

## Appendix: Forecasting Wage Growth Using Months Supply

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Formally, I define months supply of effective searchers as

$$MS_t = \frac{ES_t}{H_t},$$

where  $H_t$  is total nonfarm hires from JOLTS and  $ES_t$  is the stock of effective searchers. Following the weights used by the 2024 paper “Wage Growth and Labor Market Tightness” by Sebastian Heise, Jeremy Pearce and Jacob Weber — based on estimated search intensities from the 2020 paper “[How Tight Is the U.S. Labor Market? \(PDF\)](#)” by Katharine Abraham, John Haltiwanger and Lea Rendell and the 2020 paper “Comments and Discussion on ‘How Tight Is the Labor Market?’” by Aysegul Şahin — effective searchers are defined as

$$ES_t = U_t^{short} + 0.48U_t^{27+} + 0.40NILF_t^{want} + 0.09NILF_t^{no\ job\ wanted} + 0.07E_t.$$

Here,  $U_t^{short}$  is unemployment lasting less than 27 weeks,  $U_t^{27+}$  is unemployment lasting 27 weeks or more,  $NILF_t^{want}$  is the number of people not in the labor force who say they want a job,  $NILF_t^{no\ job\ wanted}$  is the rest of the non-labor-force population, and  $E_t$  is employment.