

Economic Analysis

# JOLTS Report Portrays a Solid Labor Market

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- **Job openings increased in January and most industries added new jobs**
- **Hiring and separations decreased, but this is most likely transitory**
- **Solid demand and tighter market conditions should result in higher wage pressure and labor participation going forward**

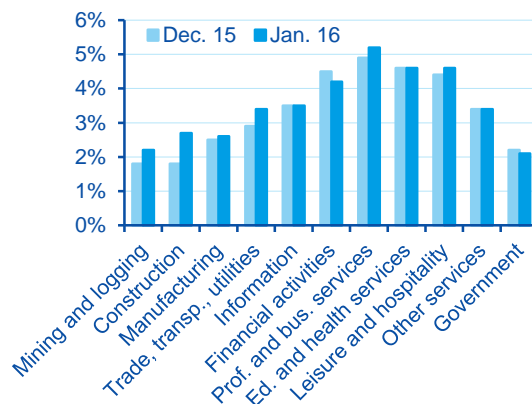
Total job openings in January increased to 5.5 million (seasonally adjusted) from 5.2 million in December, while total hires declined to 5 million from to 5.4 million, and total separations declined to 4.9 million from 5.1 million. These numbers are consistent with what we have seen in total nonfarm employment – slower growth in employment in January, but faster in February. The job openings rate increased to 3.7% from 3.6% in December (Chart 1). It has stood at or above 3.5% for 12 consecutive months now. The number of unemployed persons per job opening continued declining and reached 1.4. It stood at 1.9 when the last recession started (December 2007). The increase in openings in January was fueled by more openings in wholesale and retail trade, transportation, warehousing and utilities, manufacturing, and leisure and hospitality. Financial activities and government were among the few sectors that posted lower openings rates (Chart 2). The highest number of openings relative to employment was for professional and business services, indicating strong demand for workers in this industry. Out of the four regions in the report, the West was the only one to post negative movement in openings; the jobs openings rate there fell from 3.9% to 3.8%.

Chart 1  
**Job Openings, Hires and Separations**  
% Rate<sup>1</sup>



Source: BLS & BBVA Research

Chart 2  
**Job Openings by Industry**  
% Rate



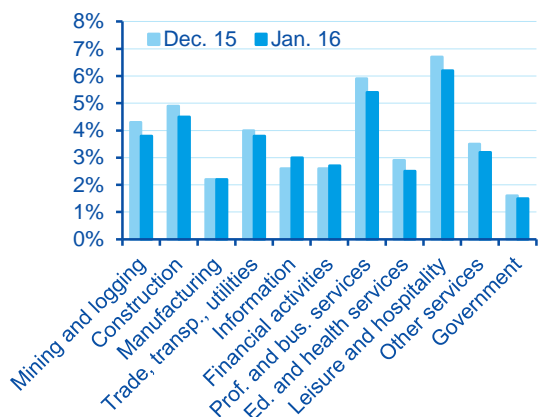
Source: BLS & BBVA Research

<sup>1</sup> The job openings rate is calculated by dividing the openings with total employment plus job openings. The hires rate is calculated by dividing the total monthly hires figure by total employment. The separations rate is calculated by dividing the total monthly separations figure by total employment.

Unlike openings, hiring contracted significantly. Most industries experienced declines (Chart 3), but the drops in professional and business services and in education and health services were the biggest. The professional and business services industry is an interesting case as it shows a high and increasing openings rate and lower hiring. This could be a result of the industry struggling to find available and suitable candidates at the prevailing rates of remuneration. This theme will likely reverberate in multiple industries as the unemployment rate declines and the labor market approaches full employment.

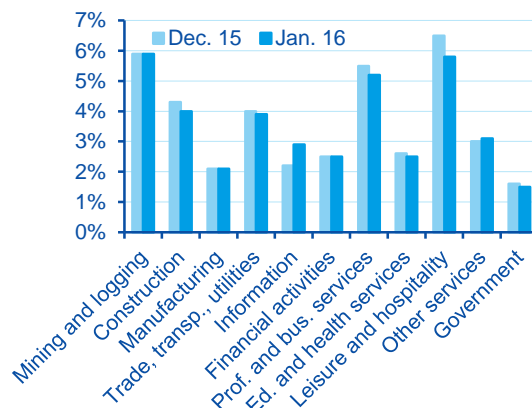
Separations declined in most sectors except information (Chart 4), where separations rose significantly to surprisingly offset the gains in hiring. Within separations, the quits rate was 2% compared to 2.2% in December, and the layoffs and discharges rate remained unchanged at 1.2%. On net, only four out of fourteen private sector industries did not add jobs in January, i.e. separations exceeded hires: mining and logging; wholesale trade; transportation, warehousing and logistics; and educational services.

Chart 3  
**Job Hires by Industry**  
% Rate



Source: BLS & BBVA Research

Chart 4  
**Job Separations by Industry**  
% Rate



Source: BLS & BBVA Research

Overall, today's JOLTS report reconfirms that the labor market is strong. The openings rate has now remained at or above 3.5% for 12 consecutive months, and most industries kept adding employment. The higher openings in January coincide with the increase in payroll employment and labor force participation we saw in the February jobs report. The healthy demand for labor along with the tightening labor market should lead to wage pressures and more people entering the labor force. We expect the positive trends in the labor market to continue throughout 2016.

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