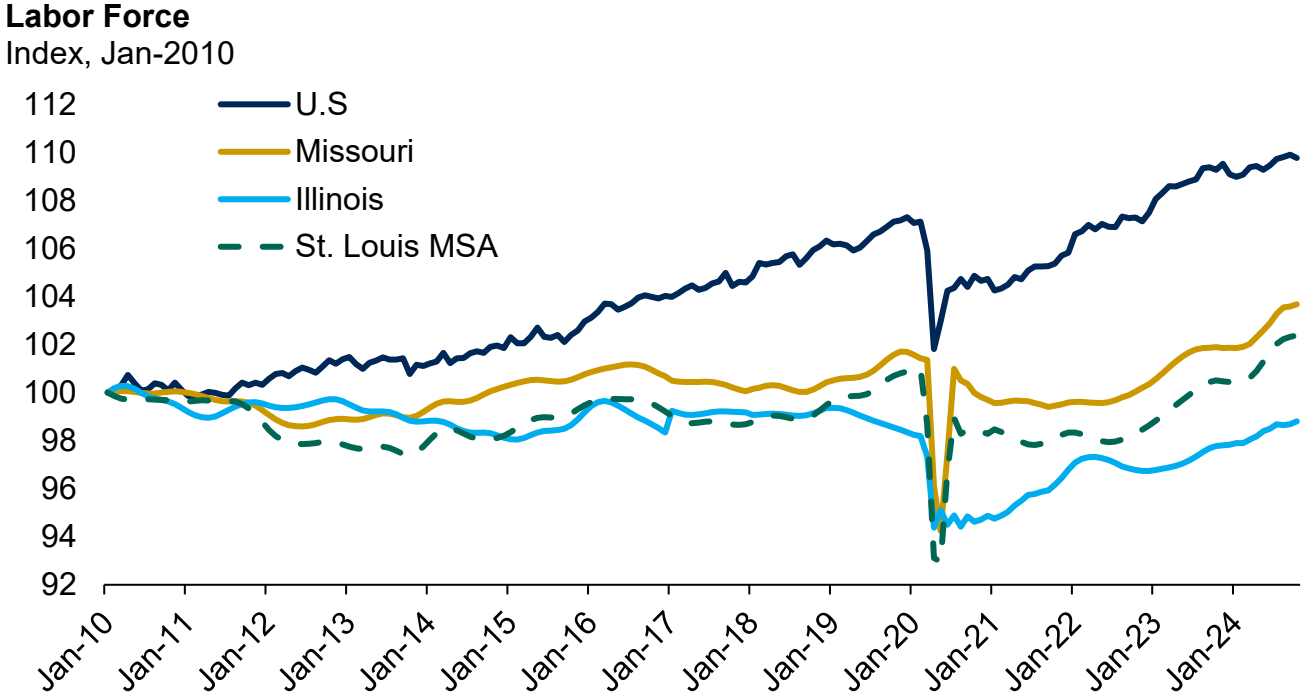


Sources: BLS and author's calculations



**Labor Supply**

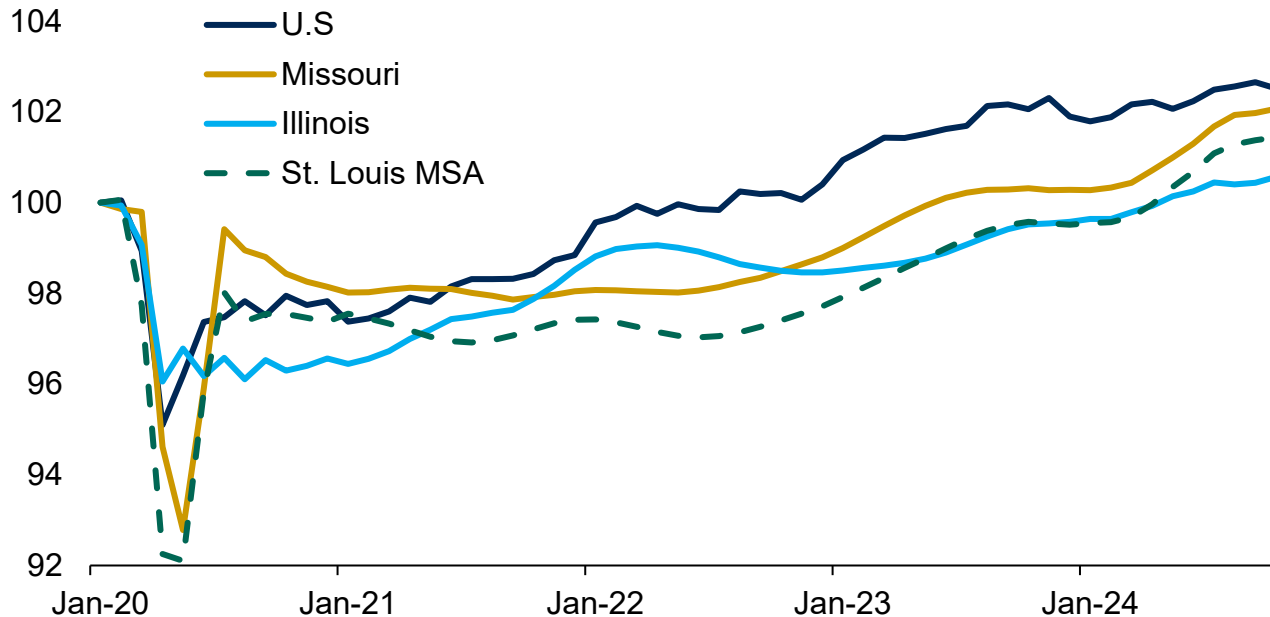
# Regional labor force growth has been sluggish since 2010



Source: BLS, Last Obs. 10/2024

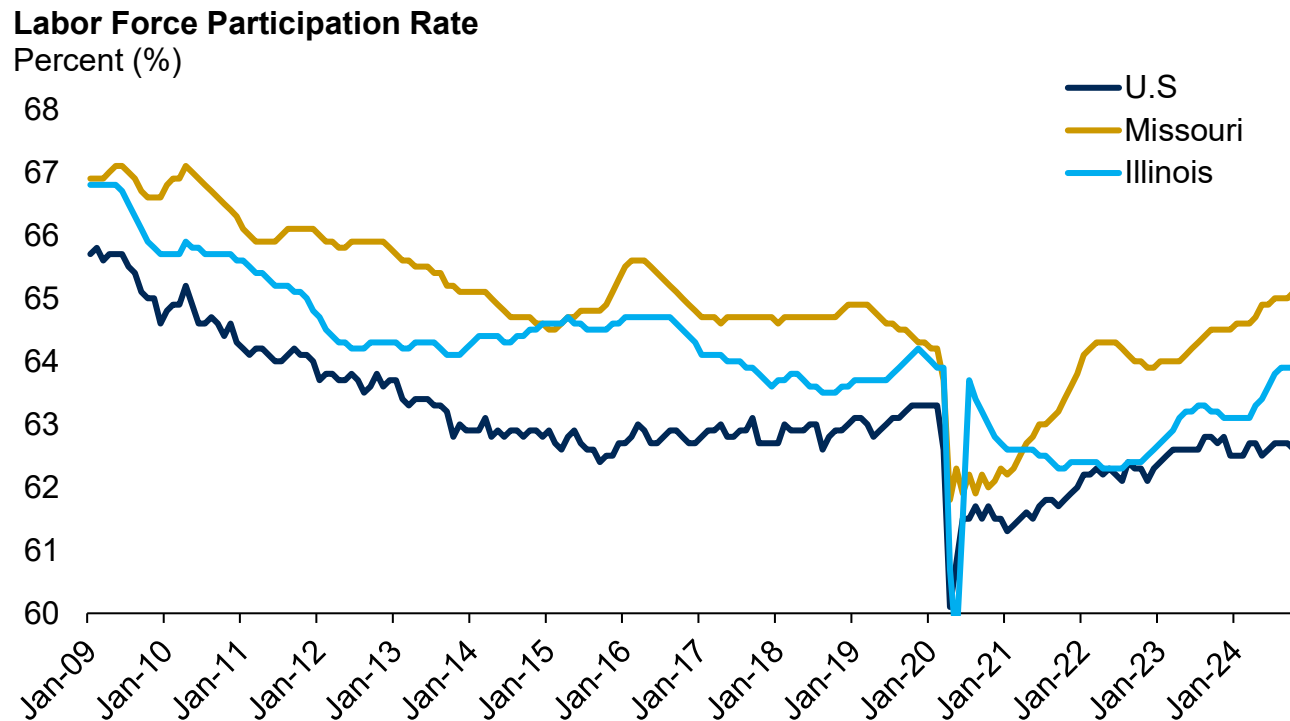
# However, it has quickly recovered from the pandemic

**Labor Force**  
Index, Jan-2020



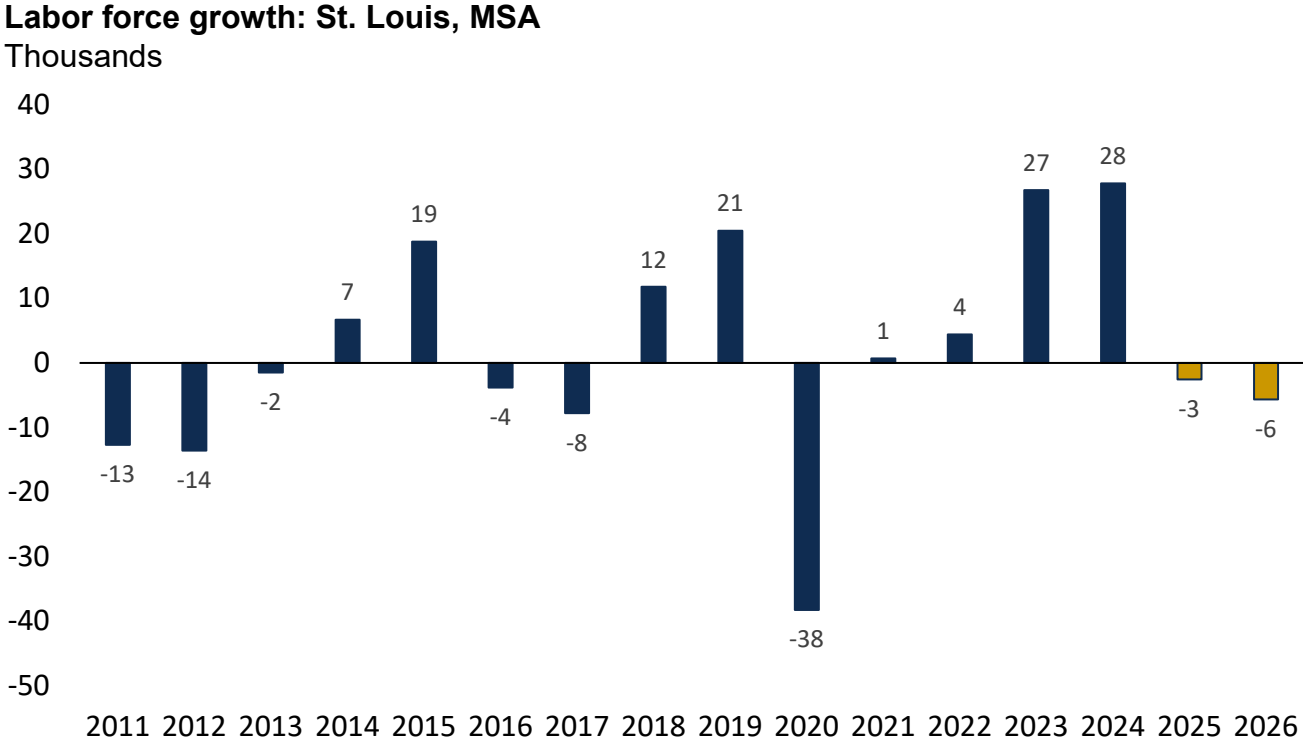
Source: BLS, Last Obs. 10/2024

# Labor force participation rates have been on a downward trend



Source: BLS, Last Obs. (10/2024)

# St. Louis labor force is projected to slightly decline

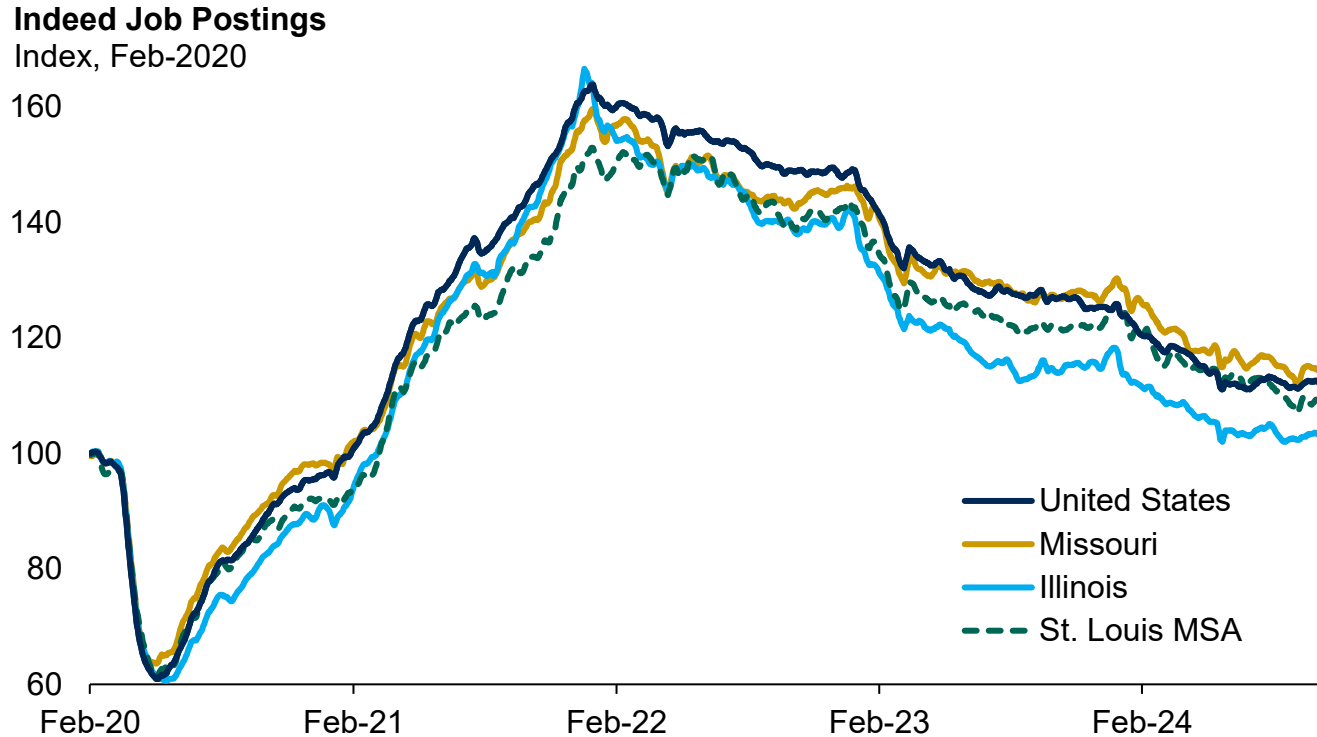


Source: S&P Global



## Labor Demand

# Declines in job openings indicate cooling demand for labor



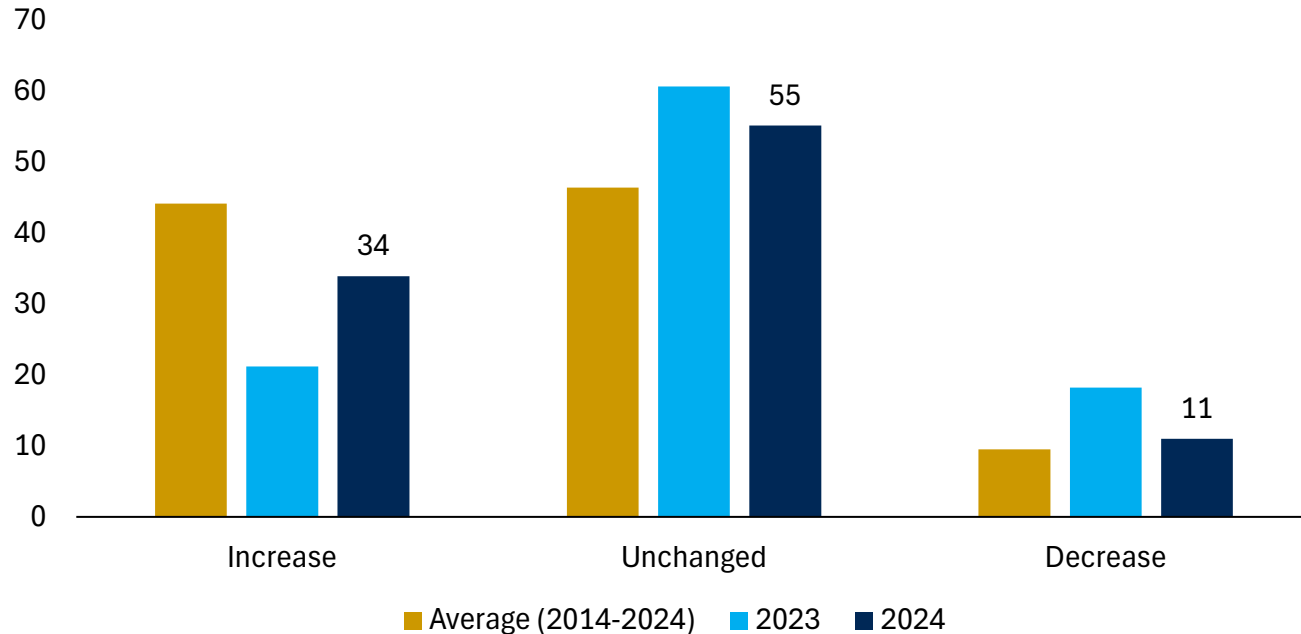
Sources: Indeed, Last Obs. 10/18/2024



# November survey indicates healthy demand for labor

How do you expect your firm to change employment over the next twelve months?

Percent of Respondents (%)



Sources: Federal Reserve Bank of St. Louis, November Survey

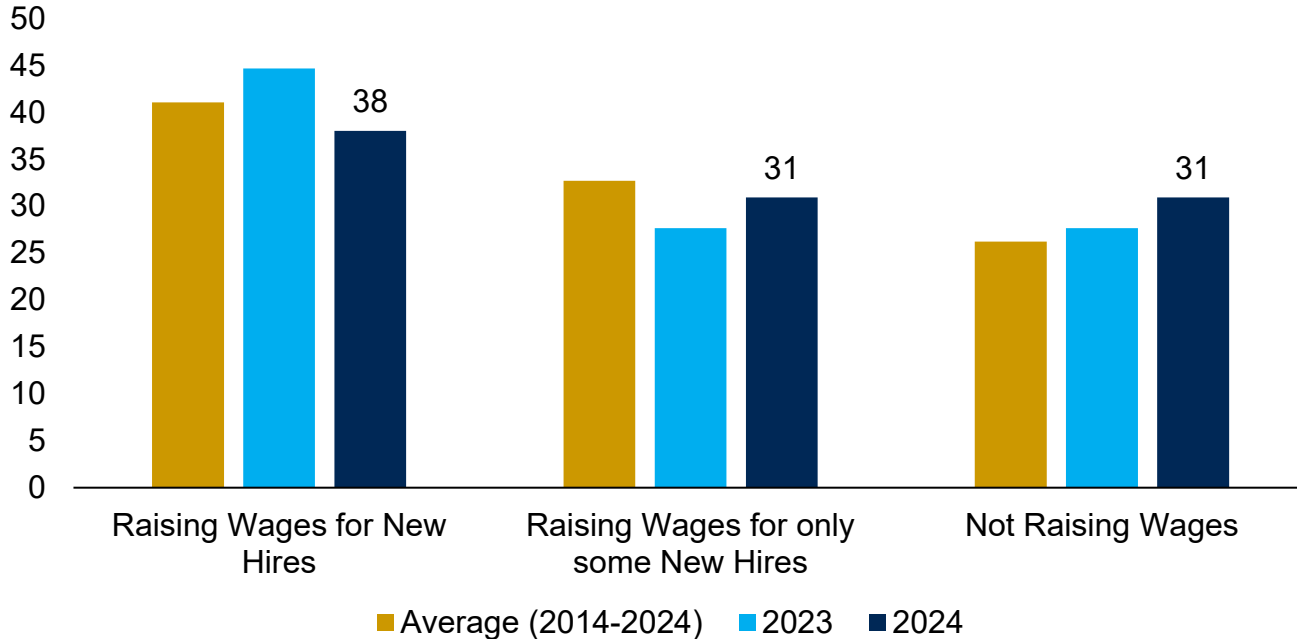
# Factors influencing hiring plans

- Primary reasons for increasing employment
  - Strong sales growth
  - Need skills not possessed by current staff
  - Current staff is overworked
- Primary factors restraining hiring
  - Cannot find workers with required skills
  - Slower sales growth
  - Want to keep operating costs low
- Firms planning to reduce employment primarily expect to do so through attrition

# Employers less inclined to raise wages to attract new hires

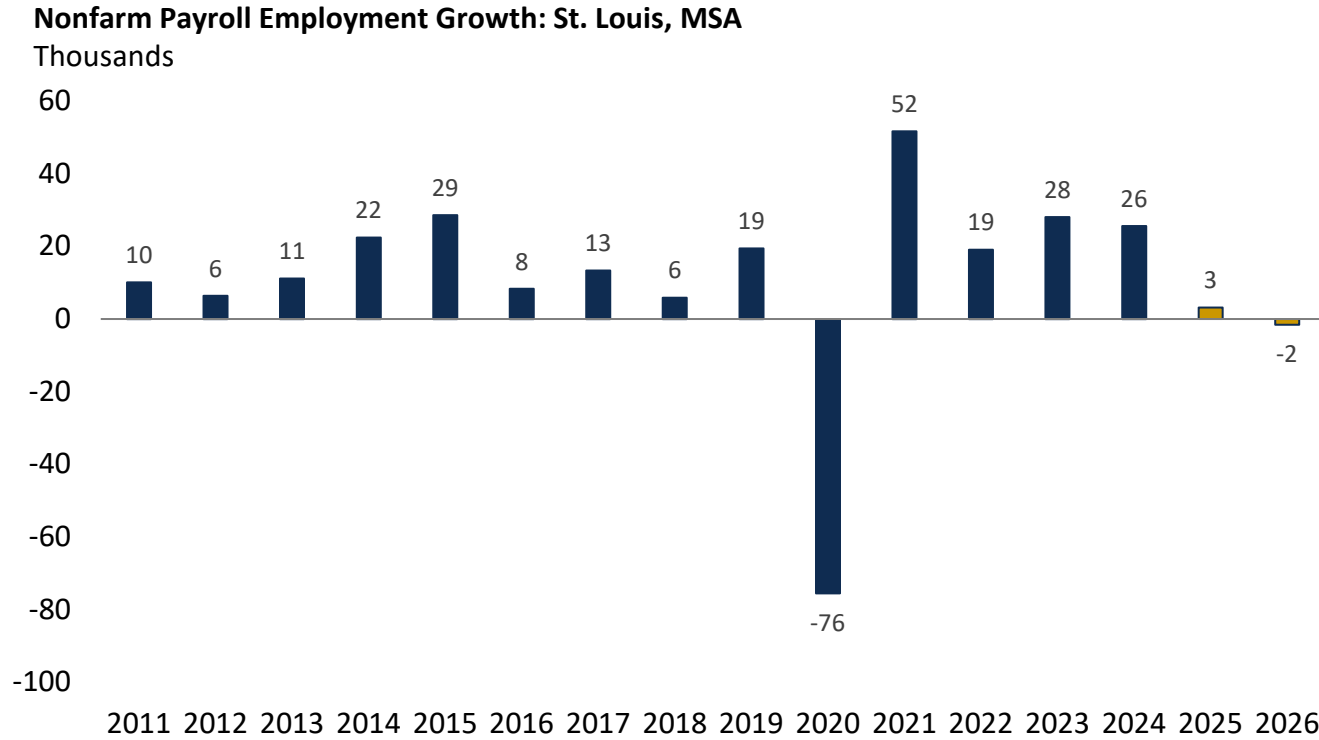
Which of the following best describes your use of changes in starting wages and/or salaries to attract new hires?

Percent of Respondents (%)



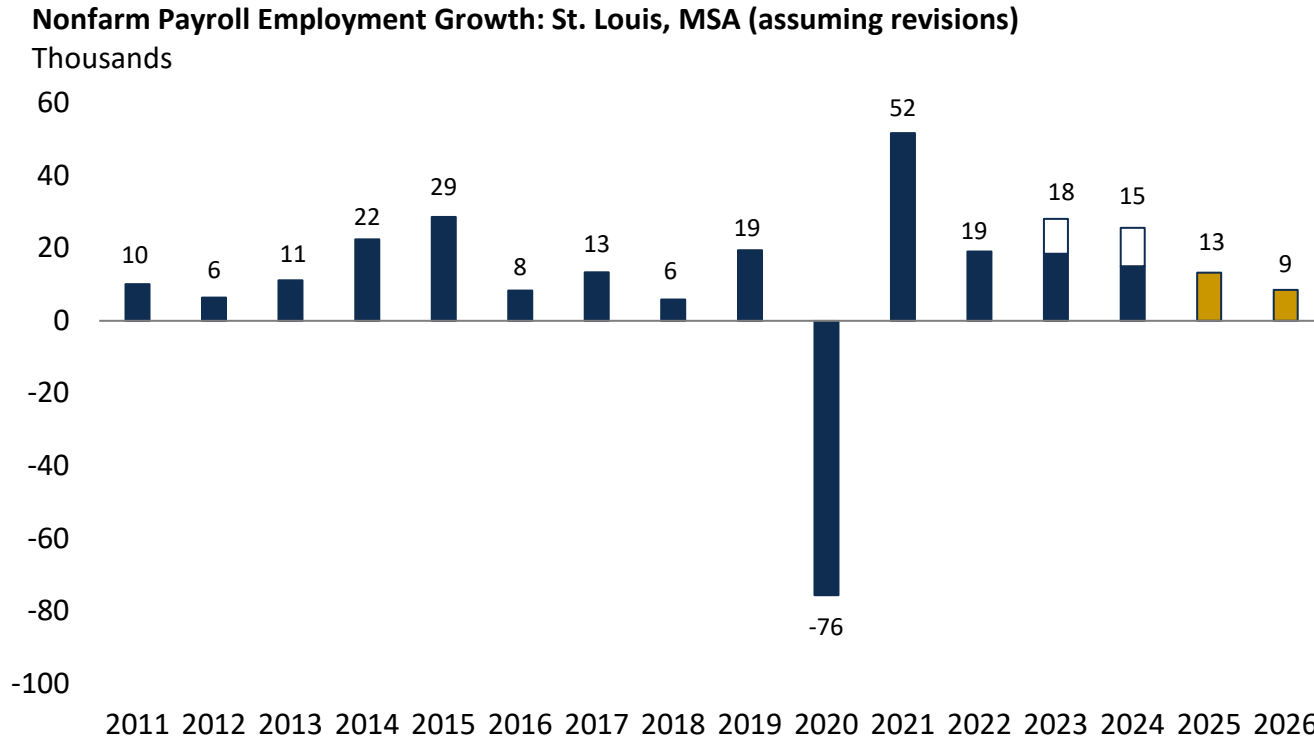
Source: Federal Reserve Bank of St. Louis

# Employment is projected to decline, but...



Source: BLS and S&P Global

# Expected revisions produce the same ending with more optimistic path



Source: Authors calculations

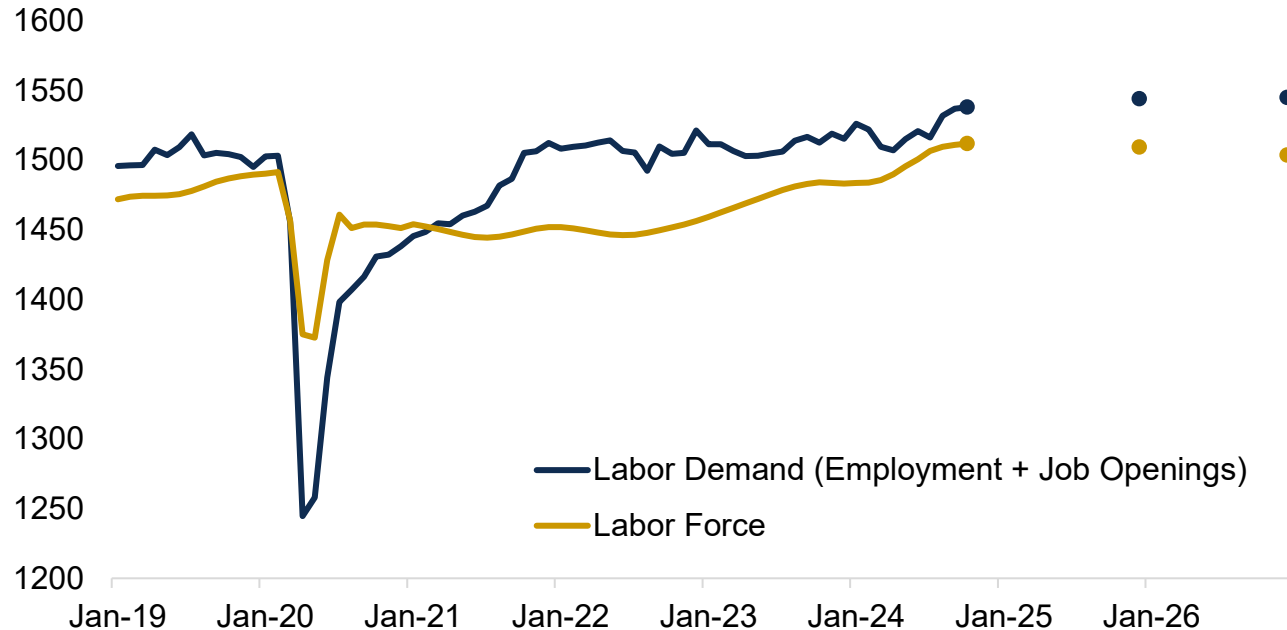


**Is the labor market in balance? Putting  
together supply and demand**

# Yes! Labor supply and demand have come into balance, but outlook suggests a continued tight labor market

## Labor Supply and Labor Demand

Thousands

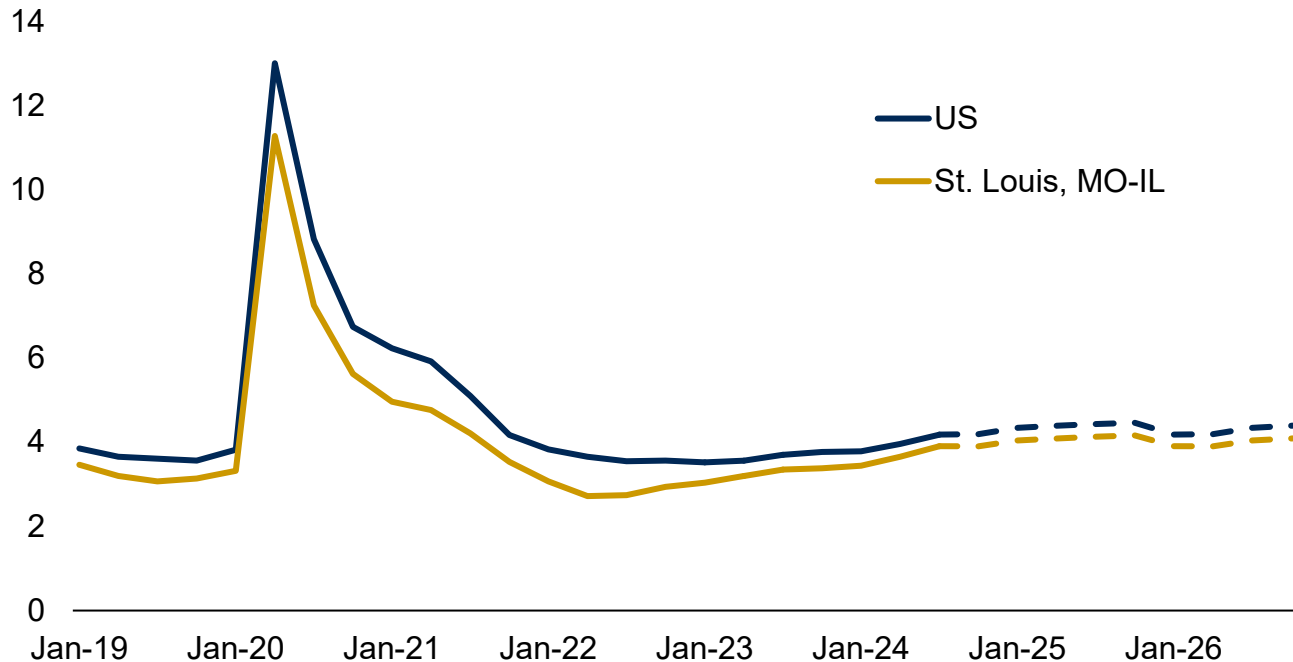


Sources: BLS and authors calculations

# As a result, jobless rates expected to remain low

## Unemployment Rate

Percent, quarterly average



Source: S&P Global, Last Obs. (07/2024)





## **Risks and Final Thoughts**

# Risks to the outlook

- In their September meeting, the majority of FOMC members reported “upside” risk to their unemployment rate projections
- Some firms report lower than expected rates of attrition, which may result in greater layoffs by firms planning to reduce employment
- The increase in the immigration rate has boosted labor supply, offsetting negative domestic migration; Firms’ ability to attract labor from outside the region will be necessary to meet local demand for labor
- Continued strong productivity growth could reduce the demand for labor while also generating economic growth and new opportunities

# Key takeaways

- National labor market conditions have generally eased, labor demand has stabilized, and supply of labor has increased
- The St. Louis economy has an industry mix similar to the US, resulting in a similar business cycle and near-term labor market dynamics
- I expect downward revisions to St. Louis payroll employment growth, which will put the metro area in-line with national trends
- The aging population and negative net migration produce a forecast of no growth in labor supply over next few years
- Employers report healthy demand for labor, consistent with a forecast of steady (but slowing) job growth over next few years
- Absent any shocks the regional unemployment rate should remain low