RESEARCH

Economic Watch

US

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Economic Analysis

US
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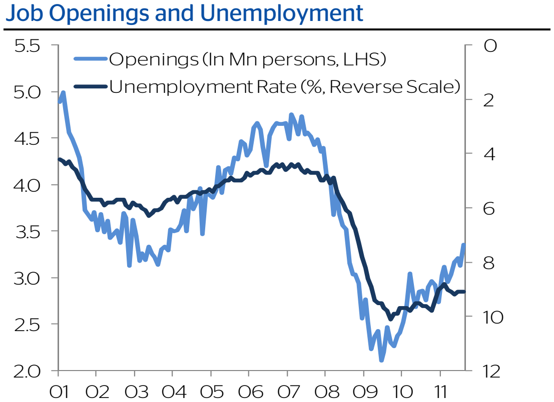
Job Openings and Labor Turnover
Vacancies at Highest Rate since August 2008

- **Job openings surged in September with a rise in the number of quits**
- **Hires are slowly escaping extremely low levels, but still have ground to cover**
- **Average hourly earnings, Beveridge Curve offer conflicting signals**

Will an increase in vacancies spark further hiring?

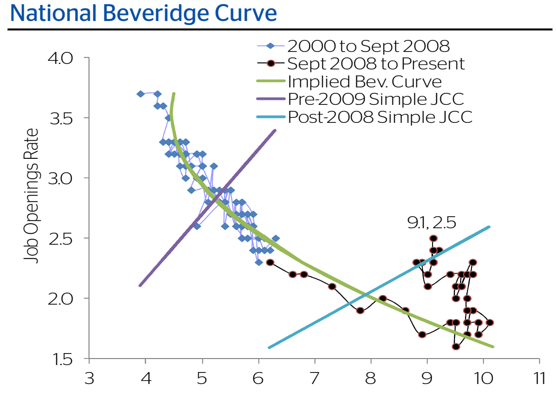
JOLTS data for September hint at gradual improvements in the labor market as the economy gets back on track for recovery. After a weak report in August, the number of job openings jumped to 3.4mn in September, the highest since August 2008, marking a 38% increase since the end of the recession in June 2009. On a seasonally-adjusted basis, most industries and regions experienced an increase in vacancies. A rise in separations could be partially responsible for the significant increase in job openings, with an increase in the number of quits as more employees feel comfortable with the prospect of finding other positions. The number of layoffs and discharges has returned to pre-recession levels, suggesting that businesses may be reaching the end of planned job cuts as a primary cost-cutting strategy. Given that the report is lagged, this data appears to be good foreshadowing for declines in the unemployment rate, which fell slightly to 9.0% in October. The question remains whether businesses are willing to boost hiring enough to push unemployment even lower. The good news is that hiring rates have increased slightly over the past few months, with levels slowly approaching the 5.0mn mark listed when the recession began in January 2008. Over the past year, net employment has increased 1.3mn. The response of hiring to the job openings rate will also be instructive of structural unemployment. At present, the Beveridge Curve is still suggestive of an uptick in structural unemployment, but nominal average hourly earnings growth (Chart 7) remains low, something we expect to persist through 2012 given current inflation expectations. Labor markets are slightly tighter in professional, education and health industries, but an across-the-board looseness is still the predominant trend (Chart 8), an argument against a massive increase in structural unemployment. We continue to expect that the Federal Reserve's estimate of the natural rate of unemployment will creep up gradually over the next several quarters, as it has in the FOMC projections revealed last week.

Chart 1
Job Openings and Unemployment



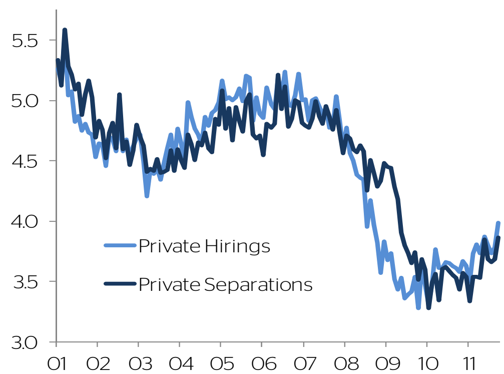
Source: BBVA Research and BLS

Chart 2
National Beveridge Curve



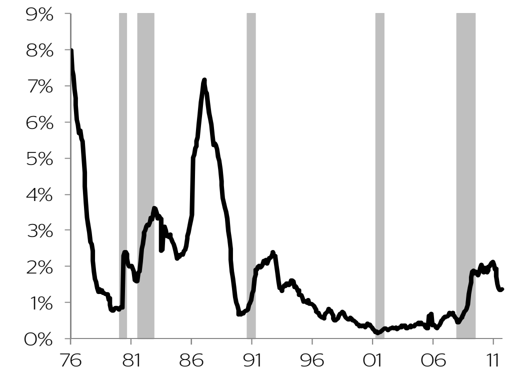
Source: BBVA Research

Chart 3
Private Hirings and Separations, In Mn



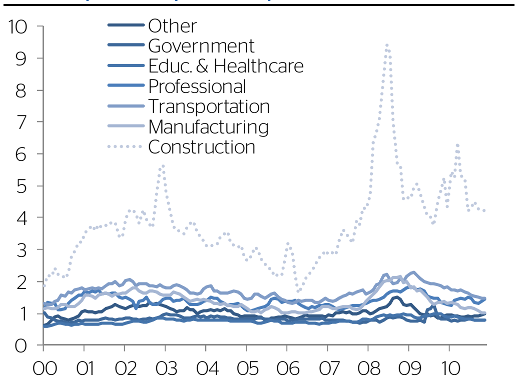
Source: BBVA Research and BLS

Chart 4
Regional Relative Unemployment Variance



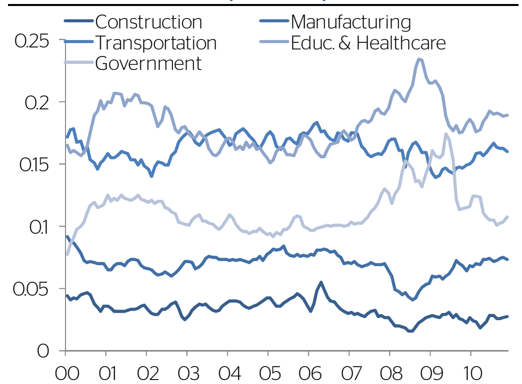
Source: BBVA Research and BLS

Chart 5
Vacancy Yield by Industry. 3MMA



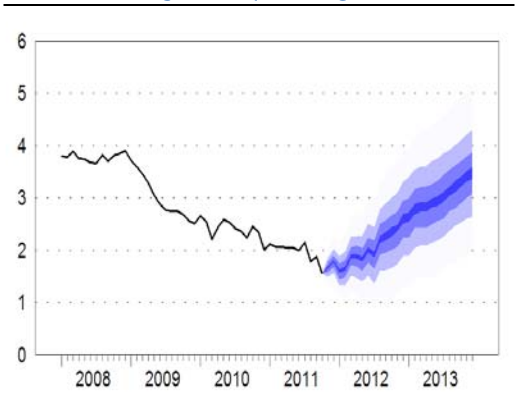
Source: BBVA Research and BLS

Chart 6
Share of Vacancies by Industry, 3MMA



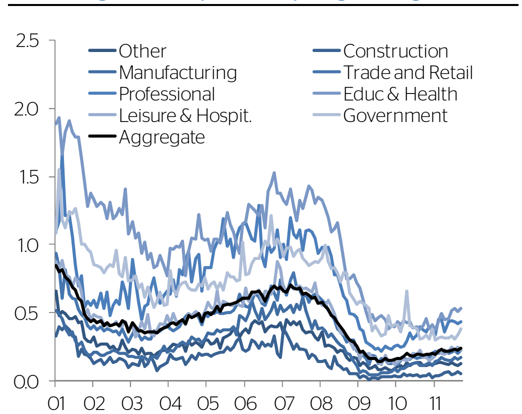
Source: BBVA Research and BLS

Chart 7
Nominal Average Hourly Earnings, YoY %



Source: BBVA Research

Chart 8
Labor Tightness by Industry (higher=tight)



Source: BBVA Research and BLS