

US Labor Market Watch**Strong job growth over the past two months...**

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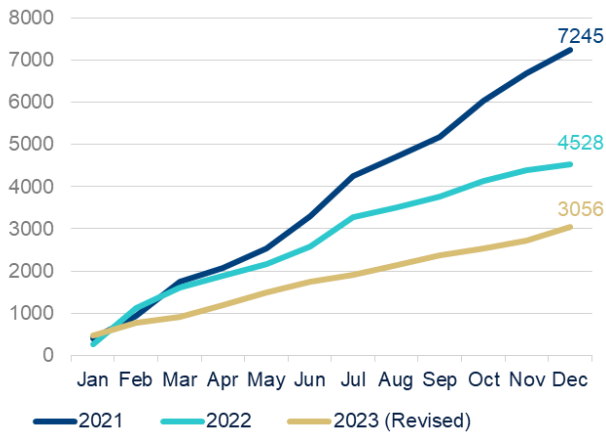
February 9, 2024

... but (lower) job openings and quits point to slower wage growth ahead

- Job creation is off to a strong start in 2024 after surging 353K in January. Although employment growth surged, creation at the start of the year was still well below (-27%) last January's print. Following the significant upward revision (to 333K) of December's print, it has now grown strongly for the past two months and is well above expectations.
- Yet, job creation eased markedly during 2023. Employment grew 2.0% YoY in 2023 (+3 million new jobs), well below 2022's growth: (-)33% less jobs created (Figure 1). Despite recent strength, signs still point to a gradual slowdown/normalization of the labor market.
- The unemployment rate (UR) remained unchanged at 3.7%. Despite the strong employment growth over Dec-Jan, the decline in the labor force (Figure 2) is behind the UR. In January, the labor participation rate stood at 62.5%, which implies that it remained mostly unchanged throughout 2023. It has edged down 0.1pp over the last twelve months.
- Despite the strength seen over the last two months, there are signs that the labor market is coming into a better balance. Despite low unemployment levels and still strong job creation, hiring survey trends do not suggest the labor market is set to accelerate ahead. In fact, the downward trend in the NIFB survey's employment and job openings continues. Lower job openings and quits point to slower wage growth ahead. This is reinforced by higher productivity, which is likely to contribute to keeping wage growth in check.
- Looking ahead, we continue to expect the labor market to come into a better balance as demand continues to adjust gradually. We expect that more moderate economic growth will translate into somewhat higher, and unemployment levels.

Job demand continued to show strength in 2023, and is off to a strong start in 2024...

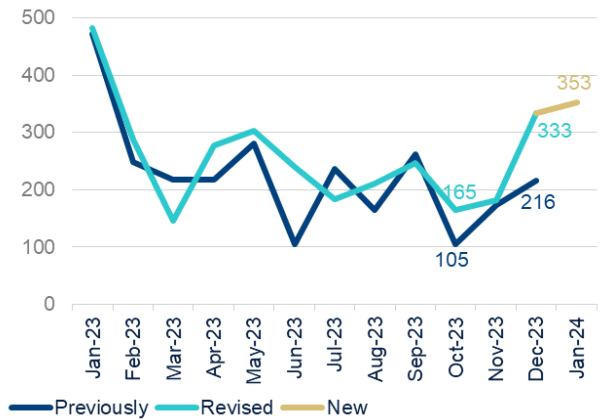
Figure 1. **NONFARM PAYROLL EMPLOYMENT**
(CUM. MoM, THOUS, SA)



Source: BBVA Research based on data by Haver Analytics.

... after surging by 353K in Jan. After revisions, the gain in Dec was almost as strong

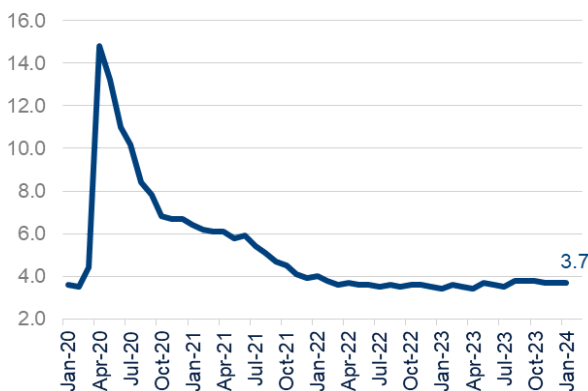
Figure 2. **NONFARM PAYROLL EMPLOYMENT**
(MoM, THOUS, SA)



Source: BBVA Research based on data by Haver Analytics.

The UR was unchanged at 3.7% and has hovered around near all-time lows...

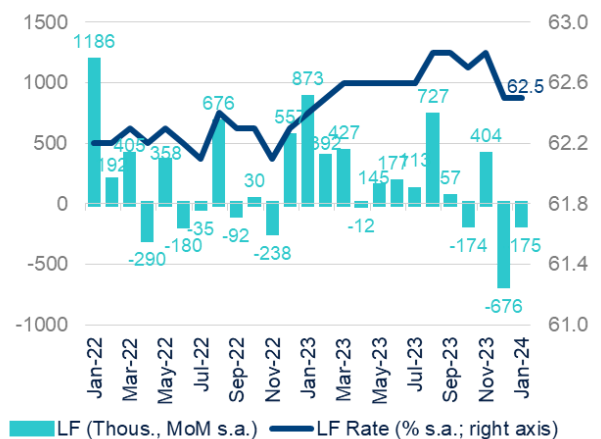
Figure 3. **UNEMPLOYMENT RATE**
(% OF LABOR FORCE, SA)



Source: BBVA Research based on data by Haver Analytics.

... with the labor participation rate mostly unchanged in 2023

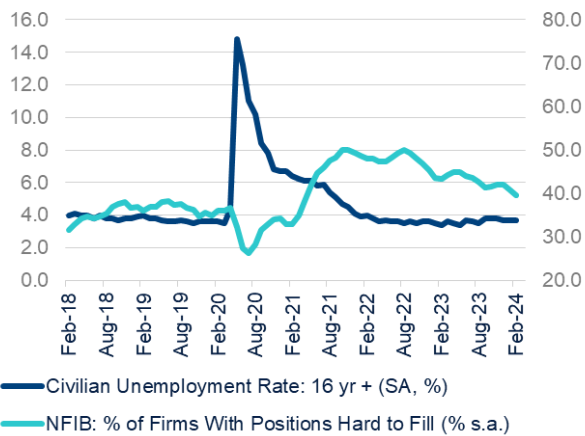
Figure 4. **LABOR FORCE**
(VARIATION %, SA)



Source: BBVA Research based on data by Haver Analytics.

Positions hard to fill continue to gradually come down signaling excess demand is declining

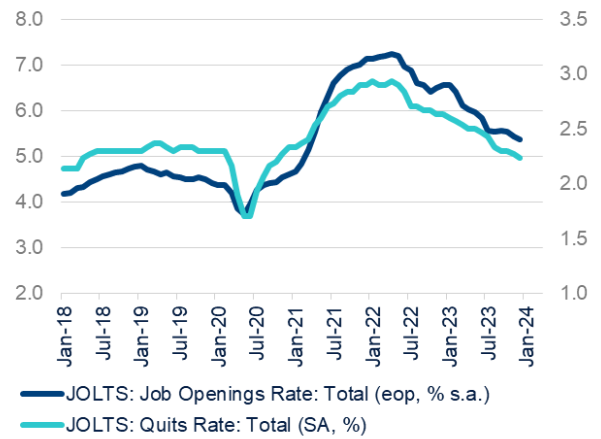
Figure 5. UNEMPLOYMENT RATE AND NFIB: SMALL BUSINESS ECONOMIC TRENDS (%)



Source: BBVA Research based on data by Haver Analytics.

Both (lower) job openings and voluntary quits point to a better-balanced labor market

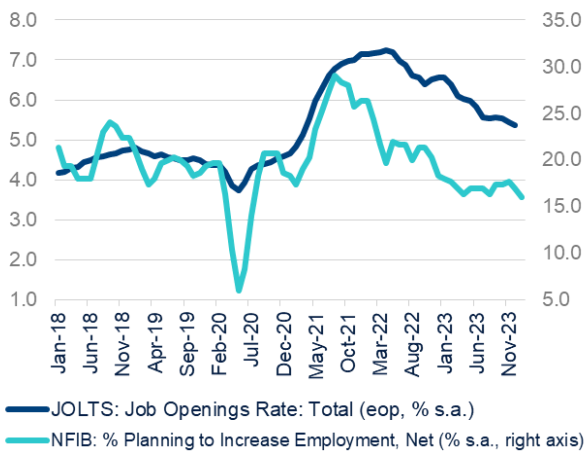
Figure 6. JOB OPENINGS AND QUILTS RATE (%)



Source: BBVA Research based on data by Haver Analytics.

Small firms' hiring plans stood at below prepandemic levels throughout 2023...

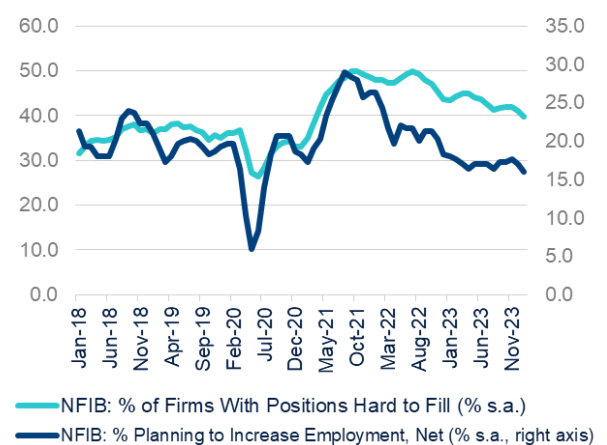
Figure 7. JOB OPENINGS AND NFIB: SMALL BUSINESS ECONOMIC TRENDS (%)



Source: BBVA Research based on data by Haver Analytics.

... but albeit positions hard to fill continue to come down, they still find them hard to fill

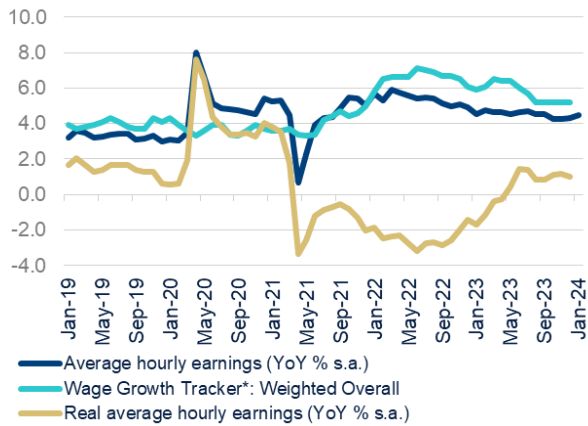
Figure 8. NFIB: SMALL BUSINESS ECONOMIC TRENDS (%)



Source: BBVA Research based on data by Haver Analytics.

Wage growth is still growing at a somewhat faster pace than wished by the Fed...

Figure 9. **AVERAGE HOURLY EARNINGS**
(ANNUAL VAR. %)



Source: BBVA Research based on data by Haver Analytics.
* Weighted Overall: 3-MMA of Median Wage Growth (NSA, Y/Y %Chg)

... but almost all of the adjustment in the labor market has come from lower openings

Figure 10. **THE BEVERIDGE CURVE**
(%, SA)



Source: BBVA Research based on data by Haver Analytics.
(1) Forecast

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