

US Labor Market Watch

The labor market remains resilient amid uncertain times

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Job creation remains solid, though uncertainty about the outlook has risen

According to the Bureau of Labor Statistics (BLS) figures, private nonfarm payrolls increased by 177K jobs in April, representing an annual growth rate of 1.2%, slightly below the 1.4% observed the previous year. This trend indicates that the labor market maintains a stable dynamic close to its equilibrium level, despite global uncertainty, recent adjustments in tariff policies, and the implementation of DOGE.

The service sector has primarily driven the strength in private sector job creation over several consecutive periods. Notably, the healthcare sector added over 51,000 new jobs, followed by transportation and warehousing with 29,000 jobs, and financial services with 14,000 jobs. Conversely, the federal government sector lost 9,000 jobs due to implementing the DOGE policy; however, state and local governments experienced opposite dynamics, leading to a net positive growth of 10,000 government jobs in April.

Average hourly earnings in the private sector rose at an annual rate of 3.8% and an annualized rate of 2.6% (3-month seasonally adjusted annualized). This moderate wage growth reflects opposing forces: potential labor supply restrictions from migration policies could drive wages upward, while the economic slowdown, evidenced by a slight reduction in job vacancies, acts as a counterbalance.

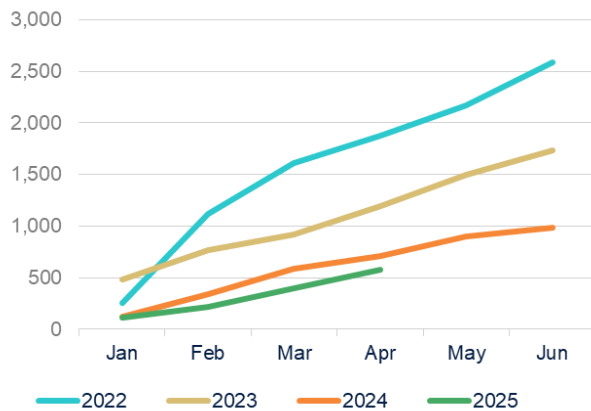
Meanwhile, the household survey shows stability in the labor force participation rate, which remained at 62.6% s.a., with a net incorporation of 518,000 individuals into the labor market. Despite this, the unemployment rate held steady at 4.2%, unchanged from the previous month and aligned with the long-term level estimated by the Federal Reserve. This is consistent with the Beveridge curve, which has recently stabilized at levels similar to pre-pandemic conditions.

Finally, additional data from the March JOLTS report showed no significant changes, registering a slight reduction in the job vacancy rate from 4.5% in March to 4.3% in April. While this might be interpreted as a slight weakening signal, the predominant message remains labor market stability, suggesting uncertainty has not significantly (yet?) affected job creation but maintains businesses in a cautious stance regarding potential future impacts.

In summary, the U.S. labor market exhibits strength and stability amid challenges and significant internal adjustments. However, it remains crucial to closely monitor developments in economic and migration policies and their potential impacts on job creation and wage dynamics in the coming months.

The pace of job creation is still solid

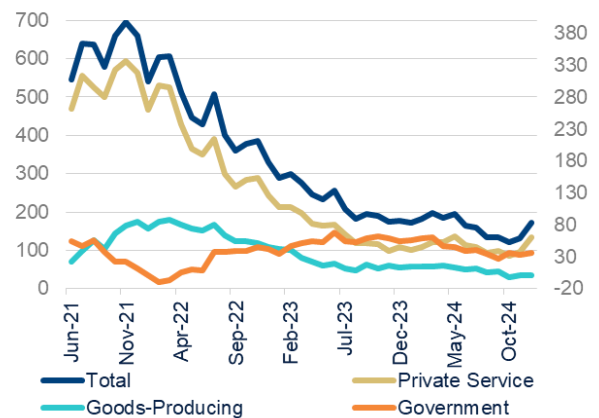
Figure 1. **NONFARM PAYROLL EMPLOYMENT**
(THOUS, CUM. MoM, SA)



Source: BBVA Research based on data by Haver Analytics.

The breakdown is positive, with the private service sector driving up employment...

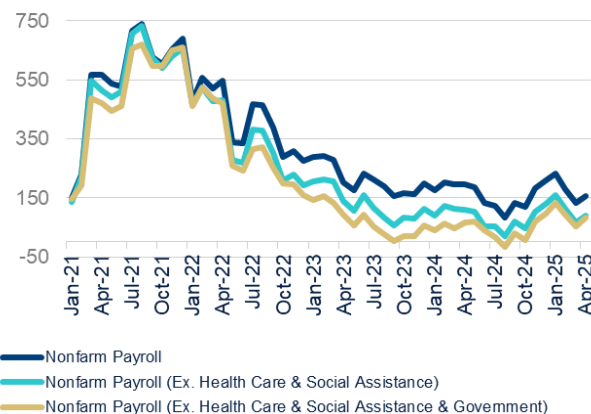
Figure 2. **NONFARM PAYROLL EMPLOYMENT**
(THOUS, MOVING AVG. 6 MONTHS, SA)



Source: BBVA Research based on data by Haver Analytics.

... and with cyclical employment (private, ex., healthcare) doing the heavy lifting recently...

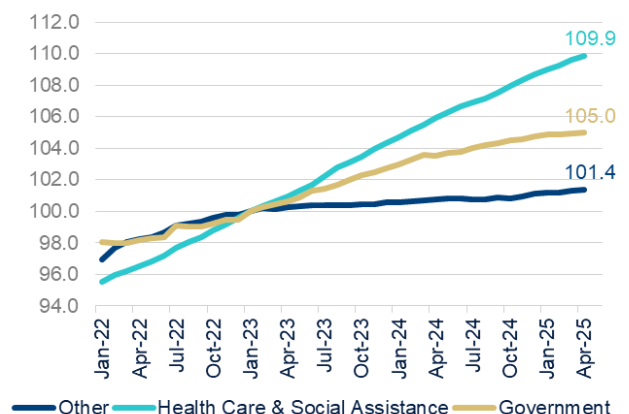
Figure 3. **NONFARM PAYROLL EMPLOYMENT**
(MoM, THOUS, SA 3MMA)



Source: BBVA Research based on data by Haver Analytics.

... after lagging non-cyclical employment during the past few years

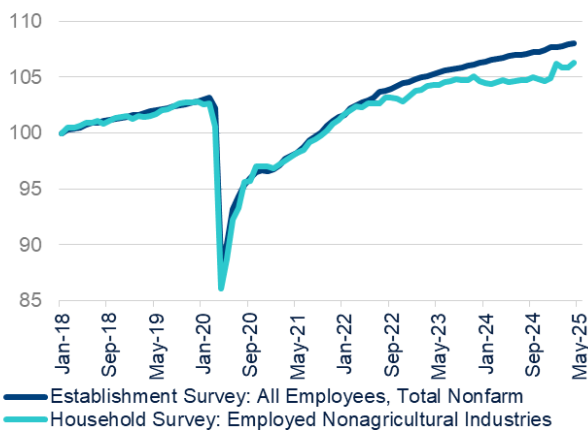
Figure 4. **NONFARM PAYROLL EMPLOYMENT**
(INDEX JAN/2022=100, SA)



Source: BBVA Research based on data by Haver Analytics.

Although there's still a mismatch between surveys, the gap has narrowed

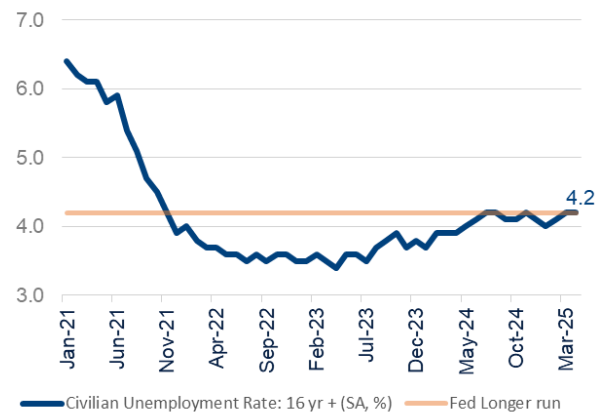
Figure 5. **TOTAL EMPLOYMENT**
(INDEX JAN/2018=100, SA)



Source: BBVA Research based on data by Haver Analytics.

The UR continues to hover around the steady-state level

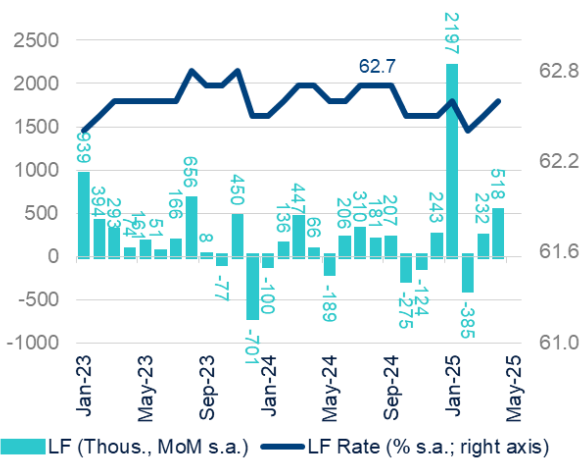
Figure 6. **UNEMPLOYMENT RATE**
(% OF LABOR FORCE, SA)



Source: BBVA Research based on data by Haver Analytics.

The labor force has remained relatively stable

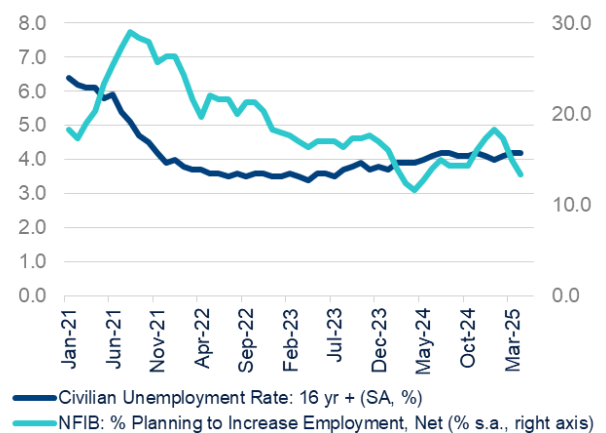
Figure 7. **LABOR FORCE**
(NET VARIATION AND % OF LABOR FORCE, SA)



Source: BBVA Research based on data by Haver Analytics.

A turning point in small firms' hiring plans points to a slower pace of job creation ahead...

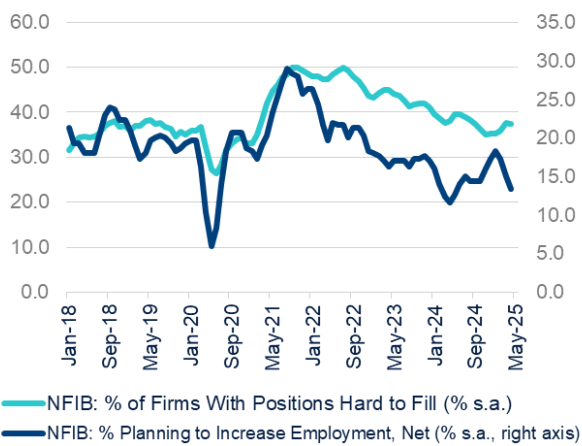
Figure 8. **UNEMPLOYMENT RATE AND NFIB: SMALL BUSINESS ECONOMIC TRENDS**
(% OF LABOR FORCE AND %, MOVING AVG. 3 MONTHS SA)



Source: BBVA Research based on data by Haver Analytics.

... even if they still find some positions hard to fill, which suggests a skill mismatch

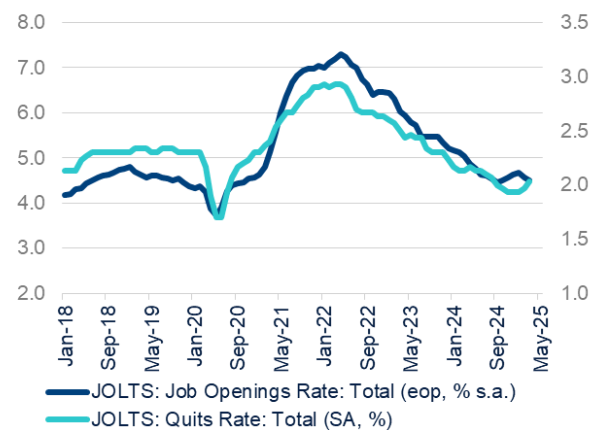
Figure 9. **NFIB: SMALL BUSINESS ECONOMIC TRENDS** (% , MOVING AVG. 3 MONTHS)



Source: BBVA Research based on data by Haver Analytics.

Both job openings and quits point to a more balanced labor market

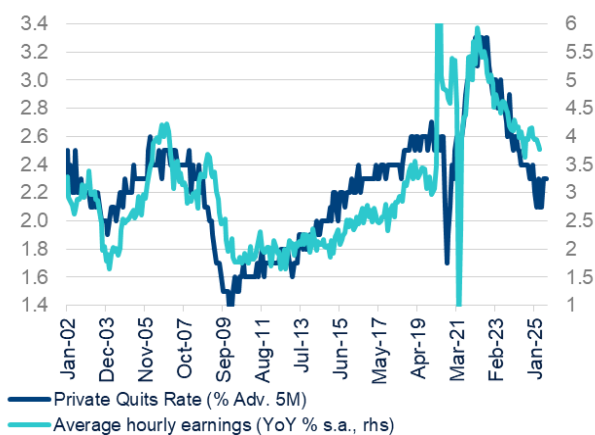
Figure 10. **JOLTS: JOB OPENINGS AND QUILTS RATE** (% , MOVING AVG. 3 MONTHS)



Source: BBVA Research based on data by Haver Analytics.

The fading of excess demand in the labor market points to a further slowdown...

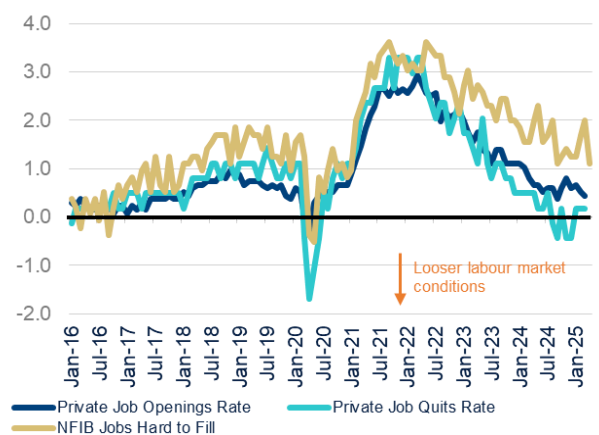
Figure 11. **JOB PRIVATE QUILTS RATE AND AVERAGE HOURLY EARNINGS** (ANNUAL VAR. %, SA)



Source: BBVA Research based on data by Haver Analytics.

... in wage growth in a backdrop of a balanced labor market

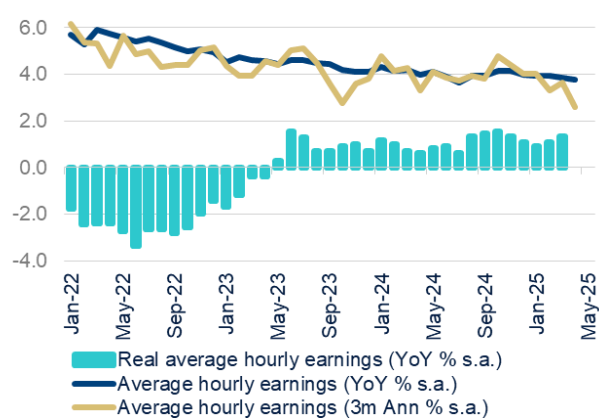
Figure 12. **THE LABOUR MARKET SLACK INDICATORS** (Z-SCORES)



Source: BBVA Research based on data by Haver Analytics.

The 3-month annualized wage growth points to a further easing ahead

Figure 13. **AVERAGE HOURLY EARNINGS**
(ANNUAL VAR. %, SA)

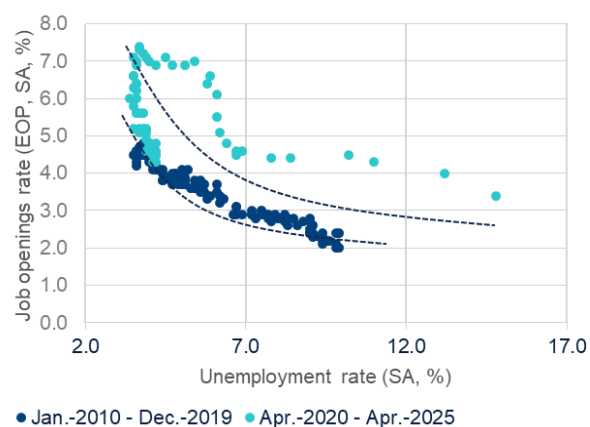


Source: BBVA Research based on data by Haver Analytics.

* Weighted Overall: 3-MMA of Median Wage Growth (NSA, Y/Y %Chg)

The labor market has been moving back towards its pre-pandemic Beveridge curve

Figure 14. **THE BEVERIDGE CURVE**
(%, SA)



Source: BBVA Research based on data by Haver Analytics.

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