

Economic Analysis

JOLTS Off to a Strong Start in 2015 as Openings Reach Highest Level in 14 Years

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The Job Openings and Labor Turnover Survey (JOLTS) for March 2015 provided hope of an improving economy. Although lower than expected, job openings stood at 4998K, rising 2.4% from the previous month's revised report. This represents the highest level since January 2001 when the series first began, with the most openings available in sectors such as professional and business services, healthcare, and food services. However, the mining and logging industries saw openings decline due to expectations for a prolonged period of low oil prices.

Despite a strong showing in openings, hiring cooled to 4996K, a 4.6% decline from December. Most of the decrease in hiring was visible in construction and in the Northeast, which suggests that severe winter weather conditions are to blame. This, among other lingering evidence of job market slack, is one reason why the Federal Reserve is still holding off on its first interest-rate hike since 2006.

The rise in job openings is another indicator reinforcing labor market strength, along with the falling unemployment rate, which is at its lowest level in seven years. However, the fact that hiring is still lagging behind suggests that companies are struggling to find qualified people to fill their open positions; this was corroborated by today's NFIB Small Business Economics Trends Report, which reported that 29% of small businesses have at least one job opening that they can't fill.

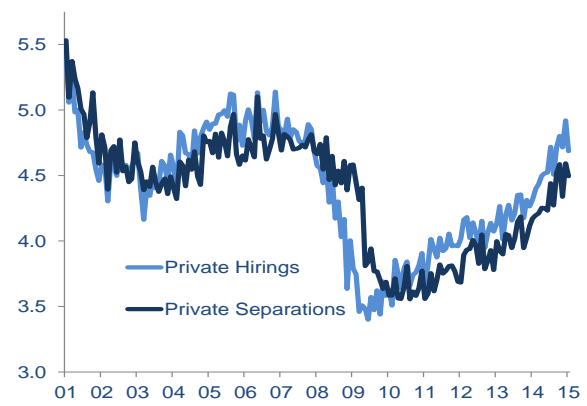
Chart 1
Fed's Economic Outlook

	Longer Run Unemployment Rate	3MMA Change in Nonfarm Payrolls	Number of Unemployed per Job Opening	PCE Core Inflation (YoY)	Average Hourly Earnings (YoY)
Goal	5.2% - 5.5%	200K	2.00	2.00%	+2.50%
QE3 Start (Sept-12)	7.8%	157K	3.38	1.66%	1.44%
Dec-13	6.7%	198K	2.64	1.34%	2.16%
QE3 End (Oct-14)	5.7%	228K	1.85	1.48%	2.27%
Feb-15	5.5%	288K	1.80*	1.31%*	1.56%

*last data available is Jan-15

Source: FRB, BLS, BEA, & BBVA Research

Chart 2
Hiring vs. Separations
Millions

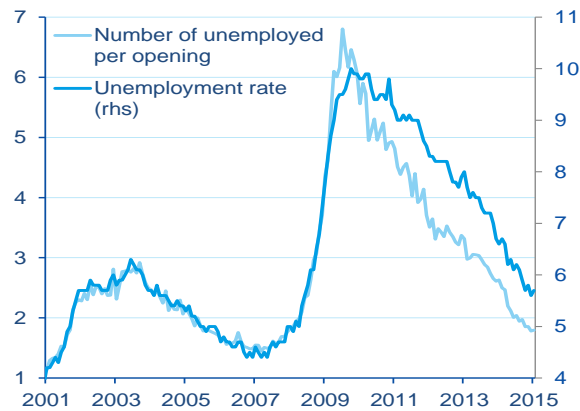


Source: BLS & BBVA Research

Still, it is hard not to see the underlying improvements in the employment situation and the overall outlook for the labor market. When it comes to separations, the layoffs and discharge rate was unchanged from the previous month at 1.2%. However, the quits rate reached a three-month high in January, as the number of workers voluntarily quitting their jobs climbed to 2.8 million, just shy of the pre-crisis peak and indicating greater economic optimism. In a strong labor market, these workers are more confident in their ability to find better

and/or different employment opportunities, especially in professional and business services and in health care and social assistance—the sectors in which the quits rate was highest. This ongoing trend certainly provides more encouragement for the Fed, as Yellen has zeroed in on the quits rate as a primary progress indicator on the labor market, particularly on the strength of labor demand.

Chart 3
Unemployed per Opening vs. Unemployment Rate
SA, persons (lhs), % (rhs)



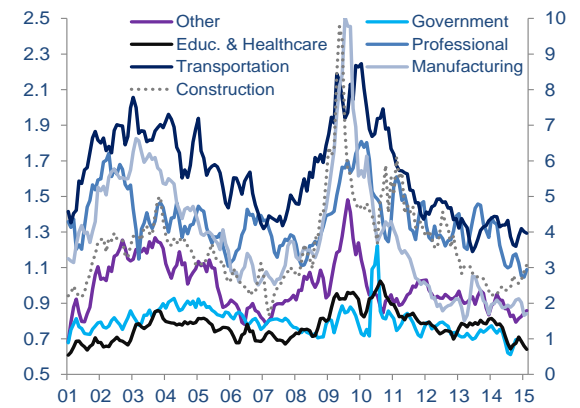
Source: BLS & BBVA Research

Chart 4
National Beveridge Curve



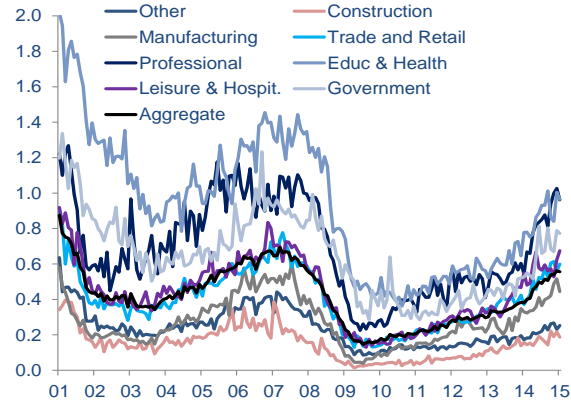
Source: BLS & BBVA Research

Chart 5
Vacancy Yield by Industry
3MMA



Source: BLS & BBVA Research

Chart 6
Labor Tightness by Industry
(Higher = Tight)



Source: BLS & BBVA Research

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