



Deutsche Bank
Research

January jobs report: Another strong start to the year

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IMPORTANT RESEARCH DISCLOSURES AND ANALYST CERTIFICATIONS LOCATED IN APPENDIX 1. UNTIL 19th MARCH 2021 INCOMPLETE DISCLOSURE INFORMATION MAY HAVE BEEN DISPLAYED, PLEASE SEE APPENDIX 1 FOR FURTHER DETAILS.



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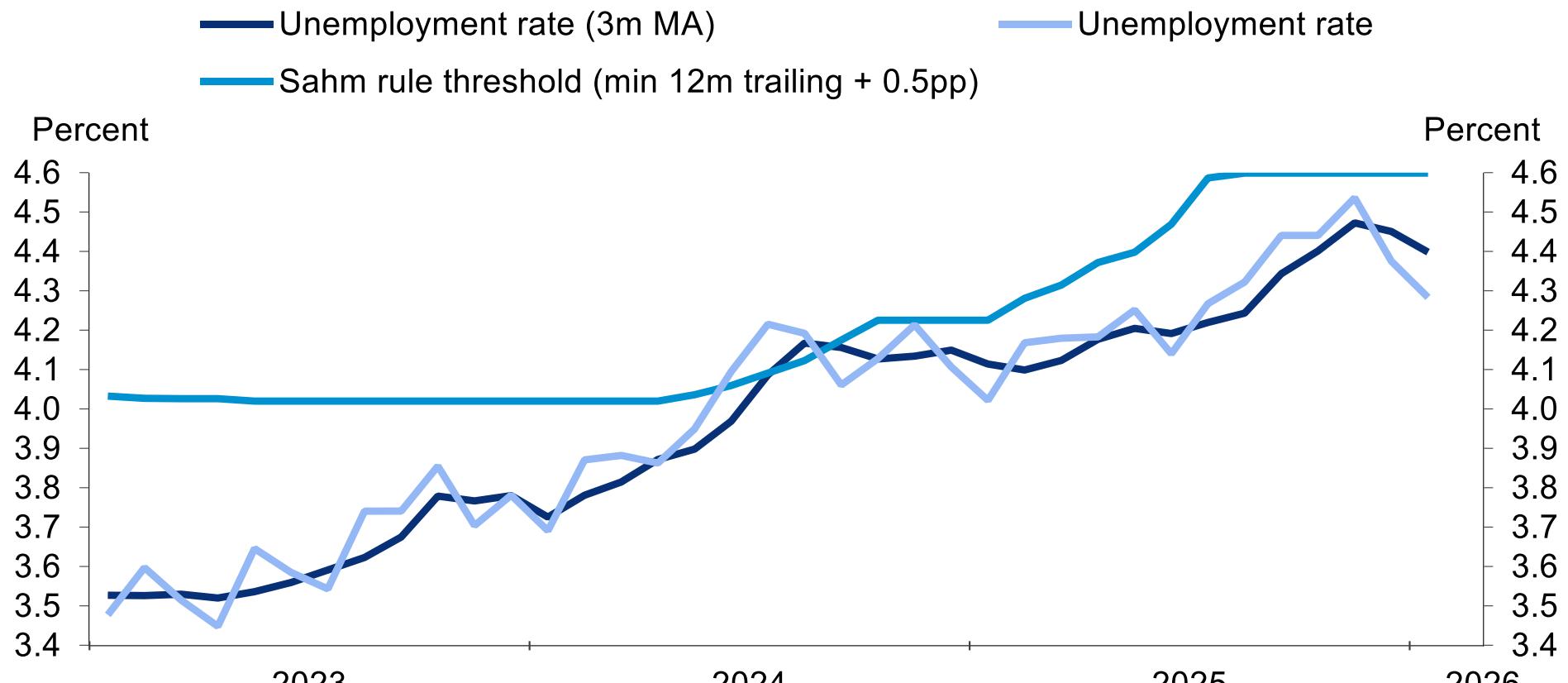


Top charts from the January jobs report



Unemployment rate fell back to 4.283%, moving further away from the Sahm threshold

Sahm rule

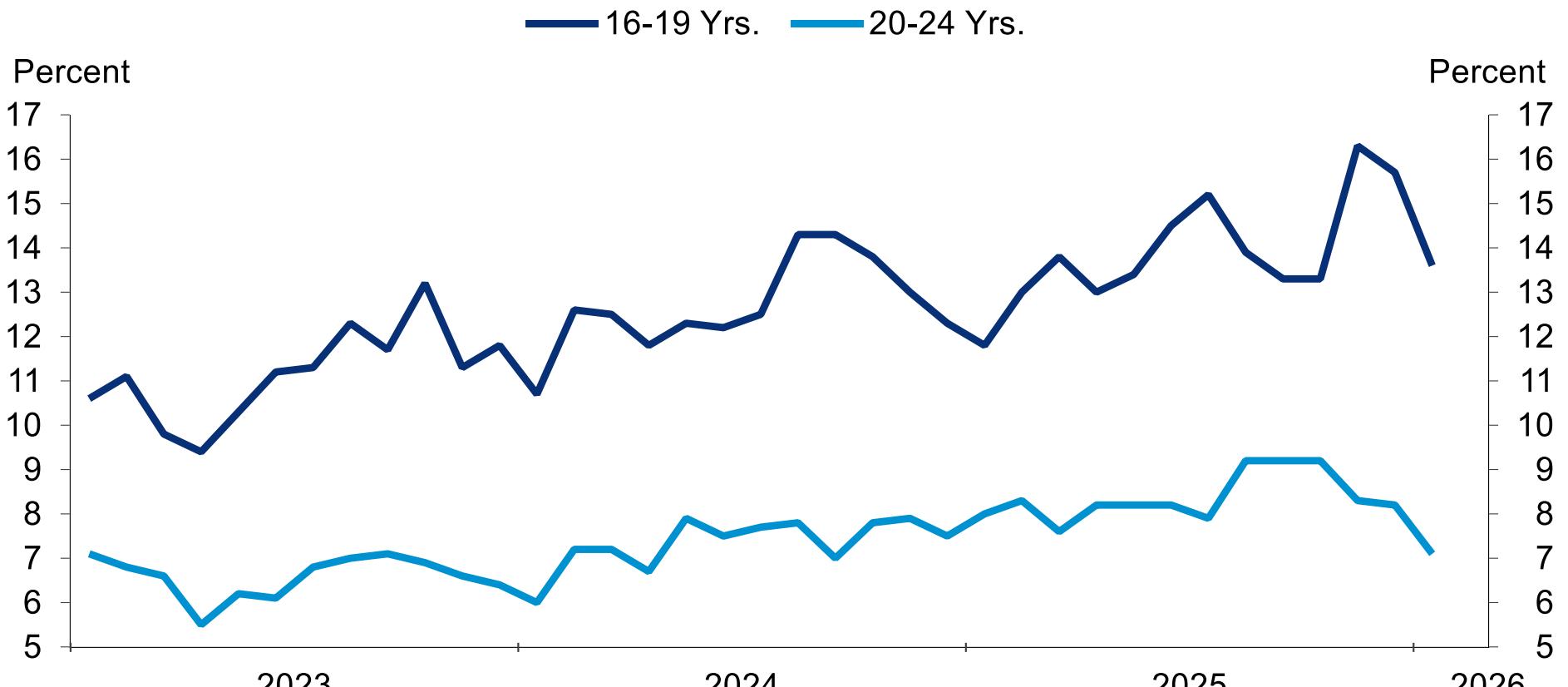


Source: BLS, Macrobond, Deutsche Bank



Unemployment rate fell noticeably for younger ages, especially 20-24, which has declined by 2.1ppts since Sept

Unemployment rate for younger age groups

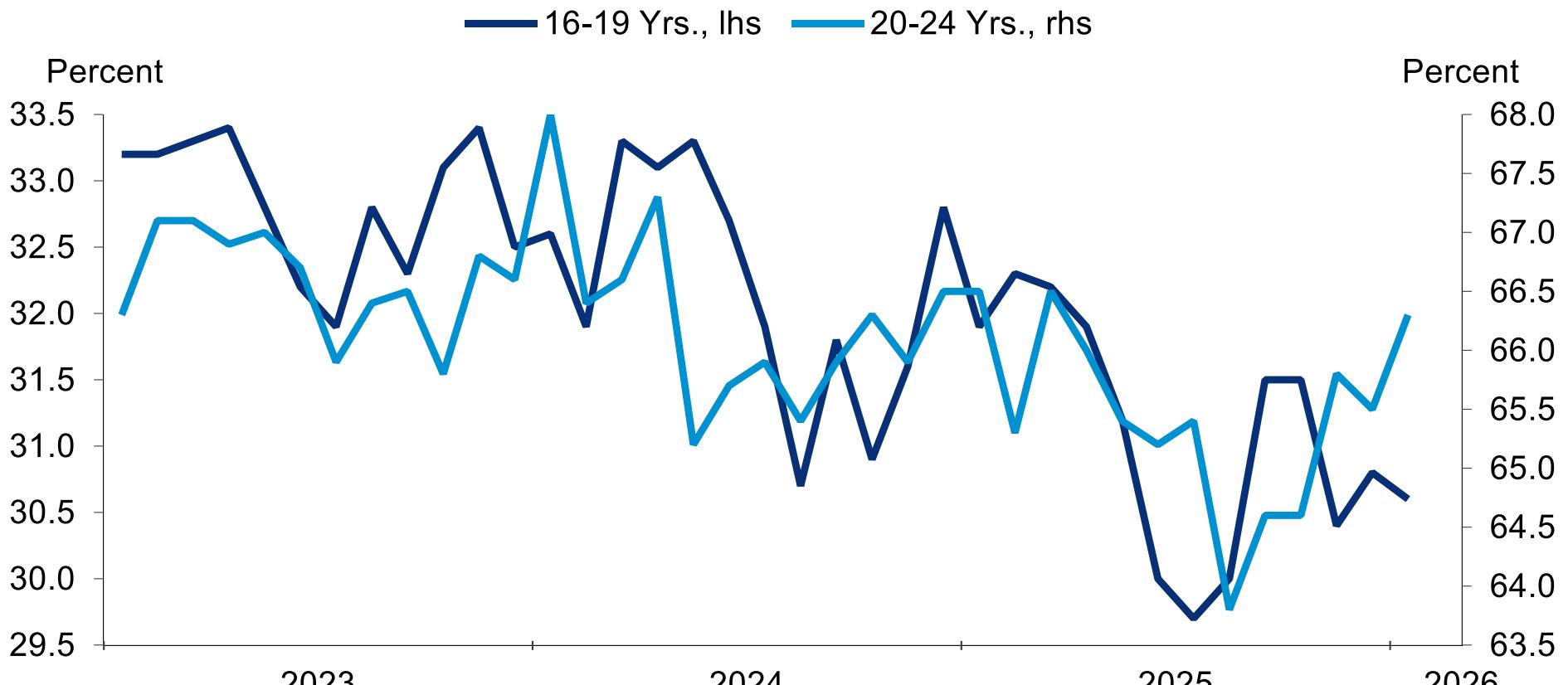


Source: BLS, Macrobond, Deutsche Bank



Employment/population ratio for newer workers has begun to recover

Employment-population ratios for younger age groups

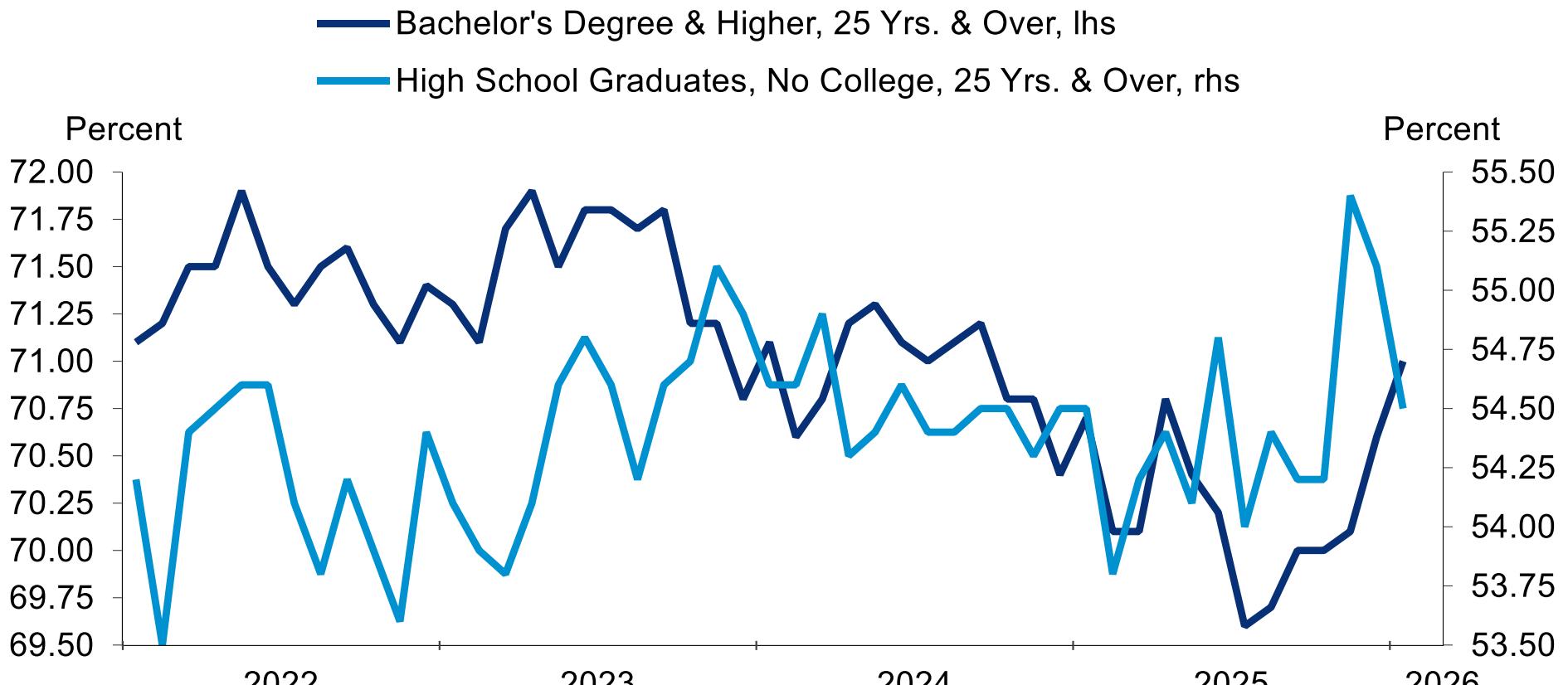


Source: BLS, Macrobond, Deutsche Bank

Employment/population ratio for higher educated workers has continued to recover



Employment-population ratios by education level

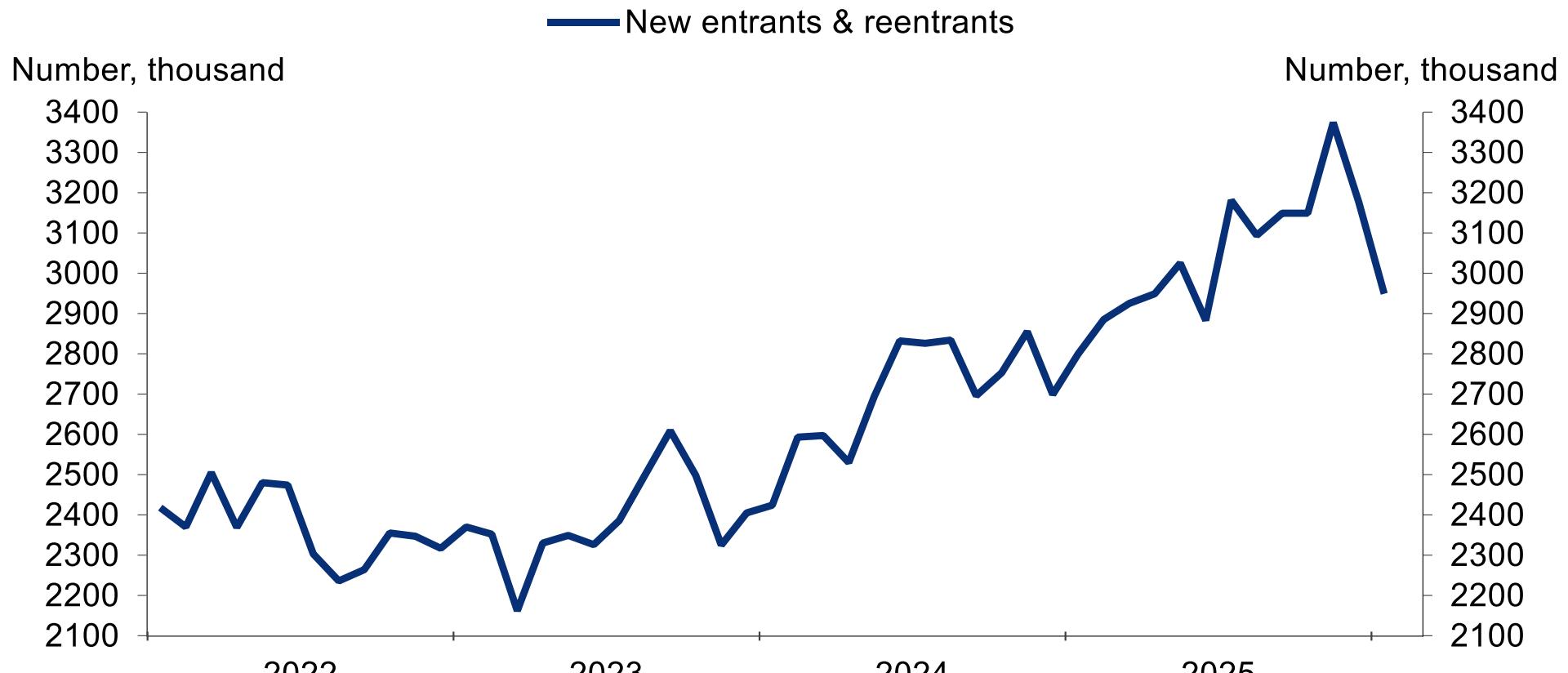


Source: BLS, Macrobond, Deutsche Bank



Decline in unemployment in January driven by a reversal of the rise in reentrants, as expected due to gov't shutdown

New entrants + reentrants into unemployment

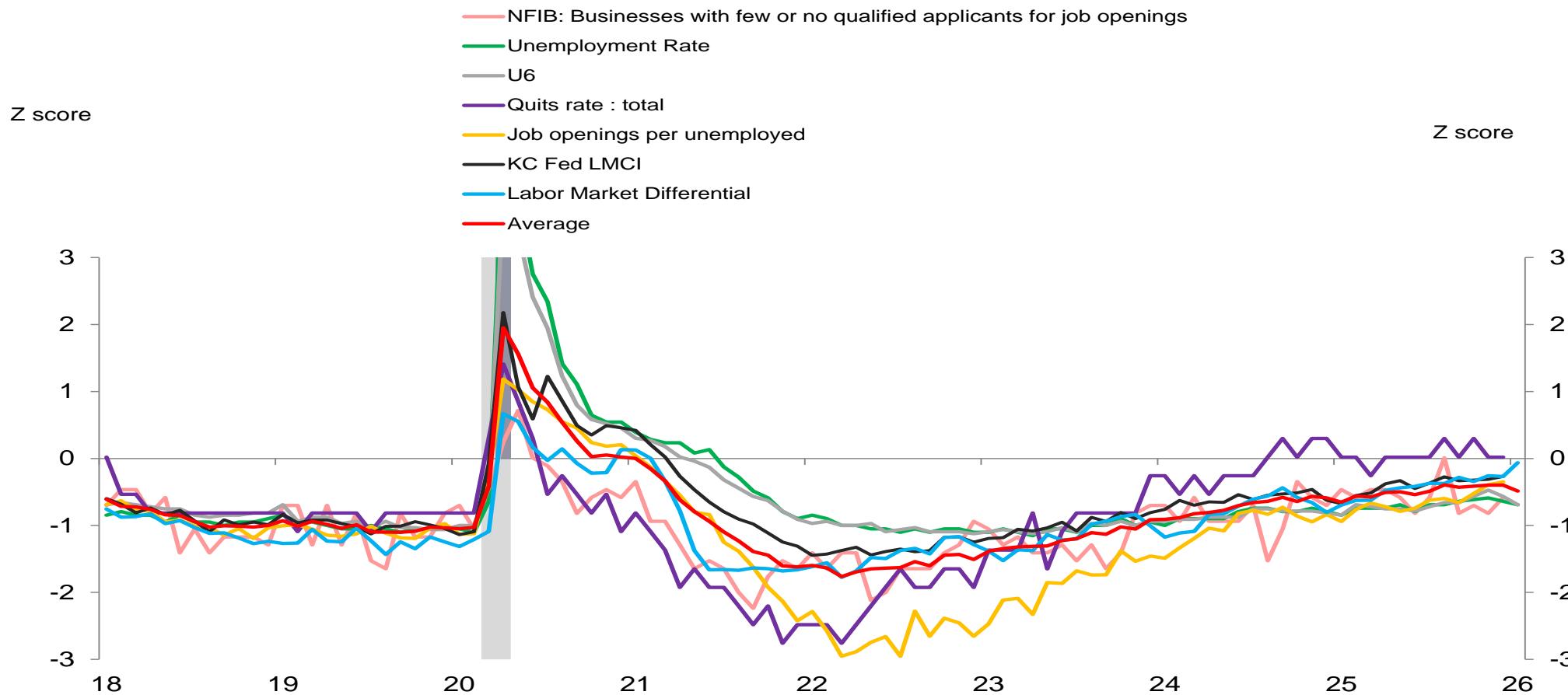


Source: BIS, Macrobond, Deutsche Bank



More generally, measures of labor market slack have on average stabilized in recent months

Z-score for labor market indicators

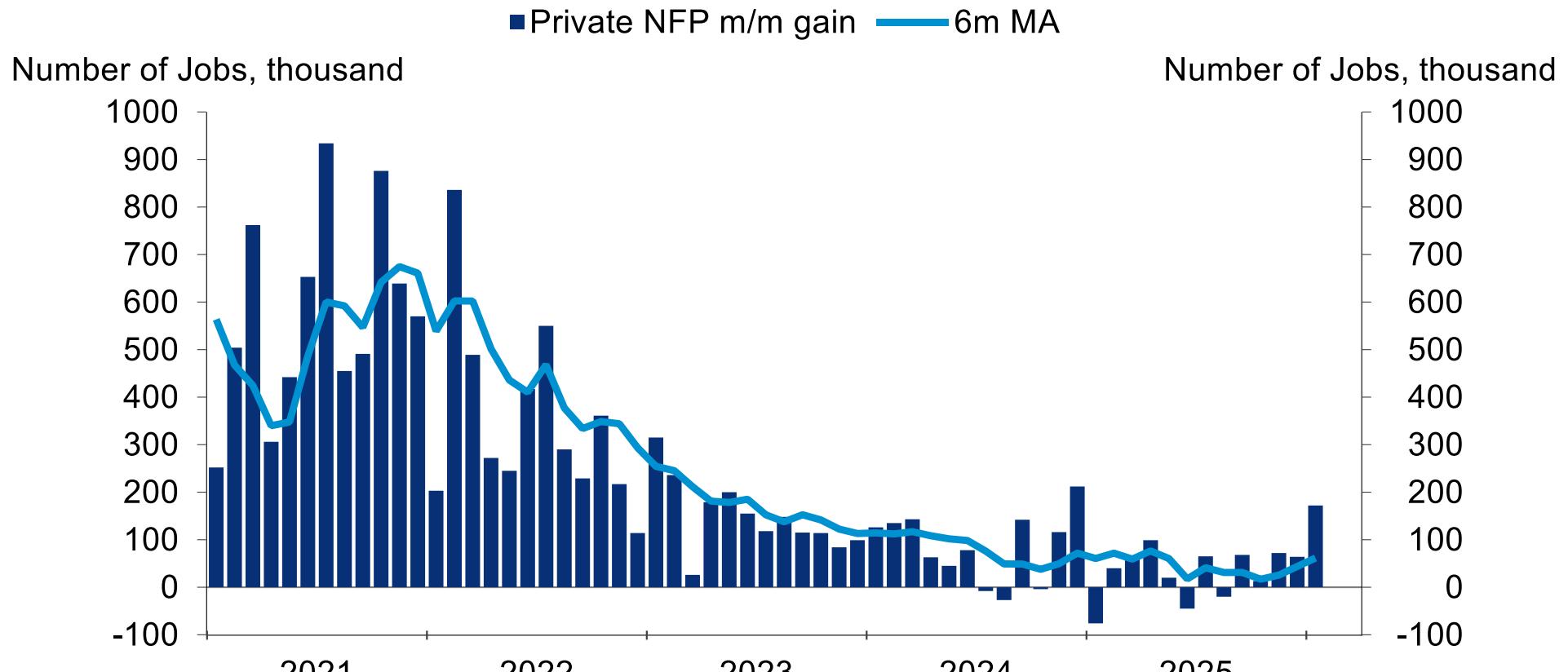


Source: The Conference Board, BLS, FRB Kansas City/ Haver Analytics, Deutsche Bank Research



Private payroll gains of 172k in January well exceeded expectations

Change in private nonfarm payroll employment

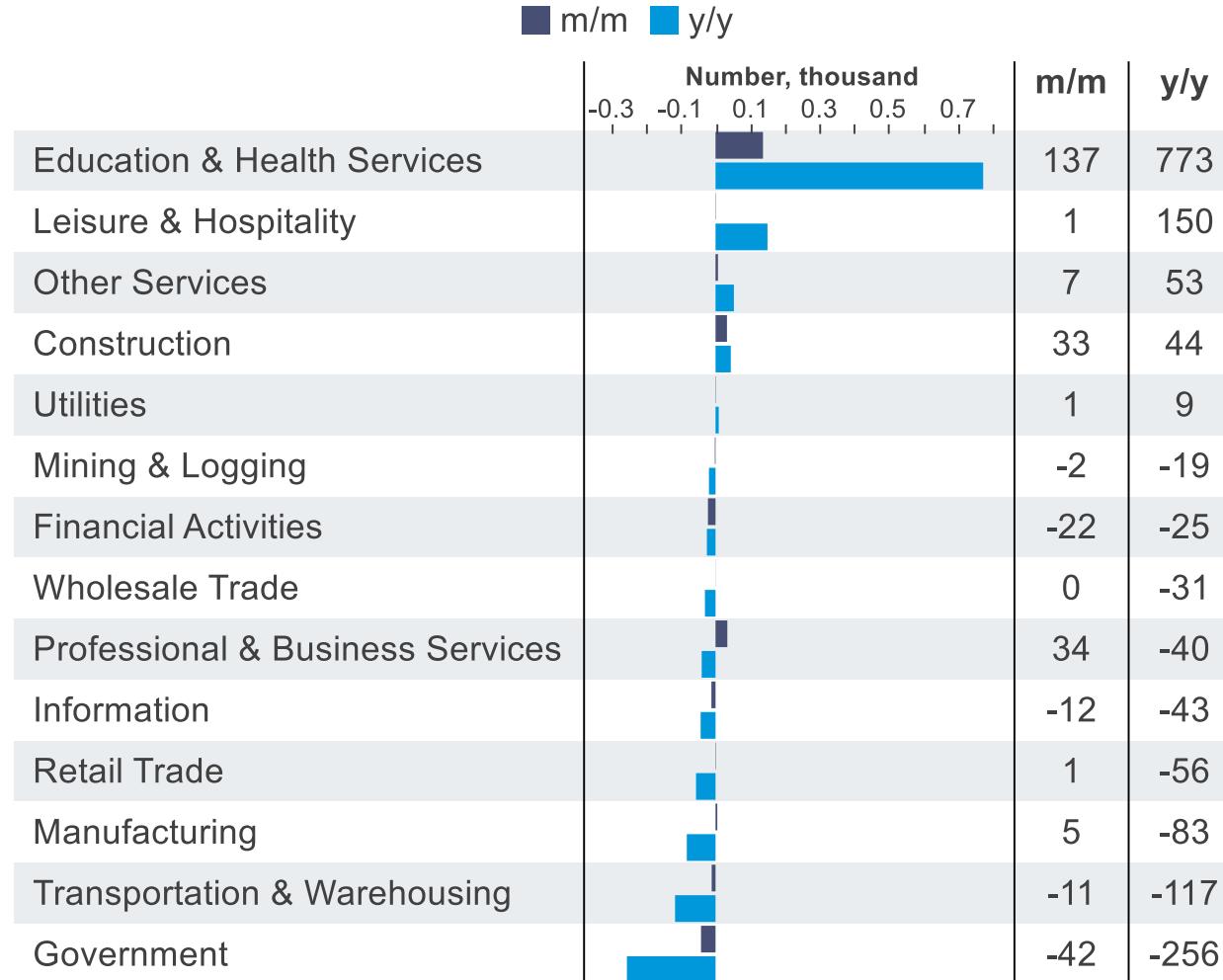


Source: BLS, Macrobond, Deutsche Bank



Though the 137k gain in private education/health – largest since Aug 2020 – accounted for the majority of the beat

Change in payrolls by industry, January 2026

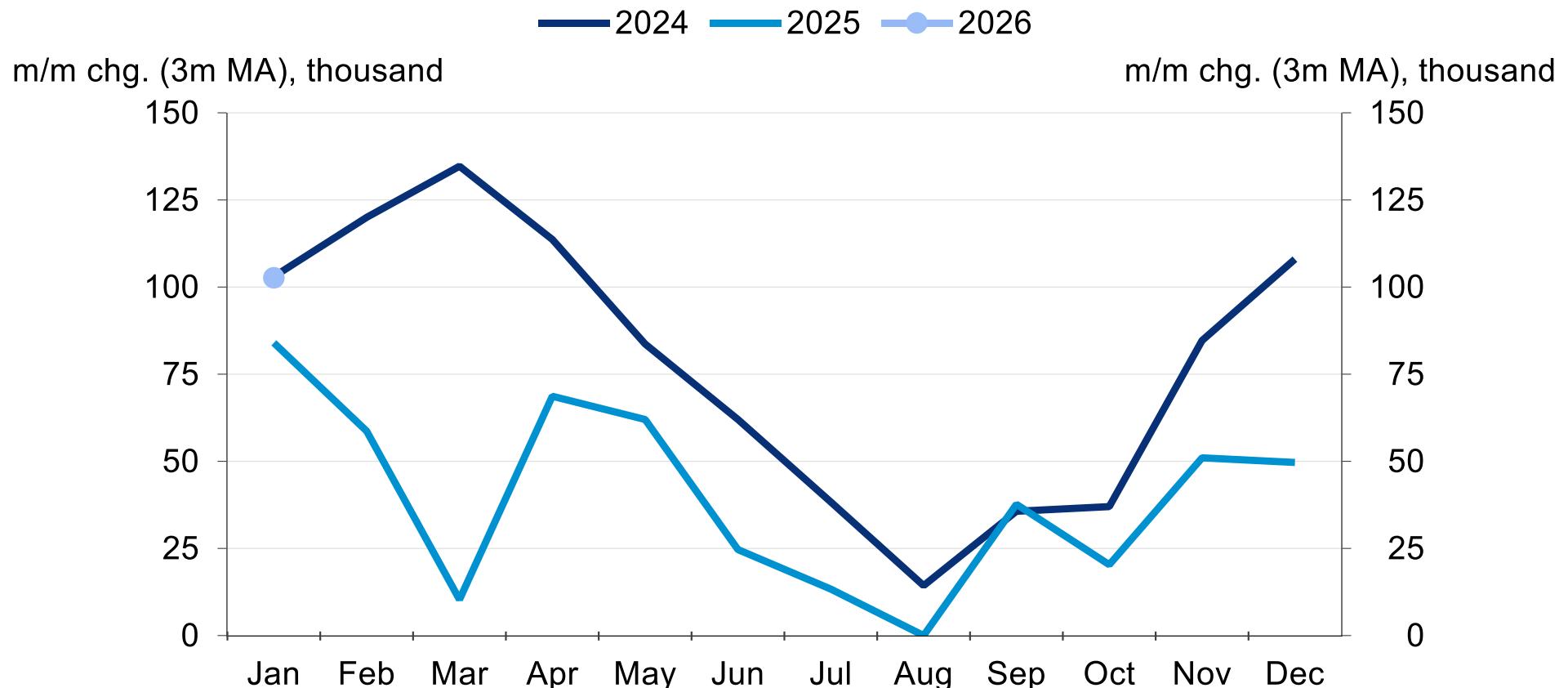


Source: BLS, Macrobond, Deutsche Bank



Recent trend in private payroll gains higher than beginning of last year, in line with 2024

Private payroll gains

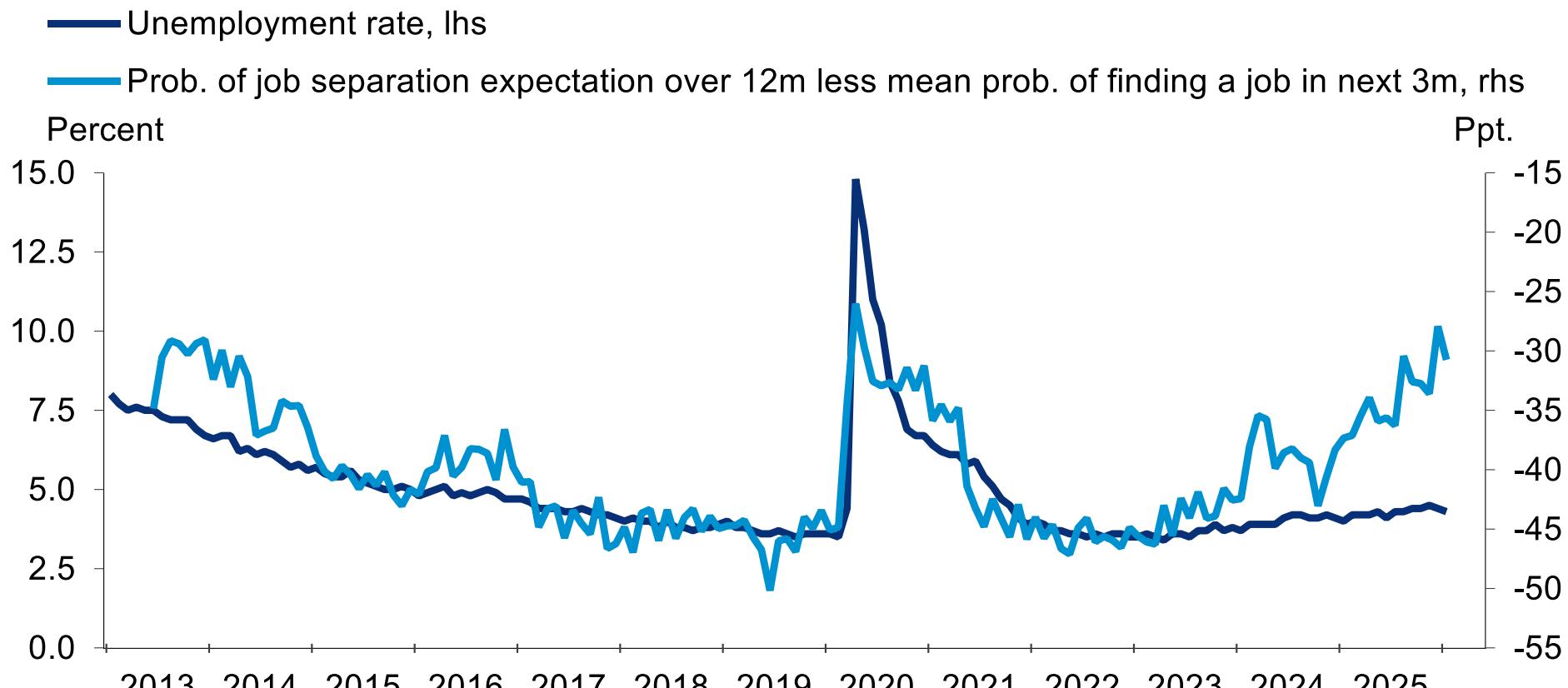


Source: BLS, Macrobond, Deutsche Bank



Labor market sentiment is materially worse than data on the unemployment rate

Unemployment rate and FRB NY labor market sentiment

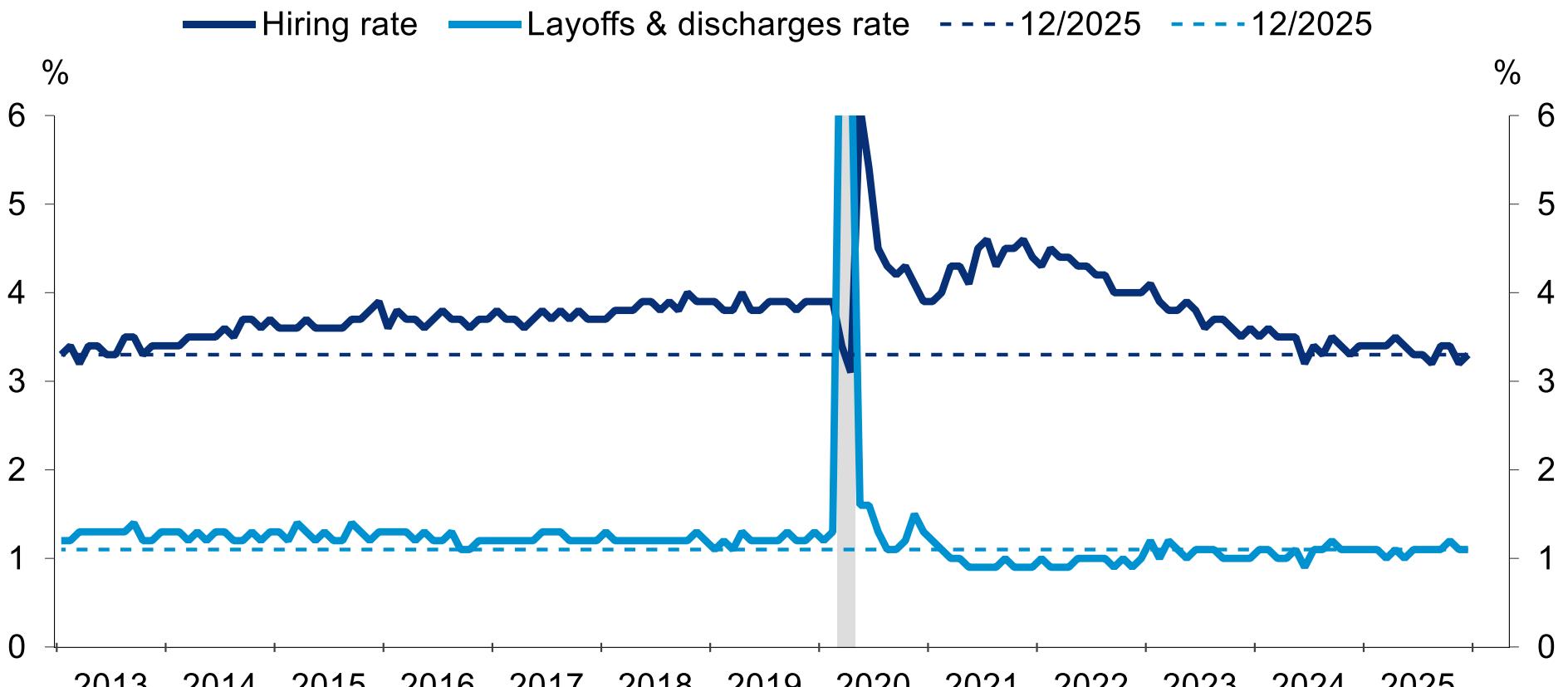


Source: BLS, New York Fed, Macrobond, Deutsche Bank



The labor market continues a fragile equilibrium with low hiring and firing

Hires, discharge and layoff rates

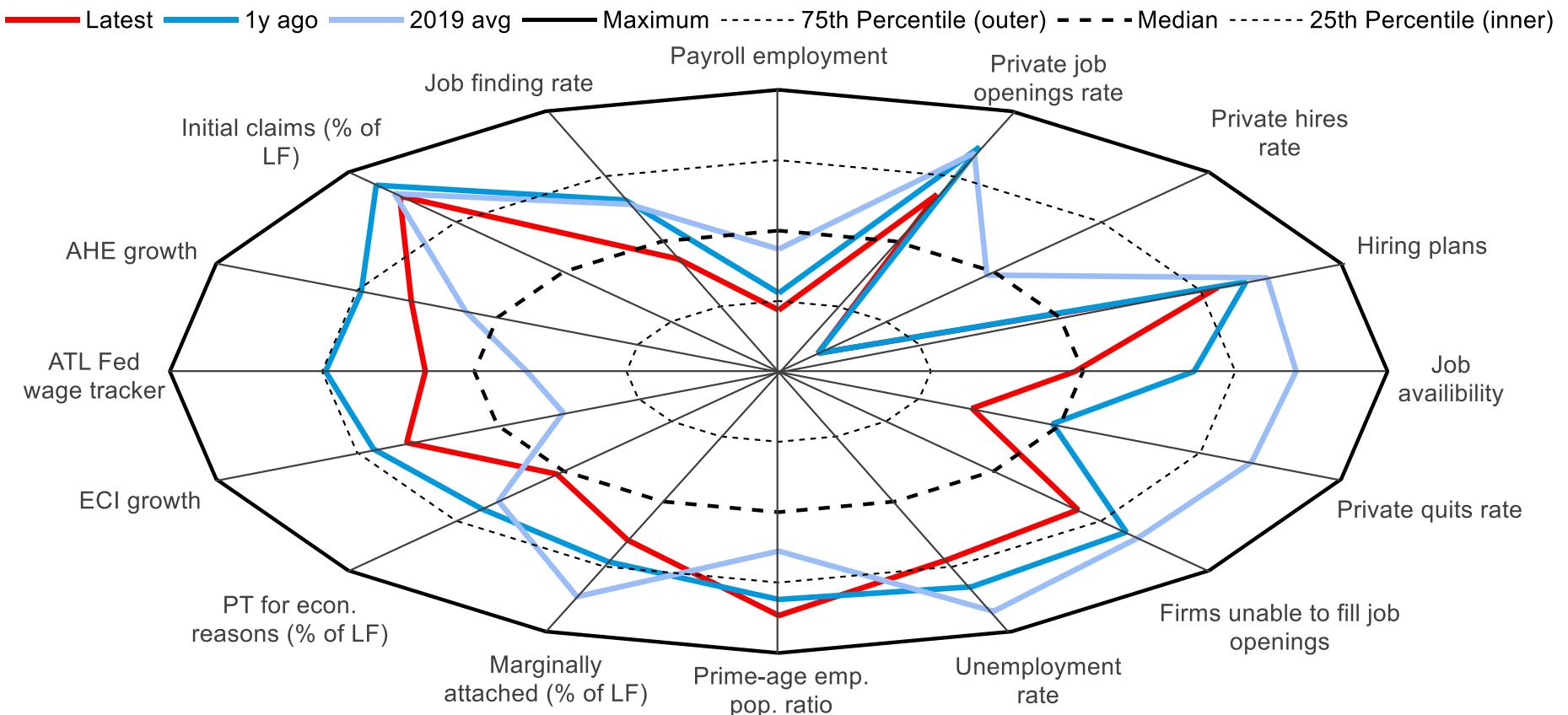


Source: BLS, Macrobond, Deutsche Bank



Labor market weaker than a year ago and mixed relative to pre-pandemic

Labor market distributions



Source: BLS, NFIB, TCB, Atlanta Fed, DOL, Macrobond, Deutsche Bank



Payrolls deep dive



January headline payroll gain of 130k reflected ongoing government layoffs

Change in nonfarm payroll employment

■ NFP m/m gain — 6m MA

Number of Jobs, thousand

1000
900
800
700
600
500
400
300
200
100
0
-100
-200

2021 2022 2023 2024 2025

Number of Jobs, thousand

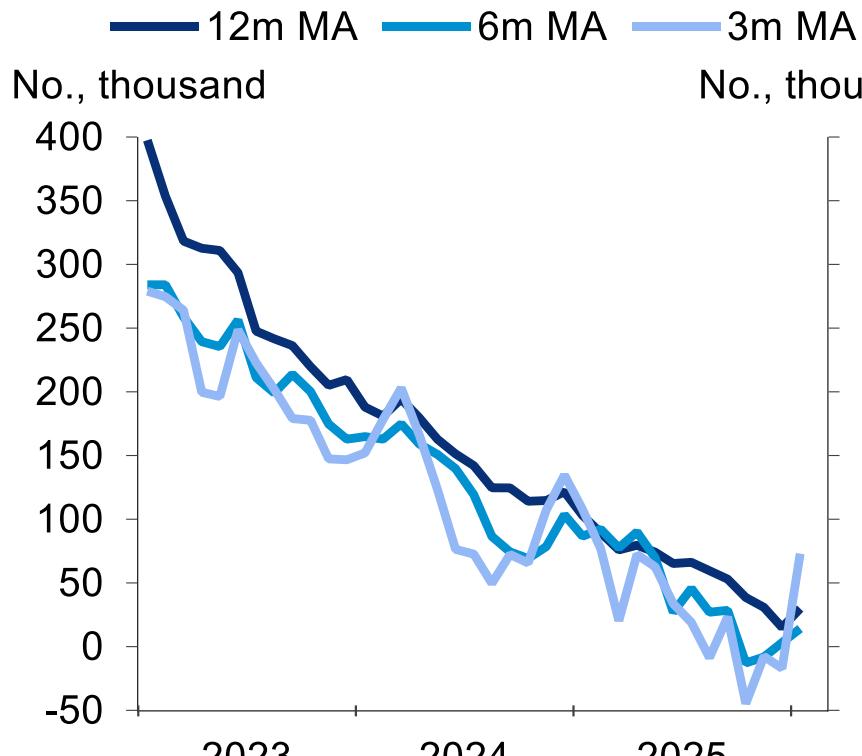
1000
900
800
700
600
500
400
300
200
100
0
-100
-200

Source: BLS, Macrobond, Deutsche Bank

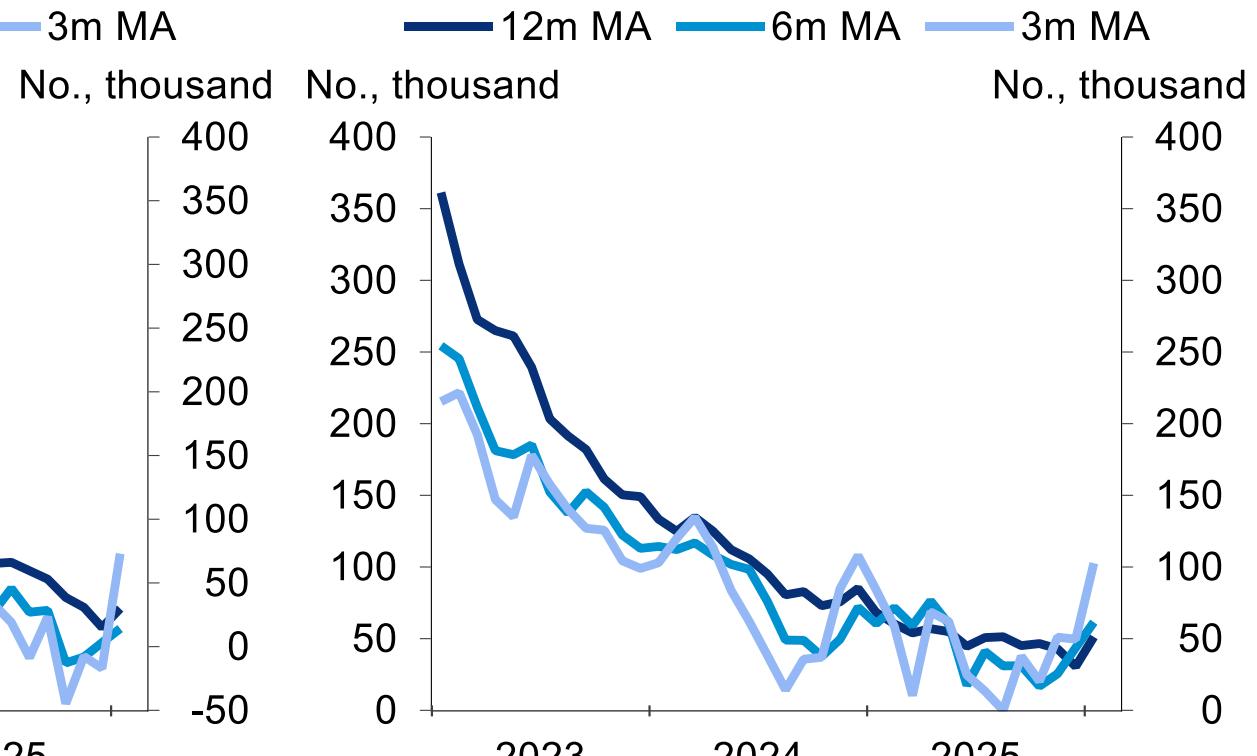


The 3-, 6- and 12-month averages paint the picture of stable job gains, though at a historically low level

Smoothed monthly gains in headline nonfarm payrolls



Smoothed monthly gains in private nonfarm payrolls



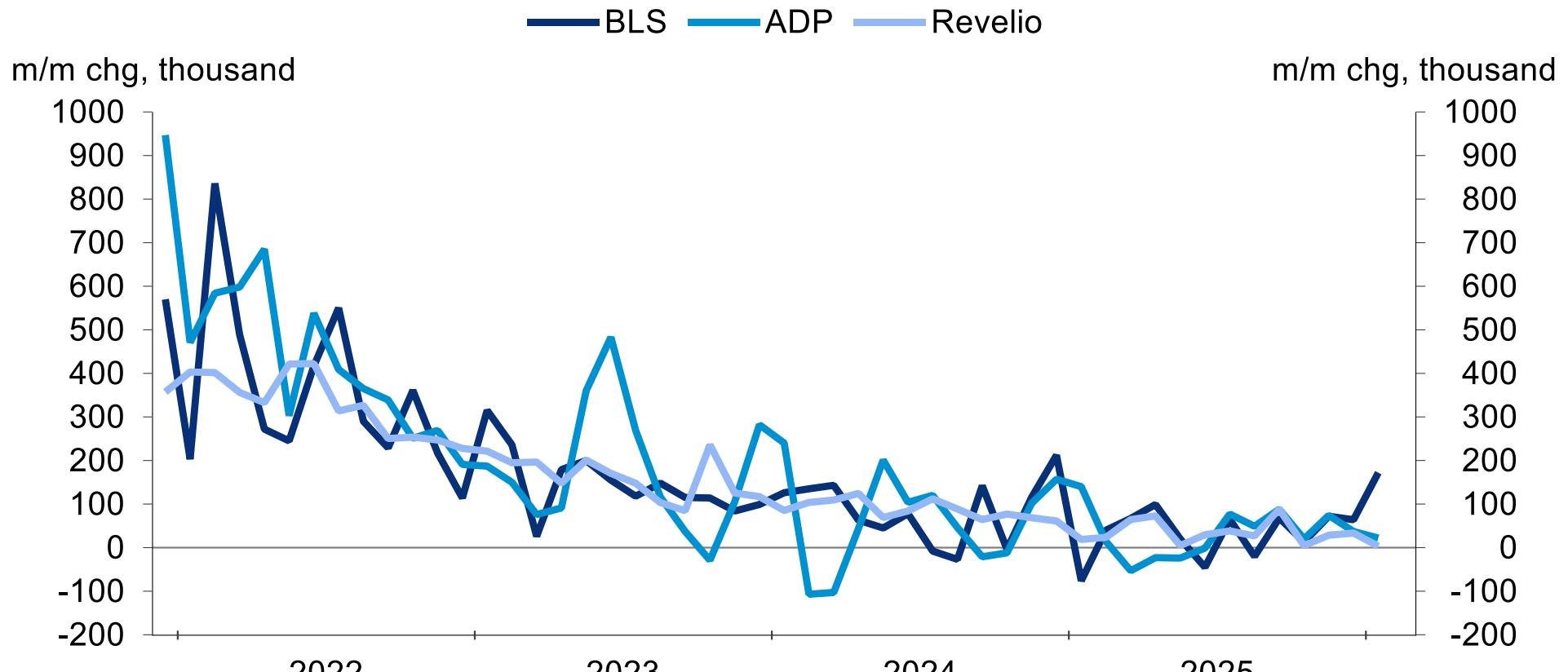
Source: BLS, Macrobond, Deutsche Bank

Source: BLS, Macrobond, Deutsche Bank



Alternative labor market measures broadly consistent with NFP

Private payroll gains

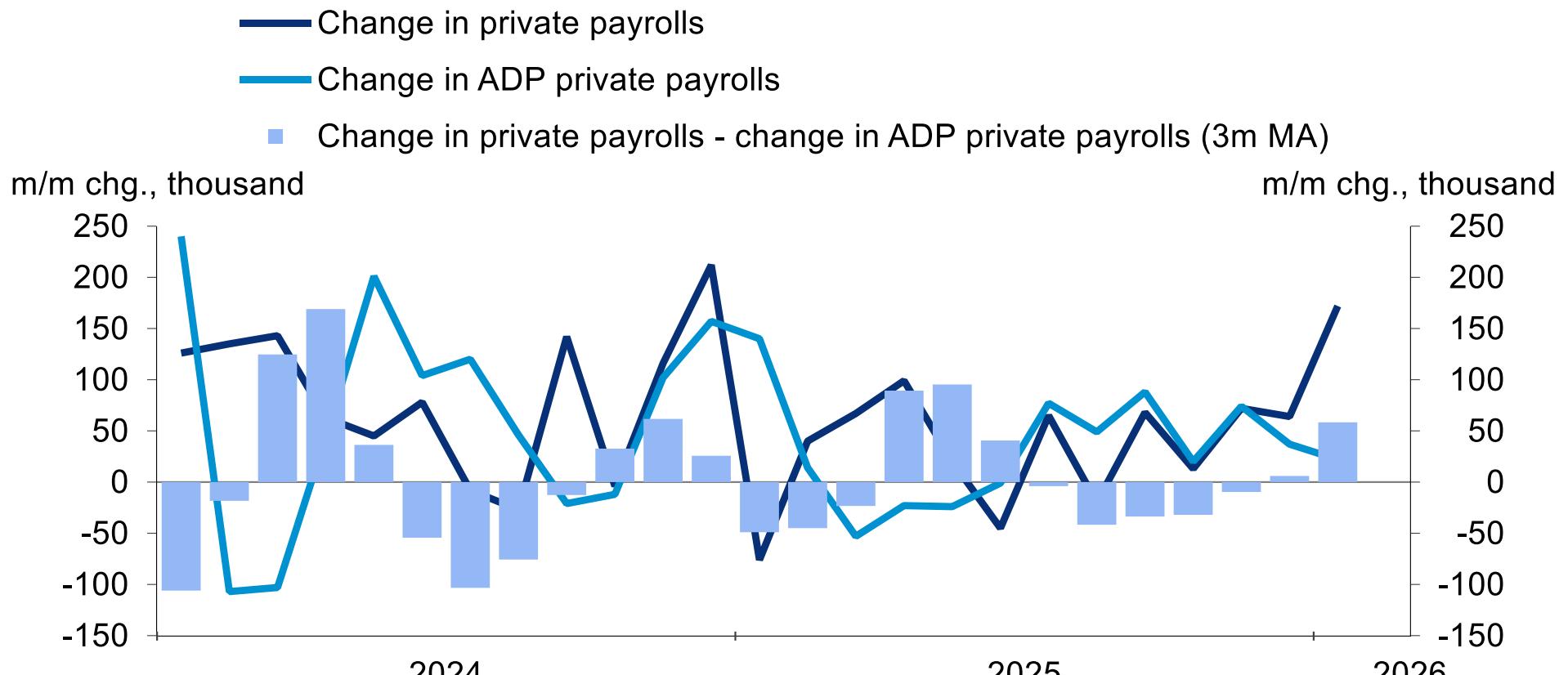


Source: BLS, ADP, Revelio Labs, Macrobond, Deutsche Bank



ADP private payroll change significantly less than BLS in January

ADP vs. NFP

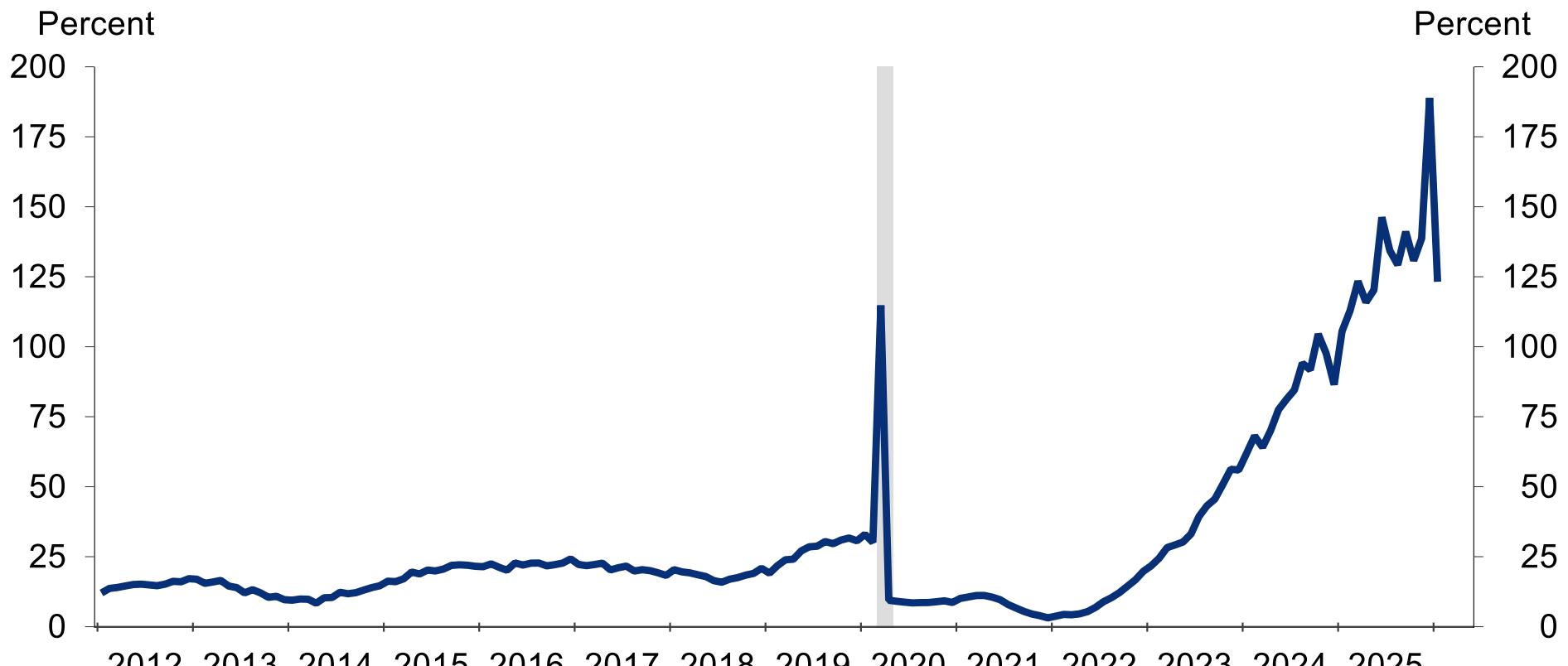


Source: BLS, ADP, Macrobond, Deutsche Bank



Health care/social assistance jobs have consistently accounted for nearly all of private payroll gains

Share of private payroll gains over the past year from health care and social assistance

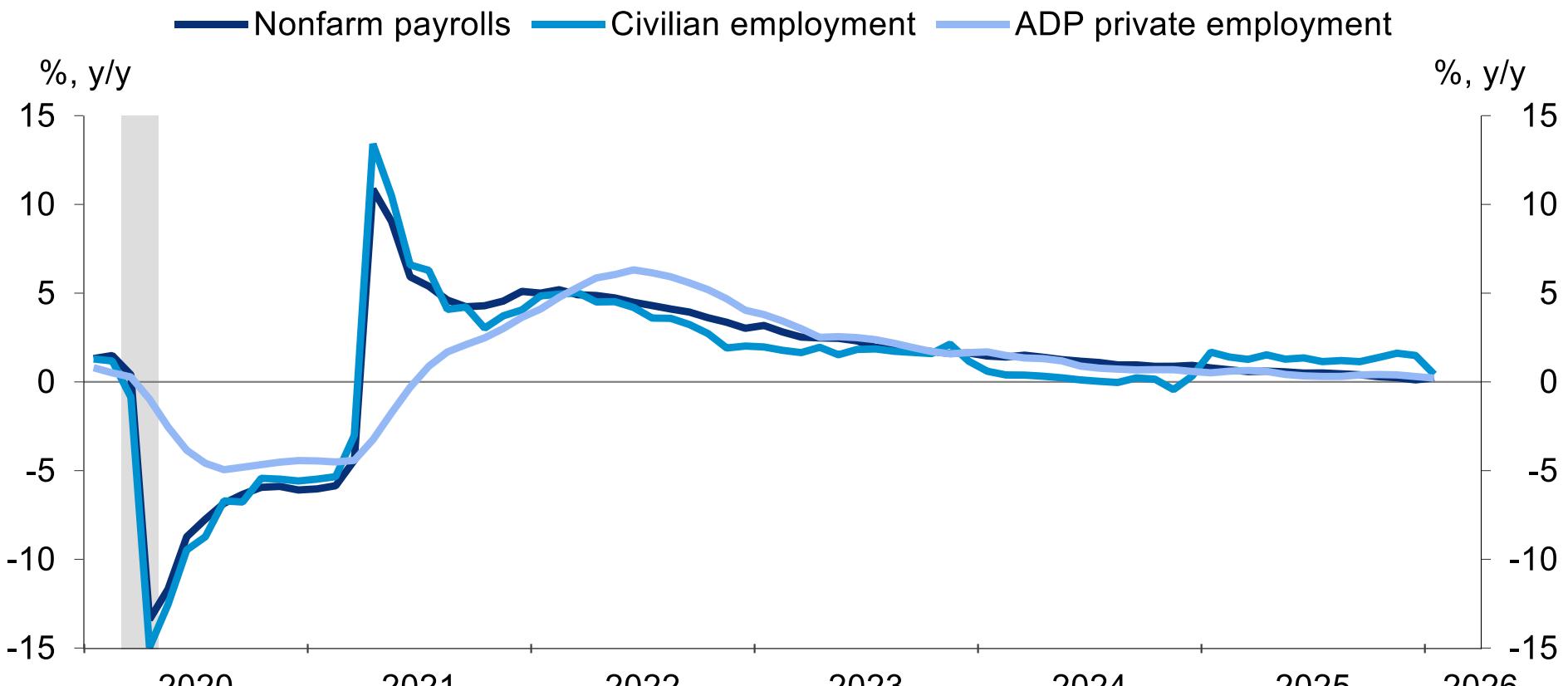


Source: BLS, Macrobond, Deutsche Bank



Job growth trends in the establishment & ADP surveys are broadly similar

Employment growth measures

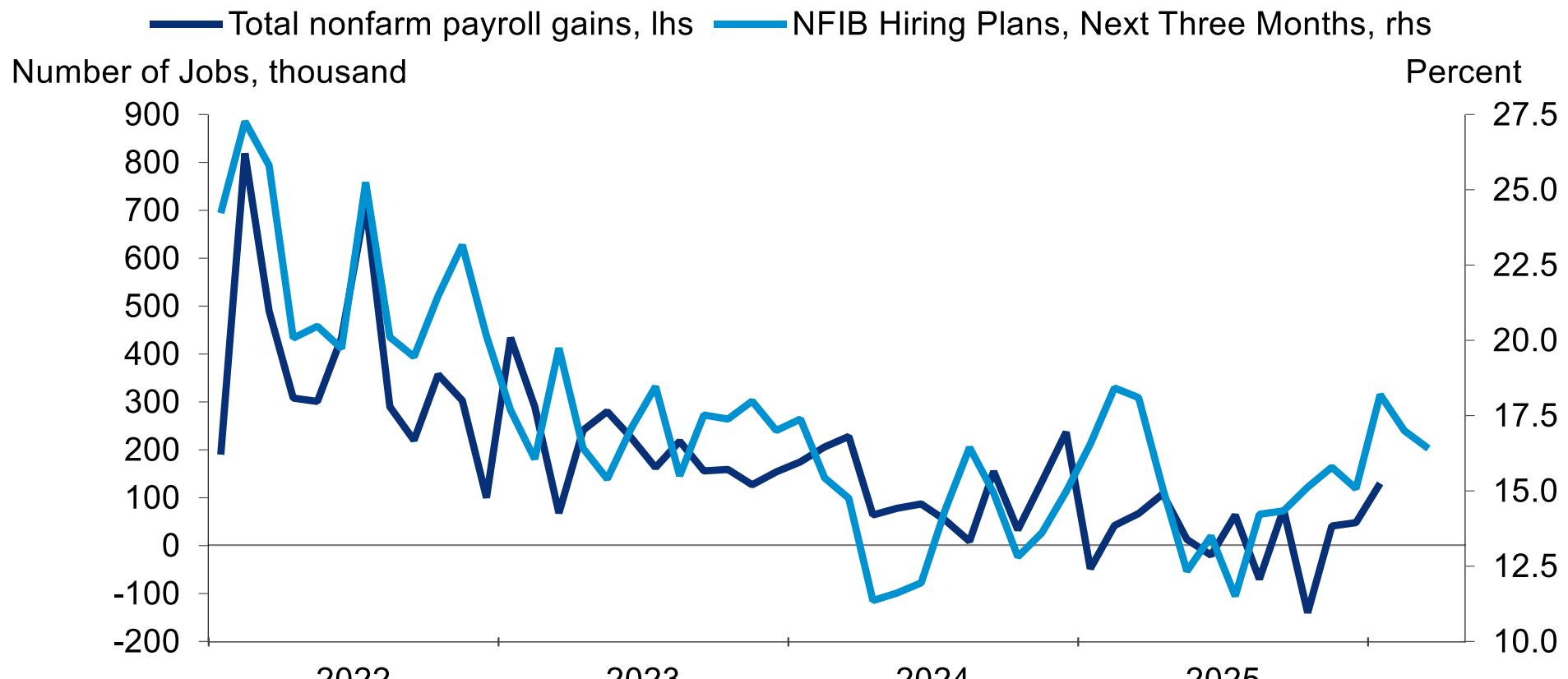


Source: BLS, ADP, Macrobond, Deutsche Bank



Small business hiring plans have improved a bit, sending a somewhat more upbeat view on employment

Small business hiring plans lead actual job gains



Source: BLS, NFIB, Macrobond, Deutsche Bank

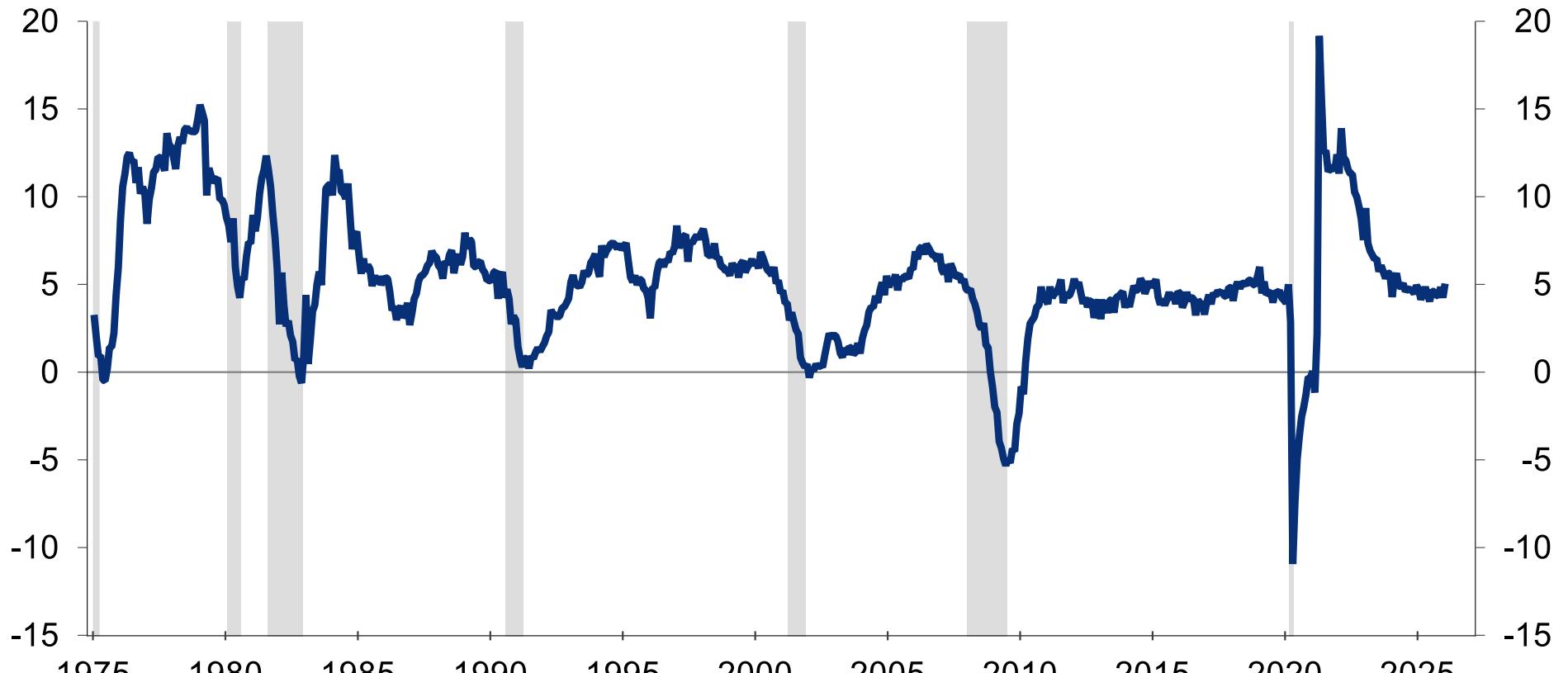
Proxy for income growth at 4.8% - near low end of post-Covid range



Payroll proxy for nominal income growth

Percent, y/y

Percent, y/y

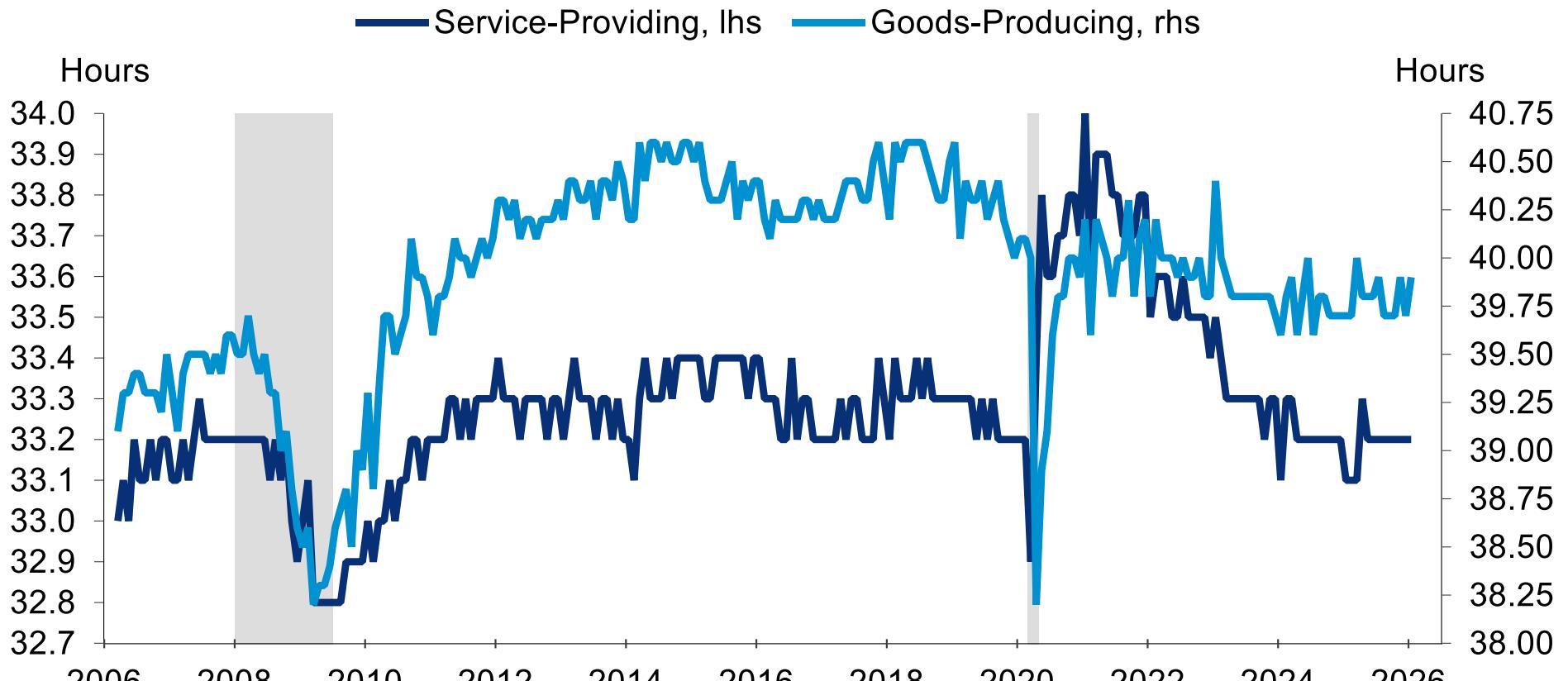


Source: BLS, Macrobond, Deutsche Bank



Hours worked ticked up a tenth to 34.3 in January

Average hours worked

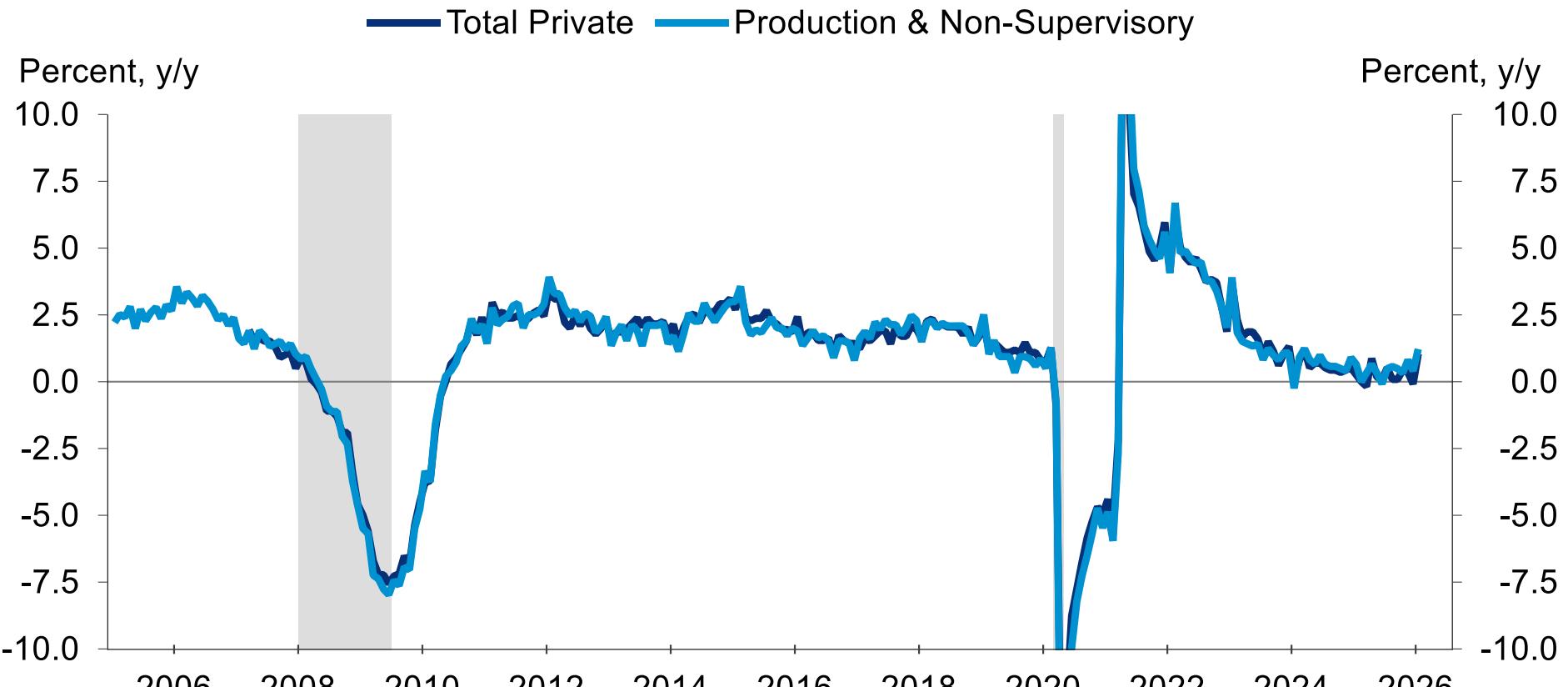


Source: BLS, Macrobond, Deutsche Bank



Aggregate hours worked still tracking close to 2019 growth rates

Aggregate weekly hours index

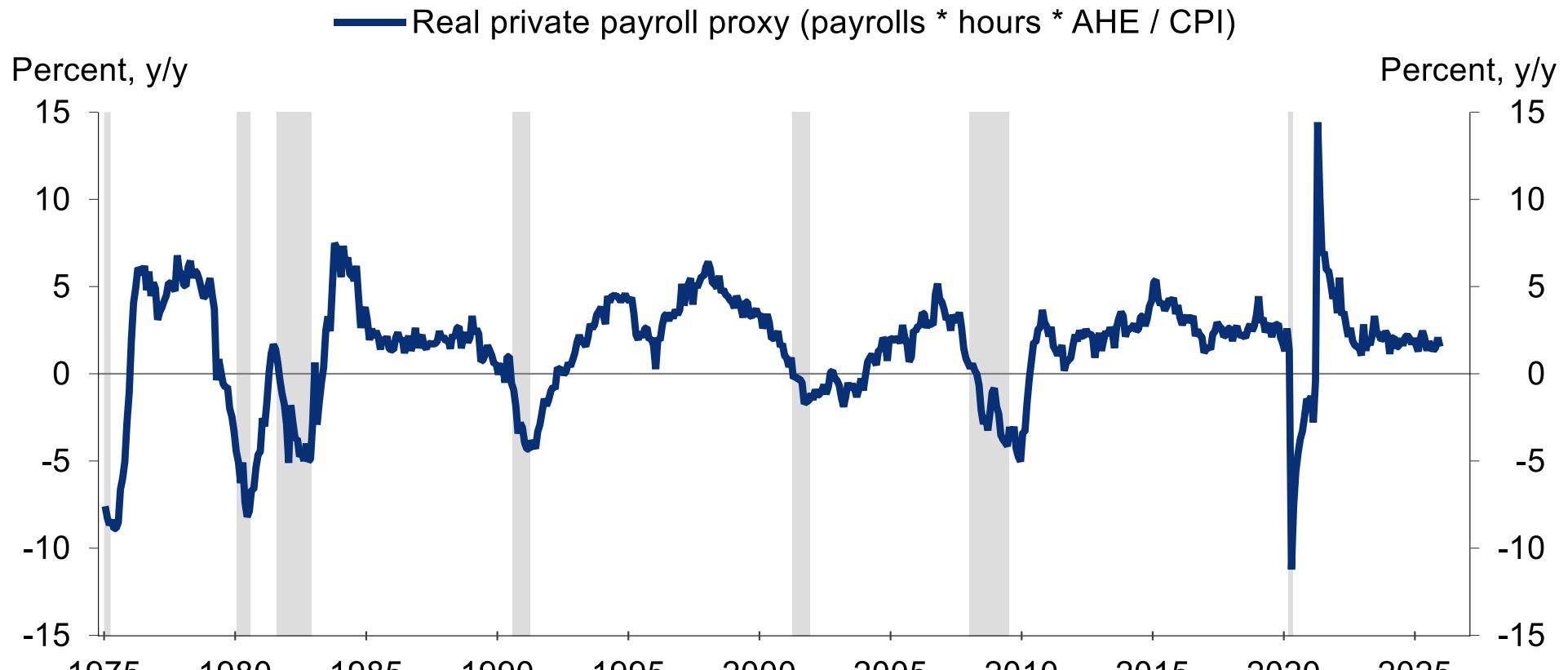


Source: BLS, Macrobond, Deutsche Bank



Real income growth from the payroll proxy middle of the pre-pandemic range

Real aggregate income growth from the payroll proxy

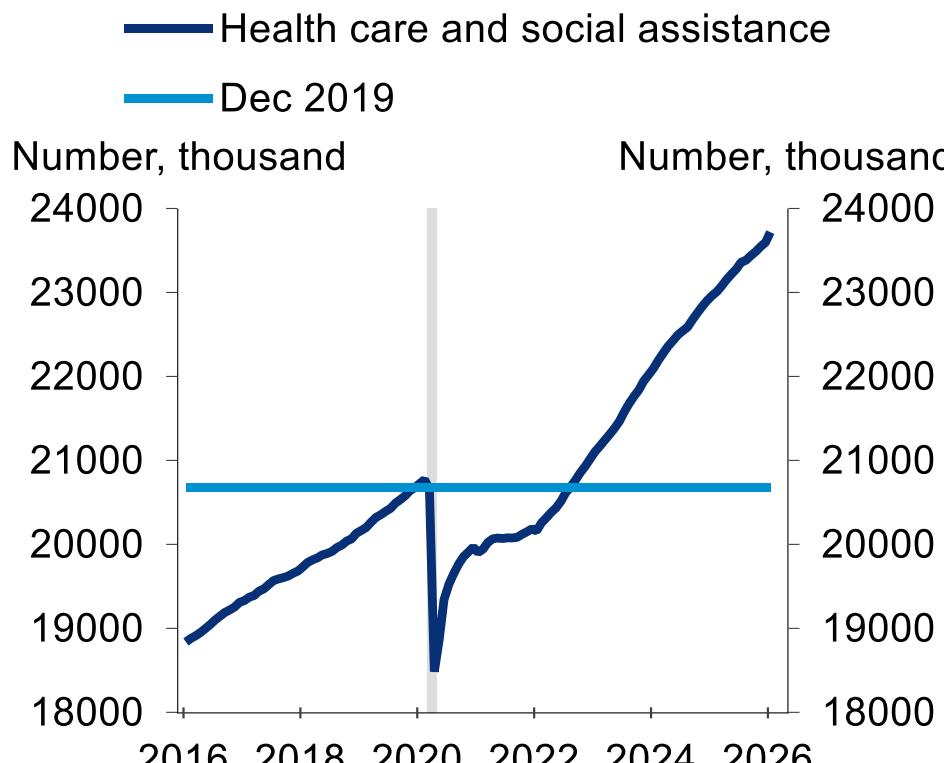


Source: BLS, Macrobond, Deutsche Bank



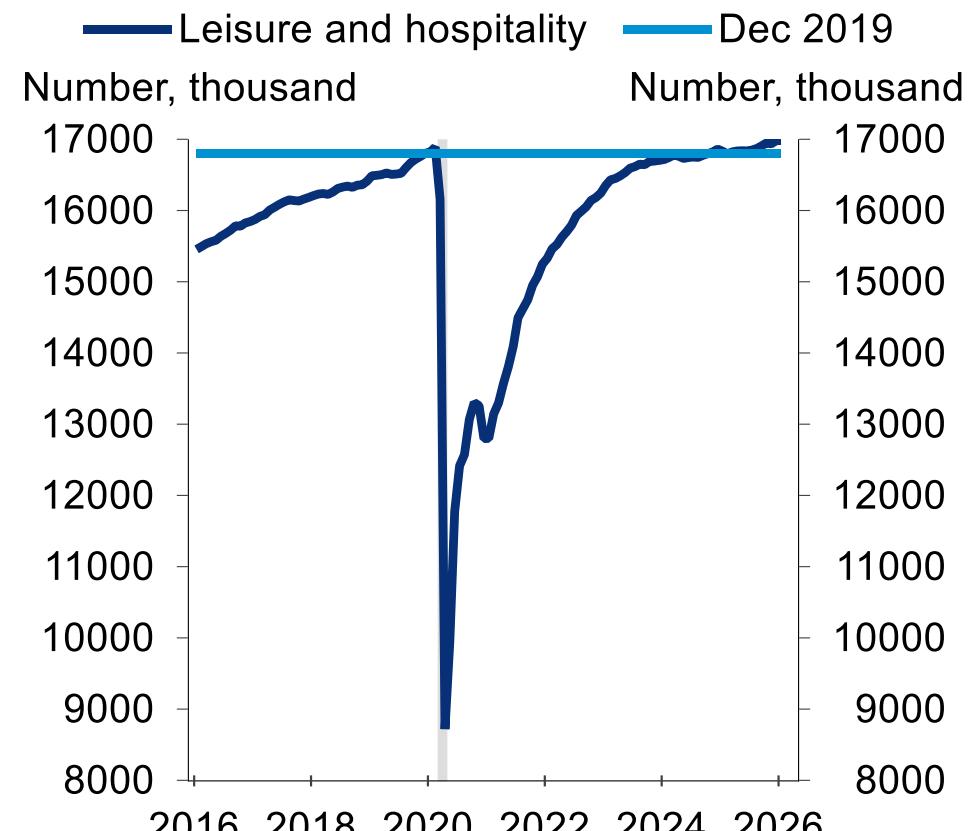
Health care/social assistance employment well above pre-pandemic; leisure/hospitality slightly above

Health care and social assistance payrolls



Source: BLS, Macrobond, Deutsche Bank

Leisure and hospitality payrolls

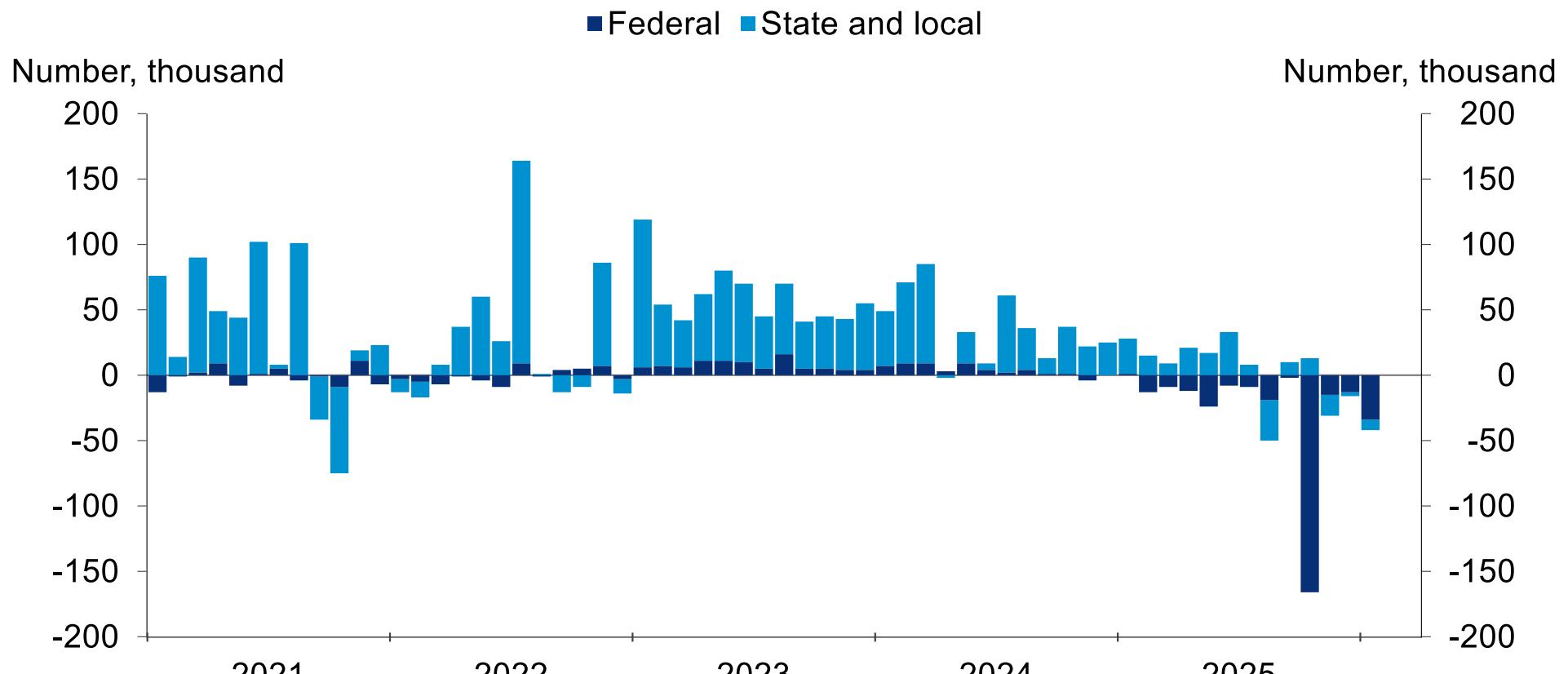


Source: BLS, Macrobond, Deutsche Bank



Government employment continues to decline, weighing on overall job gains

Monthly change in government payrolls

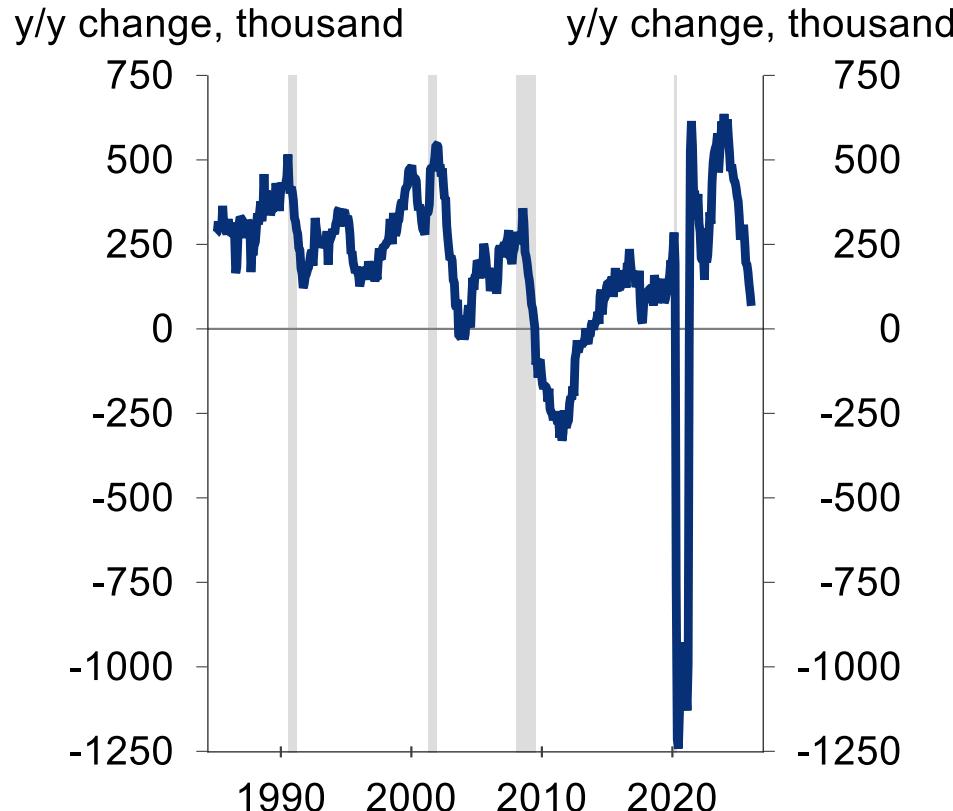


Source: BLS, Macrobond, Deutsche Bank



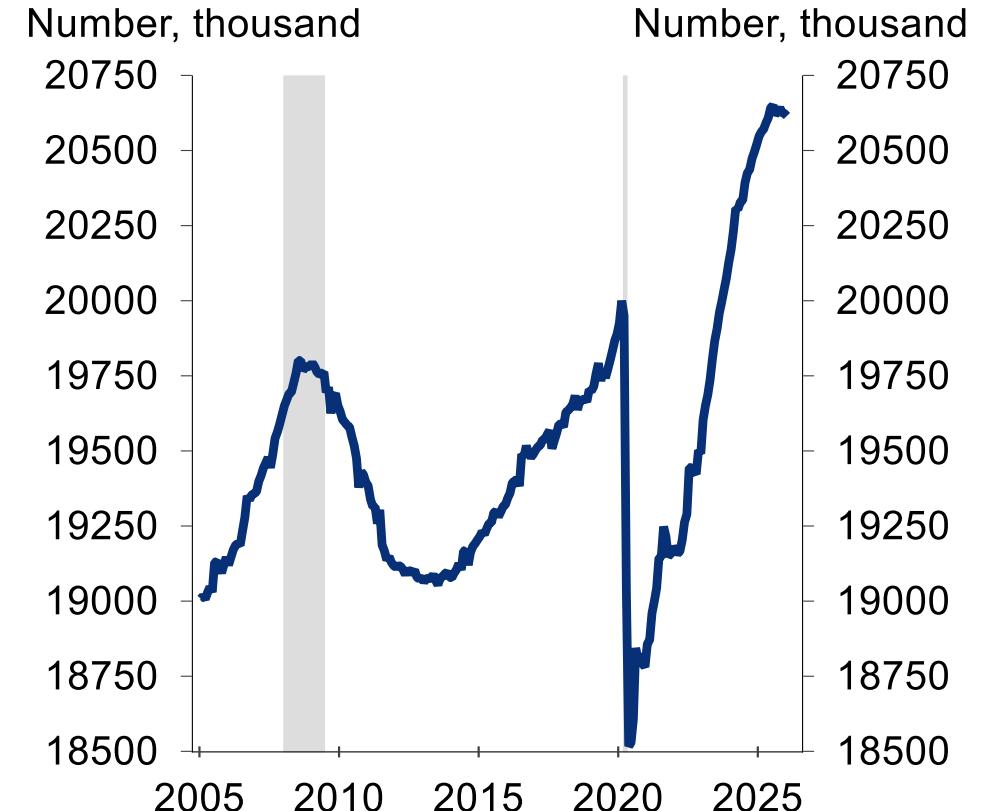
State & local government hiring has slowed notably over the past year

State and local government payrolls



Source: BLS, Macrobond, Deutsche Bank

State and local government payrolls

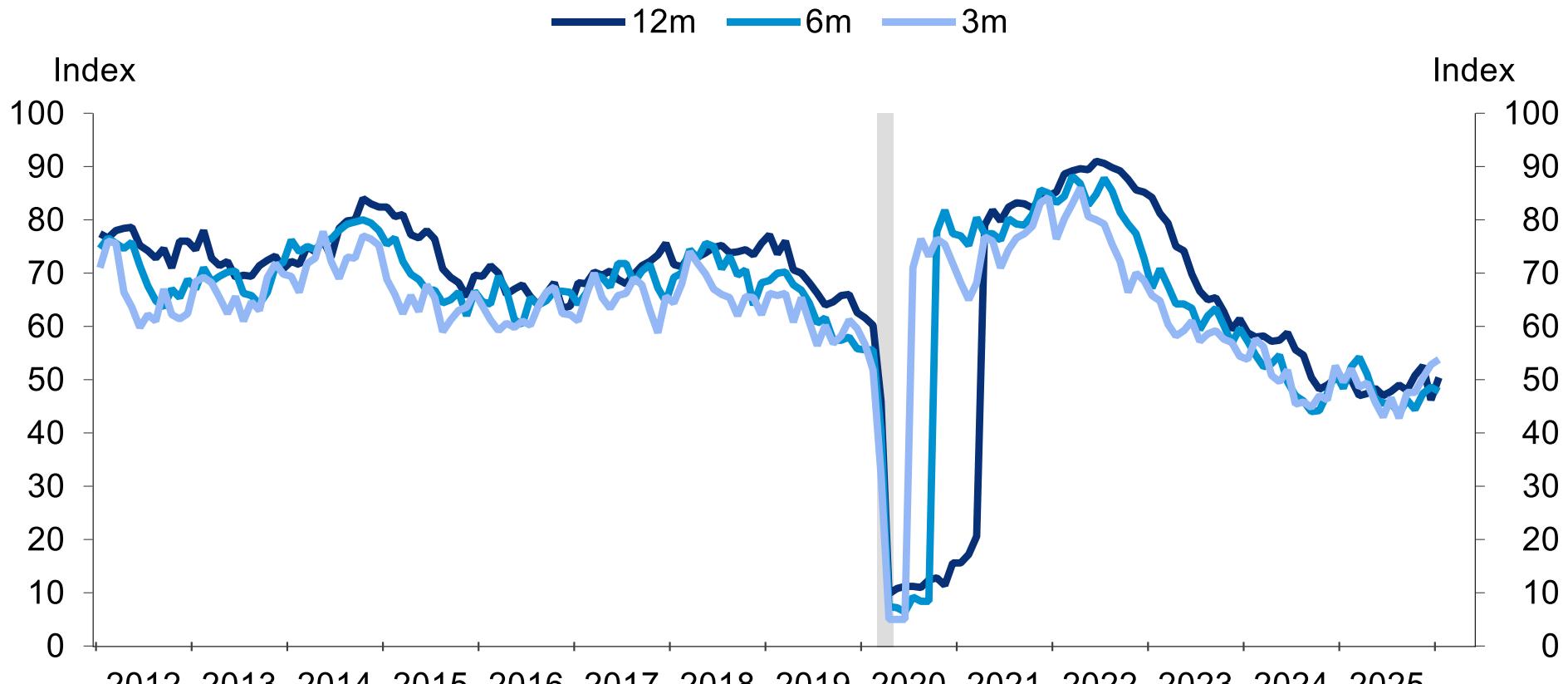


Source: BLS, Macrobond, Deutsche Bank



The breadth of job gains improved in January and diffusion indices show signs of stabilizing but at historically low levels

Diffusion indices

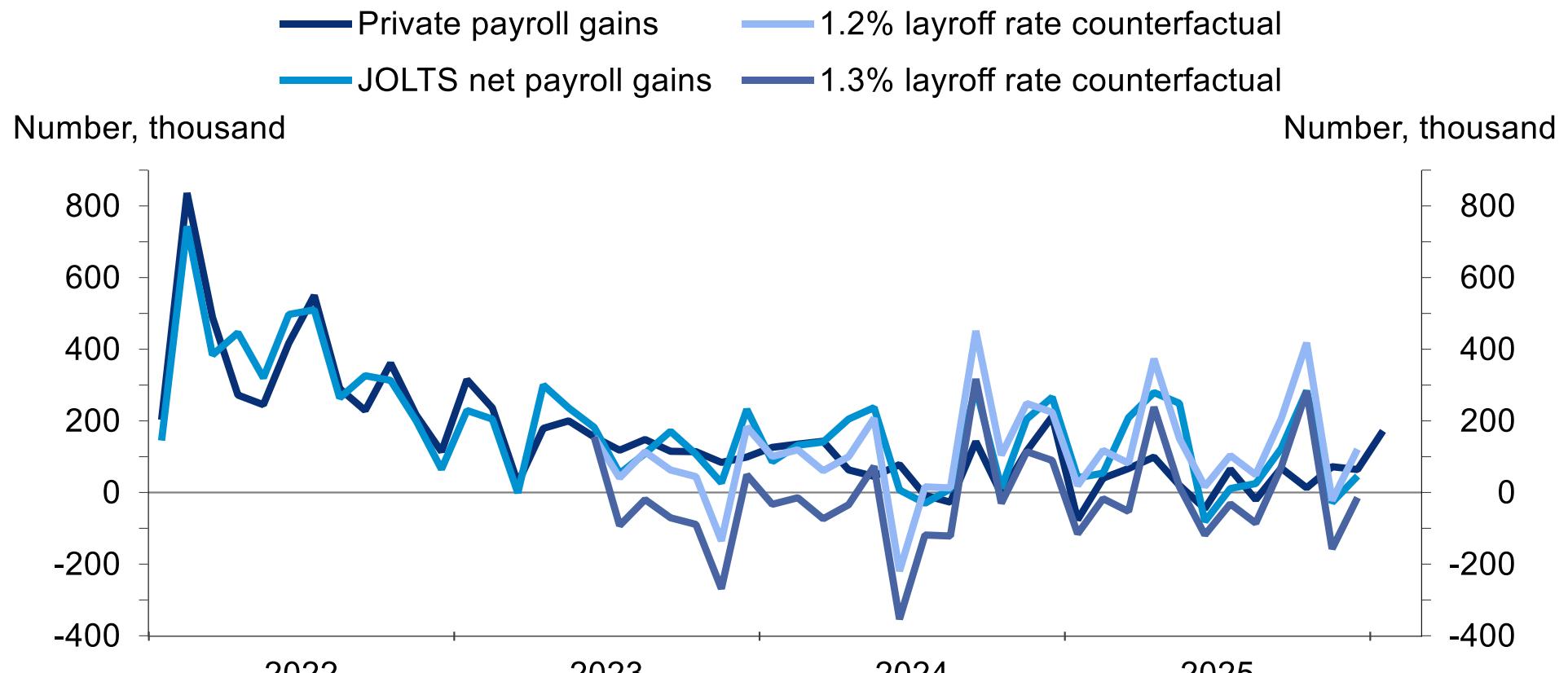


Source: BLS, Macrobond, Deutsche Bank



Payroll gains continue to rely on low layoffs

Counterfactuals for private payroll gains



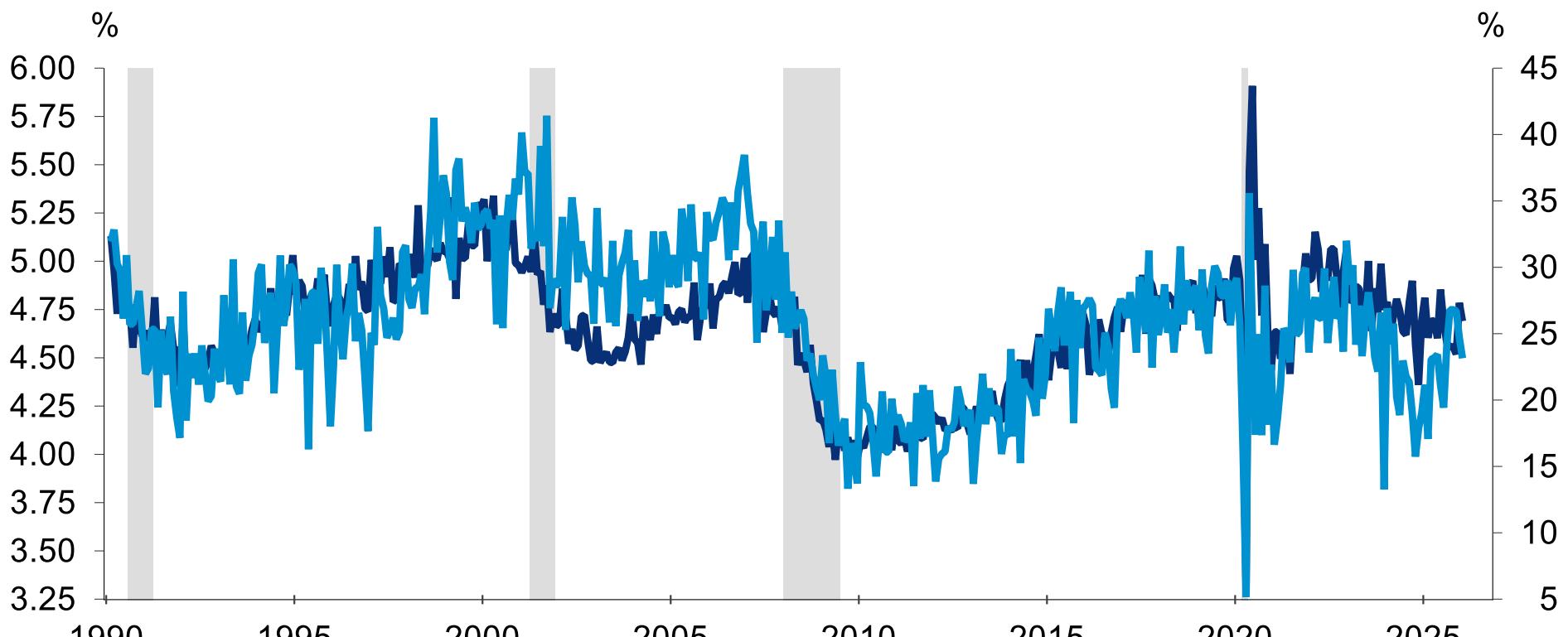
Source: BLS, Macrobond, Deutsche Bank



Noticeable recent uptick in flows from not in the labor force to employment

Job finding rate

— U to E flow / unemployed, rhs — N to E flow / not in the labor force, lhs

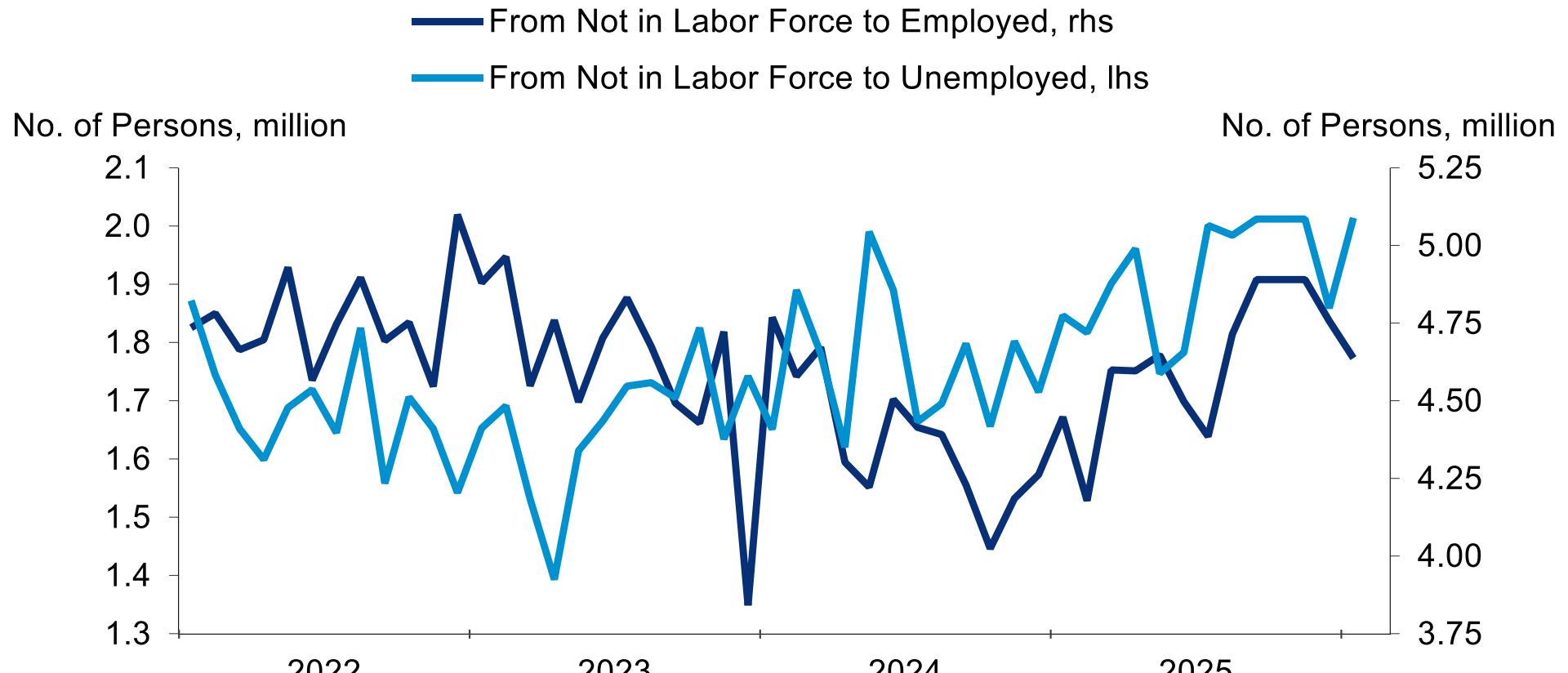


Source: BLS, Macrobond, Deutsche Bank



Increase in people entering the labor force into employment, while the number entering to unemployment fell

Flows into the labor force

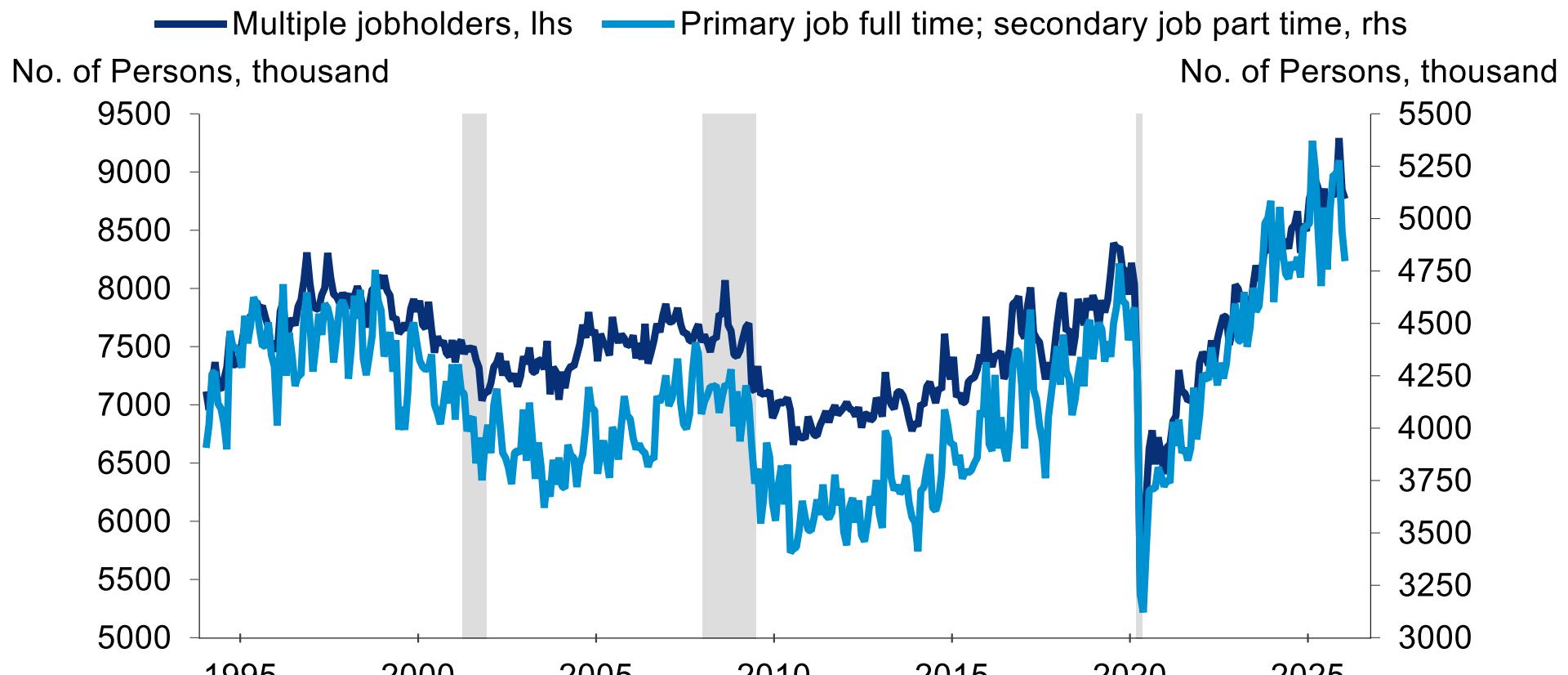


Source: BLS, Macrobond, Deutsche Bank



Number of workers with multiple jobs above pre-pandemic levels

Multiple jobholders

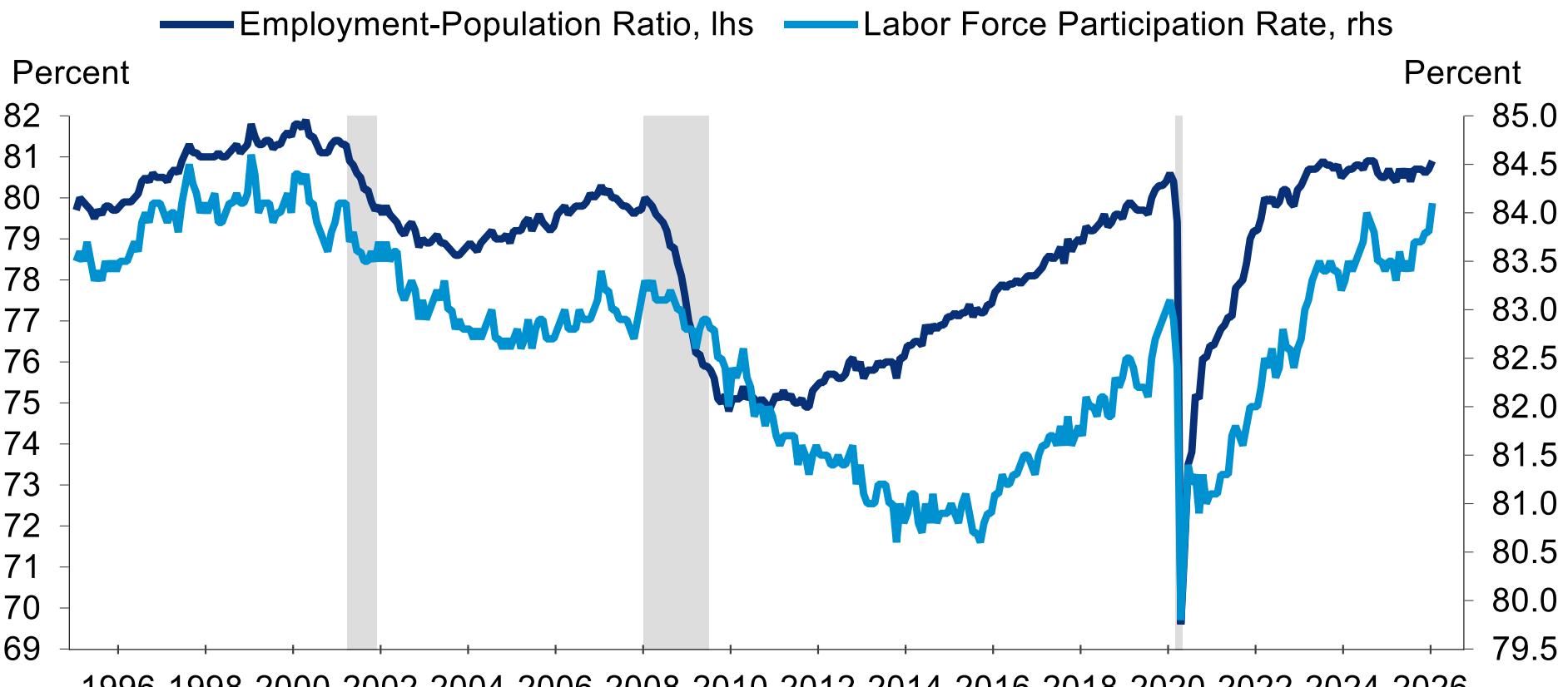


Source: BLS, Macrobond, Deutsche Bank



Prime-age employment-population ratio and labor force participation at or above pre-pandemic levels

Prime-age EPR and LFPR



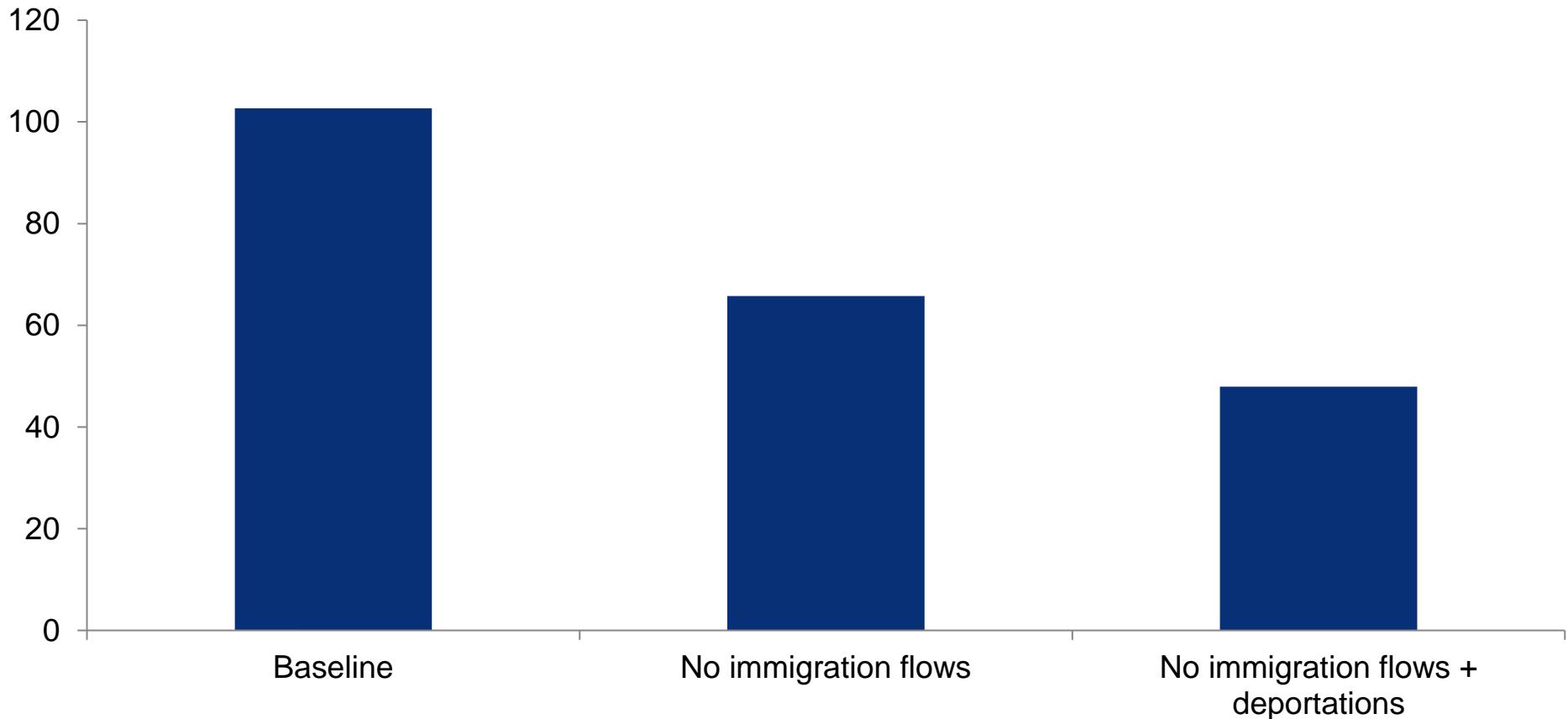
Source: BLS, Macrobond, Deutsche Bank



Break-even employment numbers likely in the 50k – 100k range

Break-even monthly payroll gains

Thous.



Source: BLS, Haver Analytics, Deutsche Bank

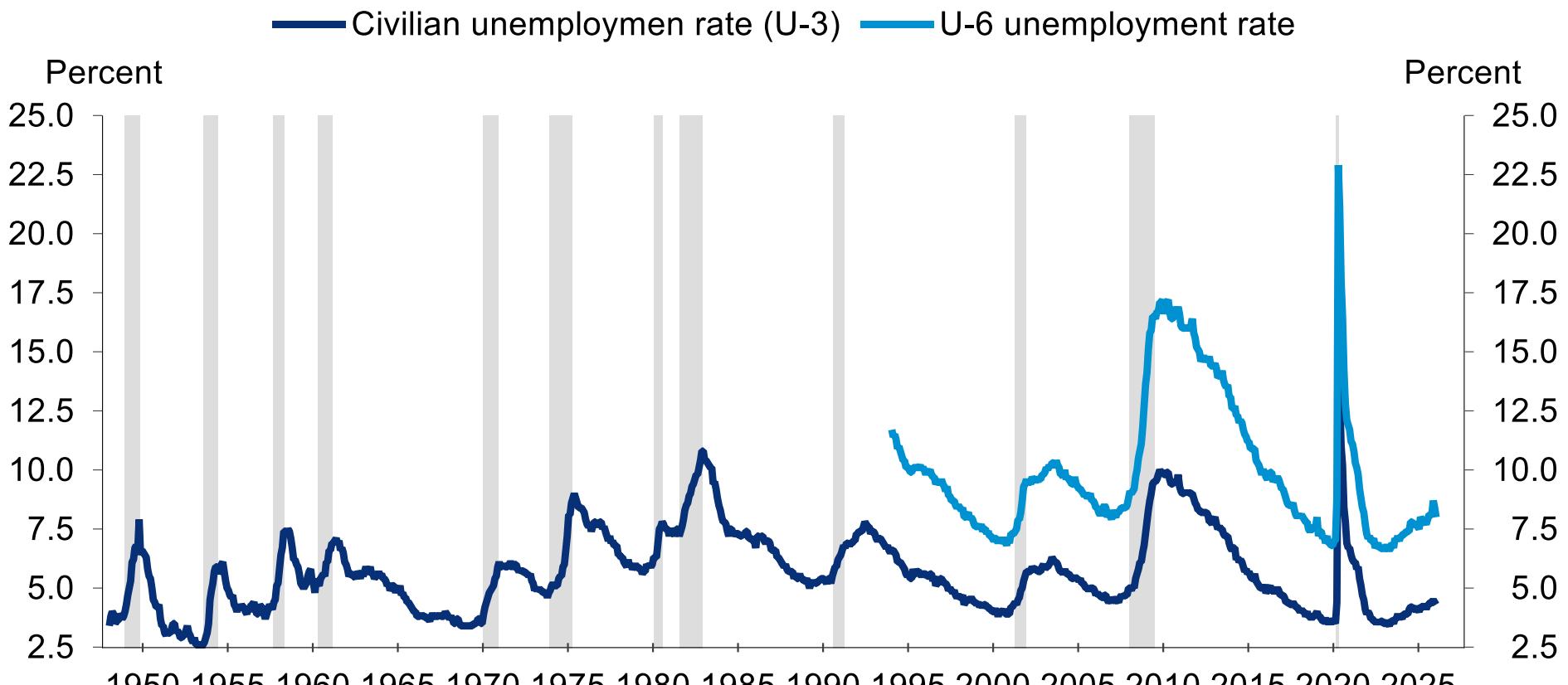


Labor market slack



The U-3 rate fell to 4.283% and U-6 rate dropped by 0.4 points to 8.0% - lowest since February 2025

Unemployment and underemployment rate

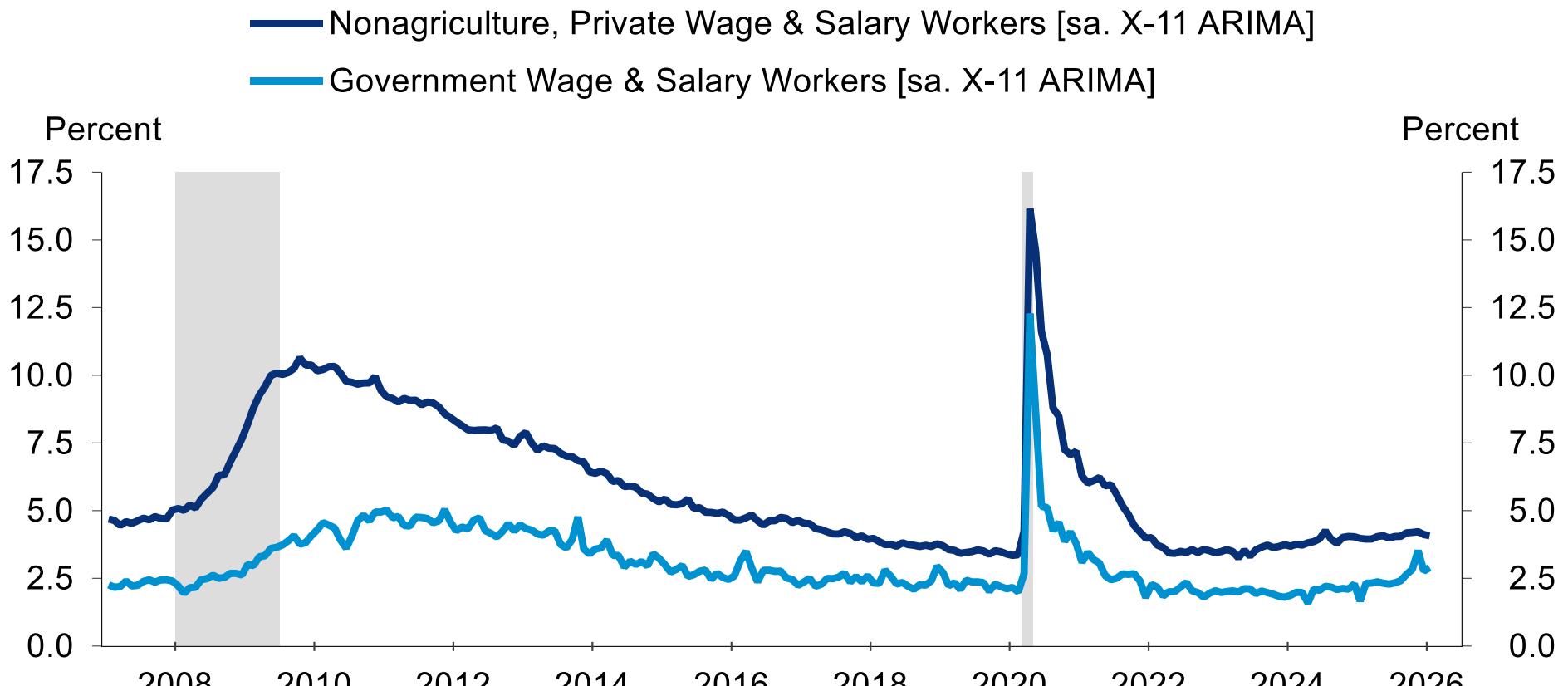


Source: BLS, Macrobond, Deutsche Bank



Unemployment rate for government workers ticked back up to 3.0% while private sector down a tenth to 4.1%

Unemployment rate by industry

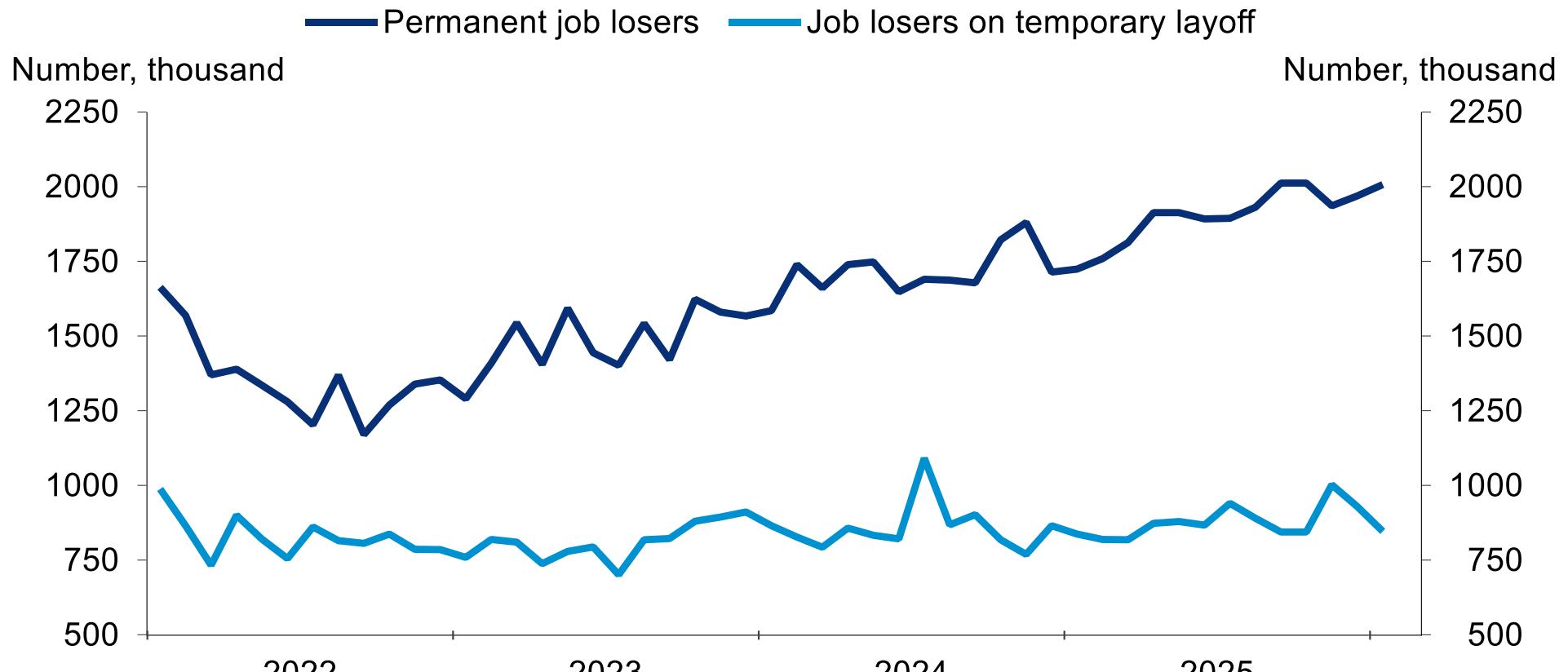


Source: BLS, Macrobond, Deutsche Bank



Permanent job losers rose slightly but has been generally stable in recent months; temporary layoffs declined

Permanent job losers vs those on temporary layoff

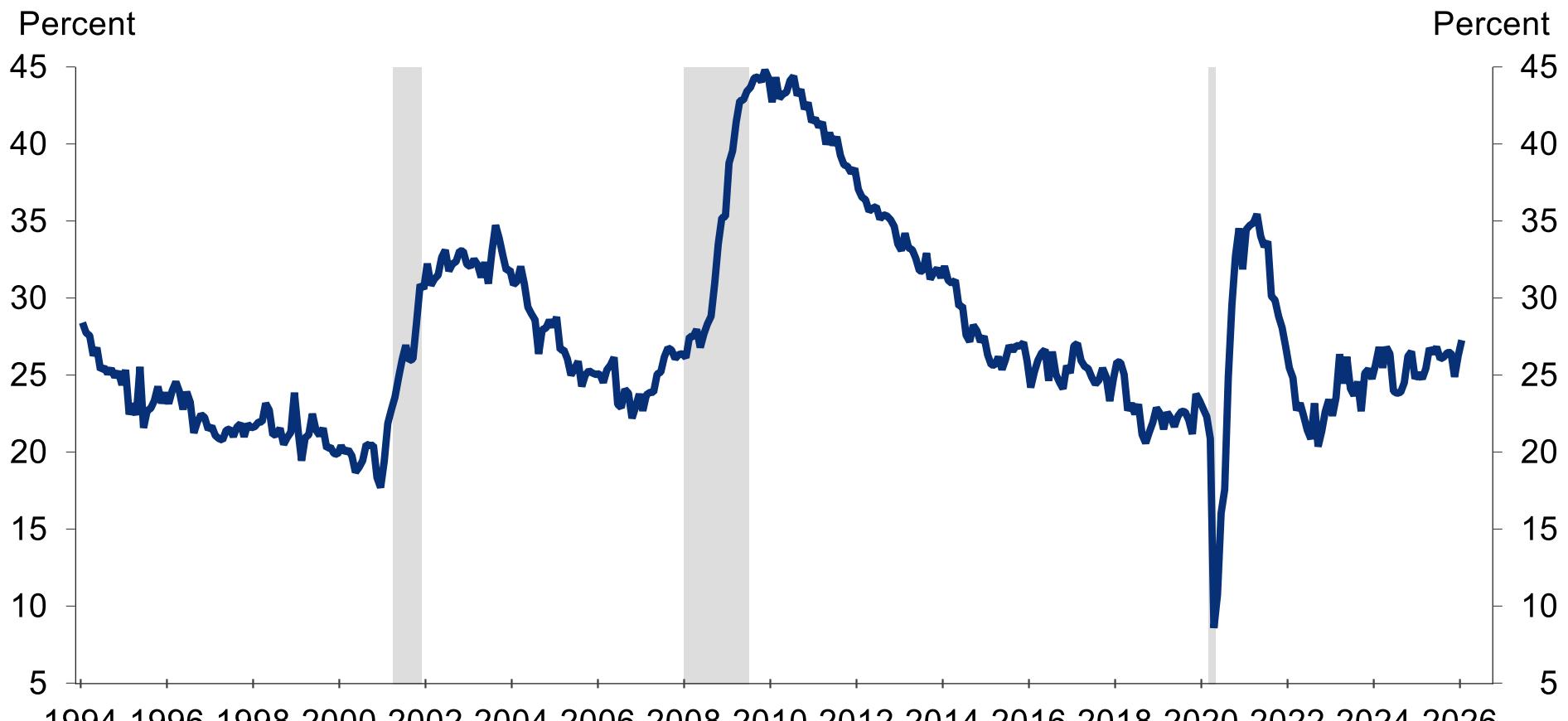


Source: BLS, Macrobond, Deutsche Bank



Permanent job losers as a share of unemployed has been inching higher and remains near 2014 levels

Permanent job losers as % of total unemployed

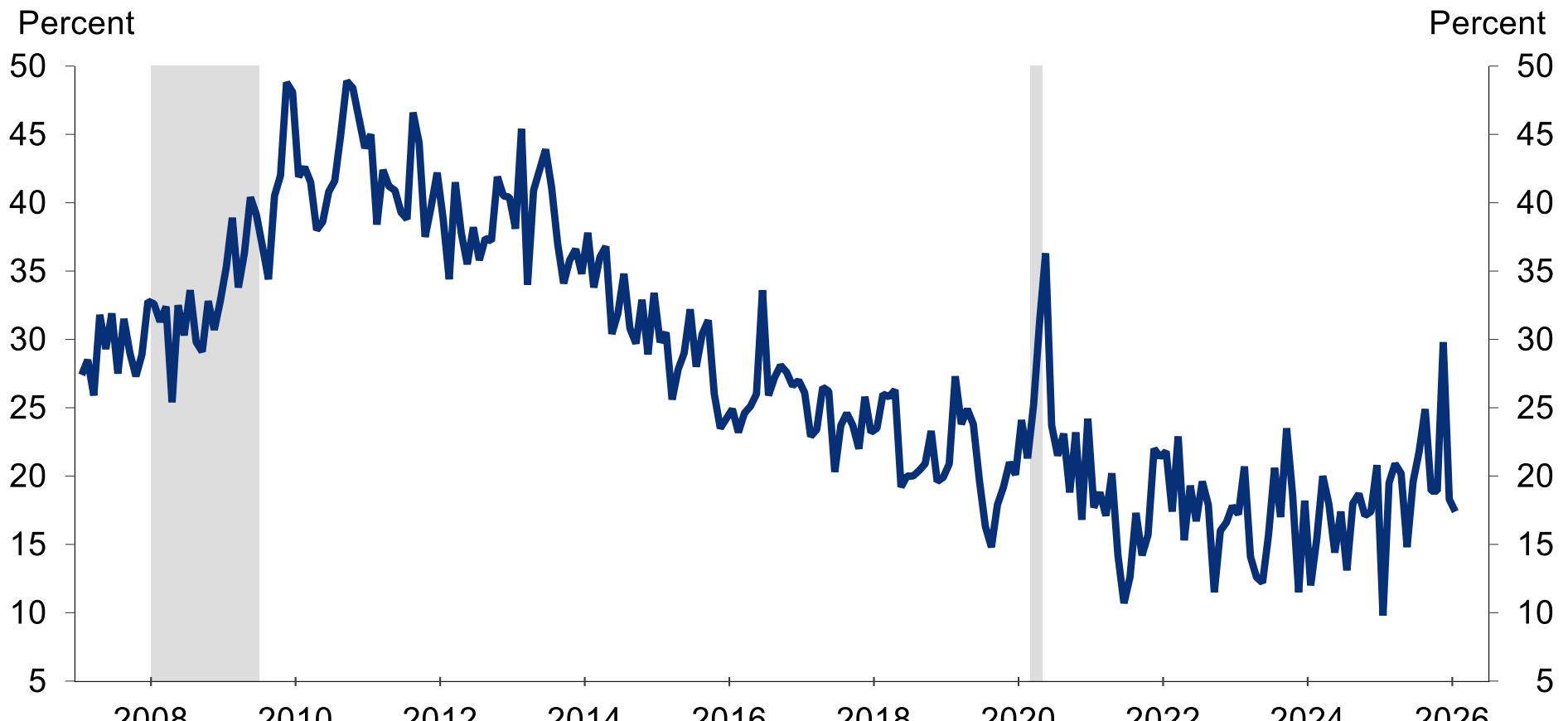


Source: BLS, Macrobond, Deutsche Bank



Youth unemployment rate for African Americans dropped significantly (but is volatile on a monthly basis)

Unemployment rate for Black or African American ages 16-19



Source: BLS, Macrobond, Deutsche Bank



Part-time for economic reasons retraced some of the recent rise

Part-time for economic reasons as a share of employment (non-ag)



Source: BLS, Macrobond, Deutsche Bank



Workers remaining in unemployment remain elevated

Labor Force Flows: Unemployed to Unemployed

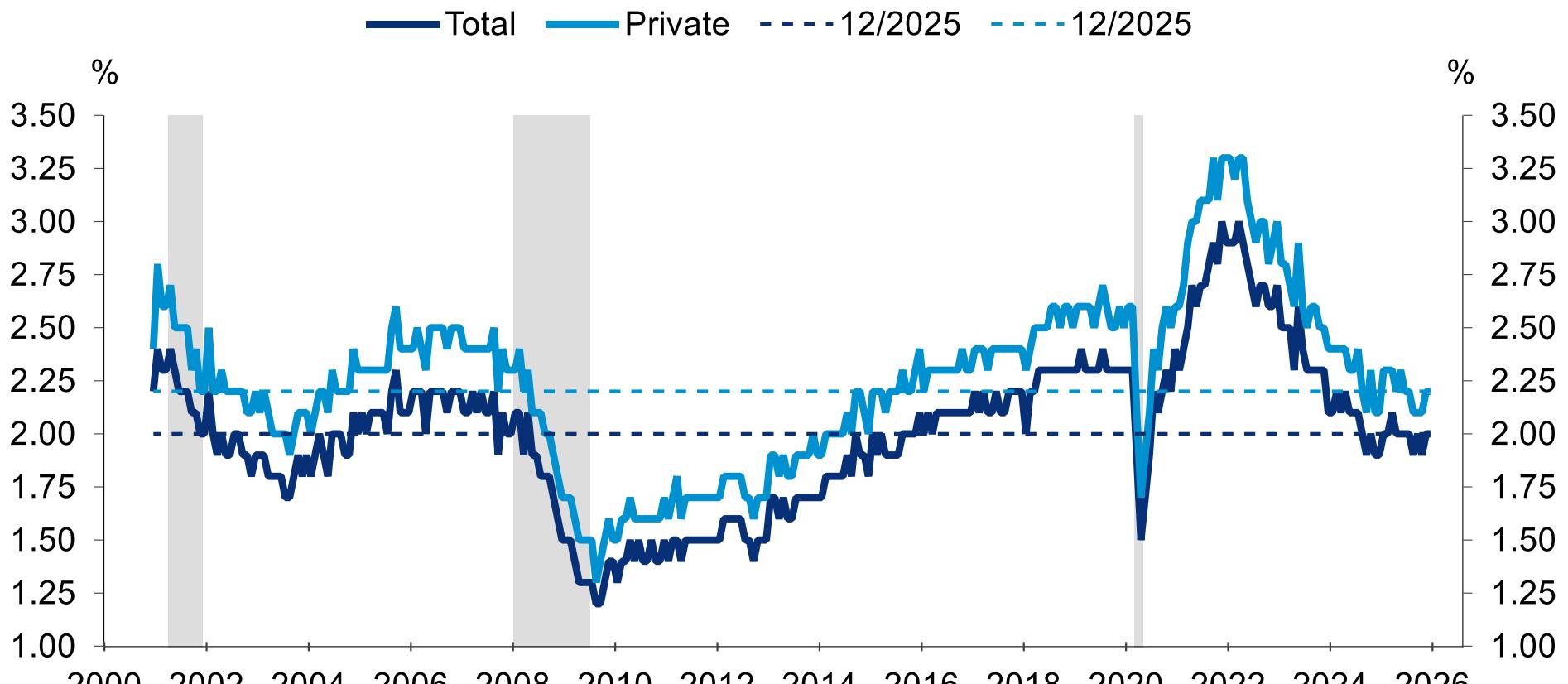


Source: BLS, Macrobond, Deutsche Bank



Quits rate has stabilized at below 2019 levels

Quits rate

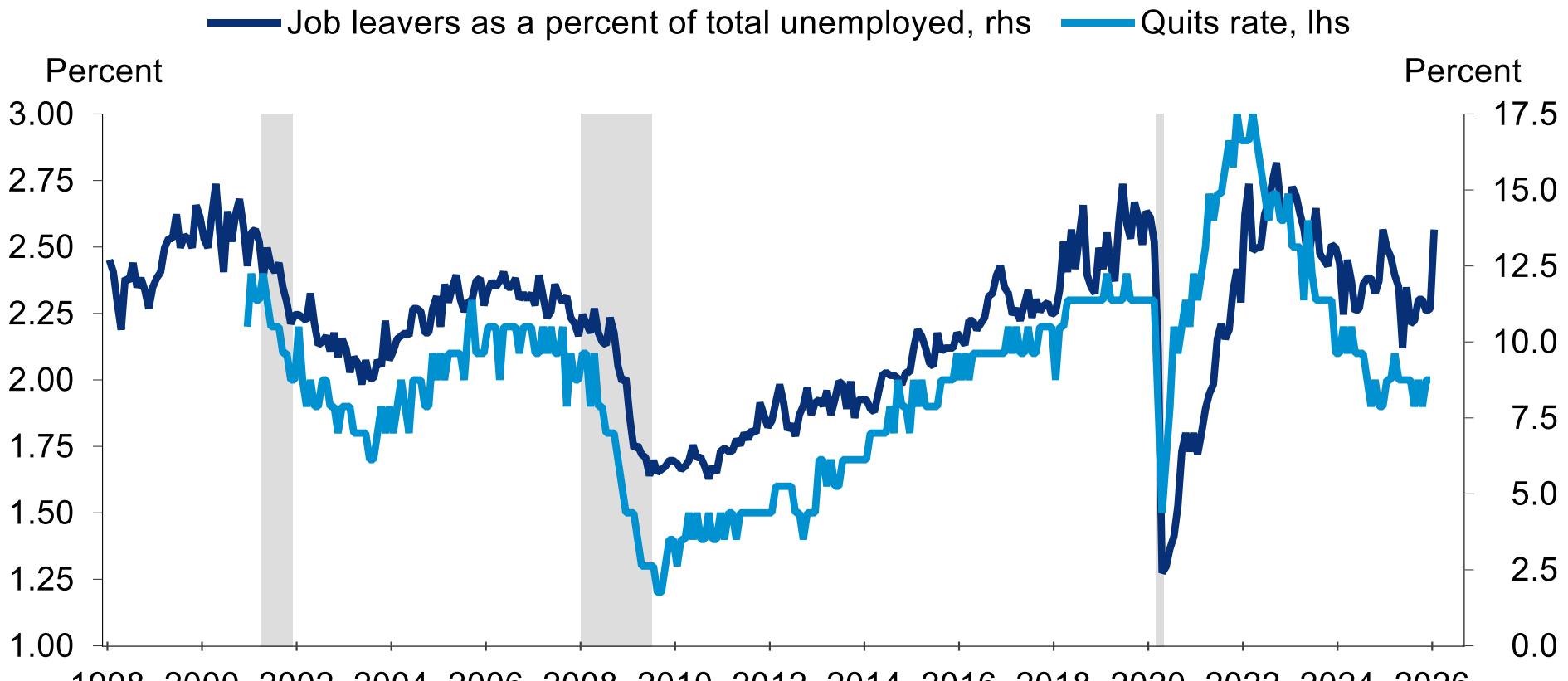


Source: BLS, Macrobond, Deutsche Bank



Quits rate broadly consistent with share of unemployed workers leaving their jobs voluntarily

Job leavers versus quits rate

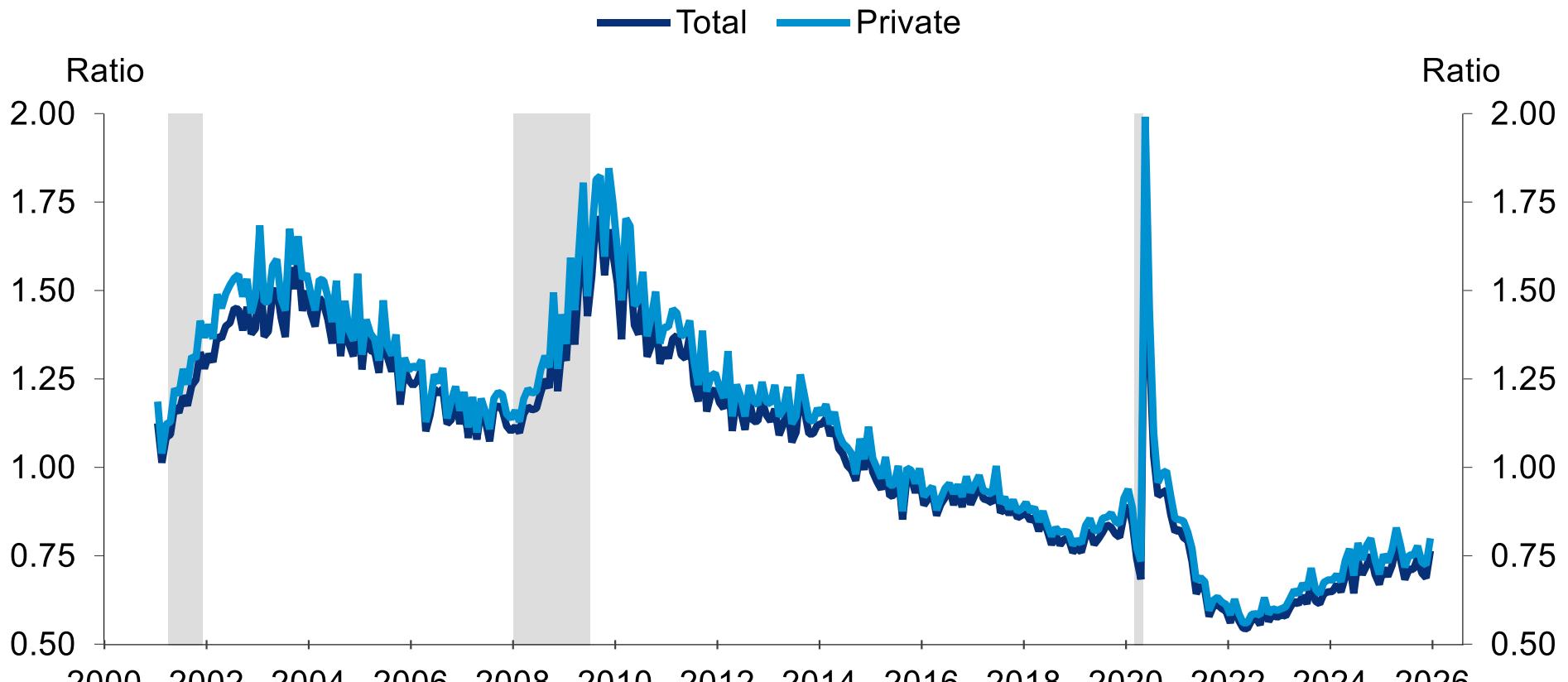


Source: BLS, Macrobond, Deutsche Bank



Vacancy yield (hires/openings) has on balance improved but still lower than pre-pandemic

Vacancy yield (hires / job openings)

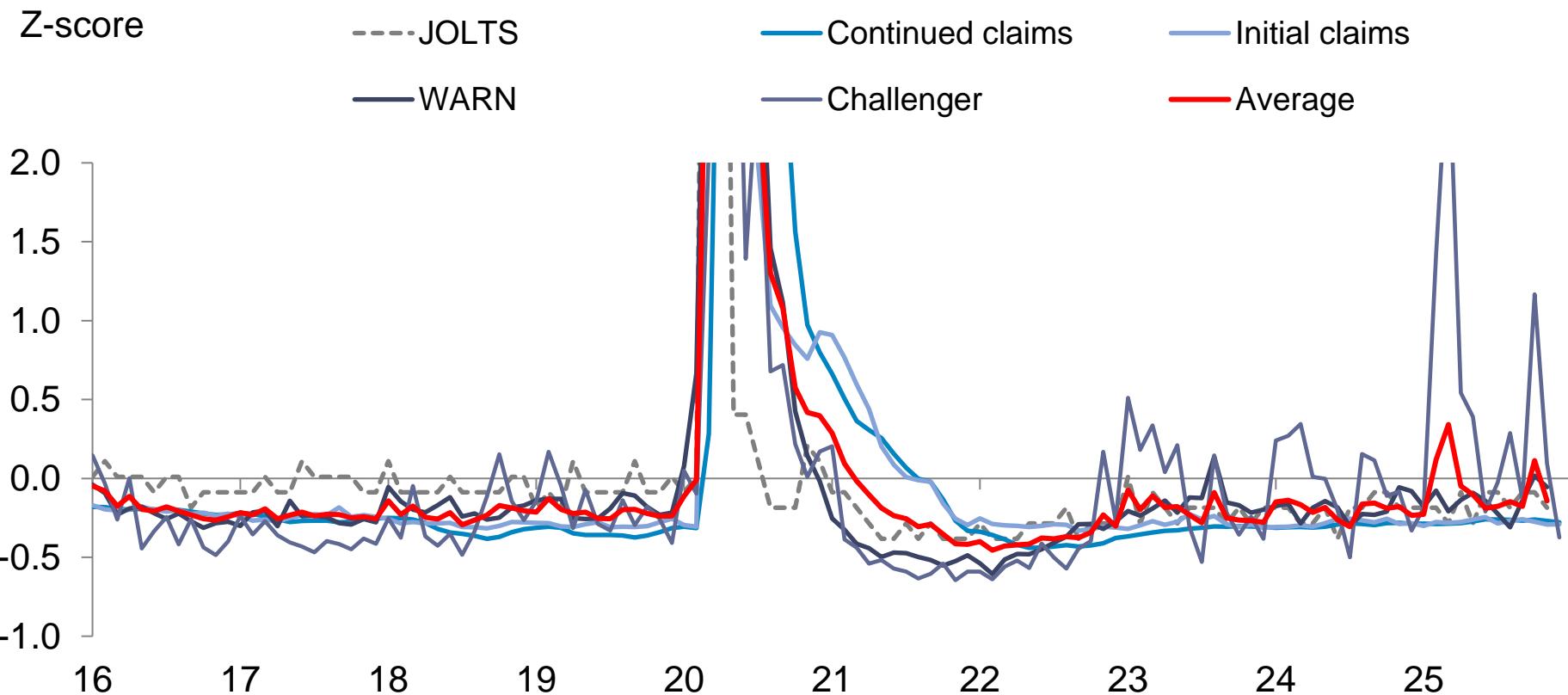


Source: BLS, Macrobond, Deutsche Bank



Layoffs generally remain low

Z-scores of layoff metrics

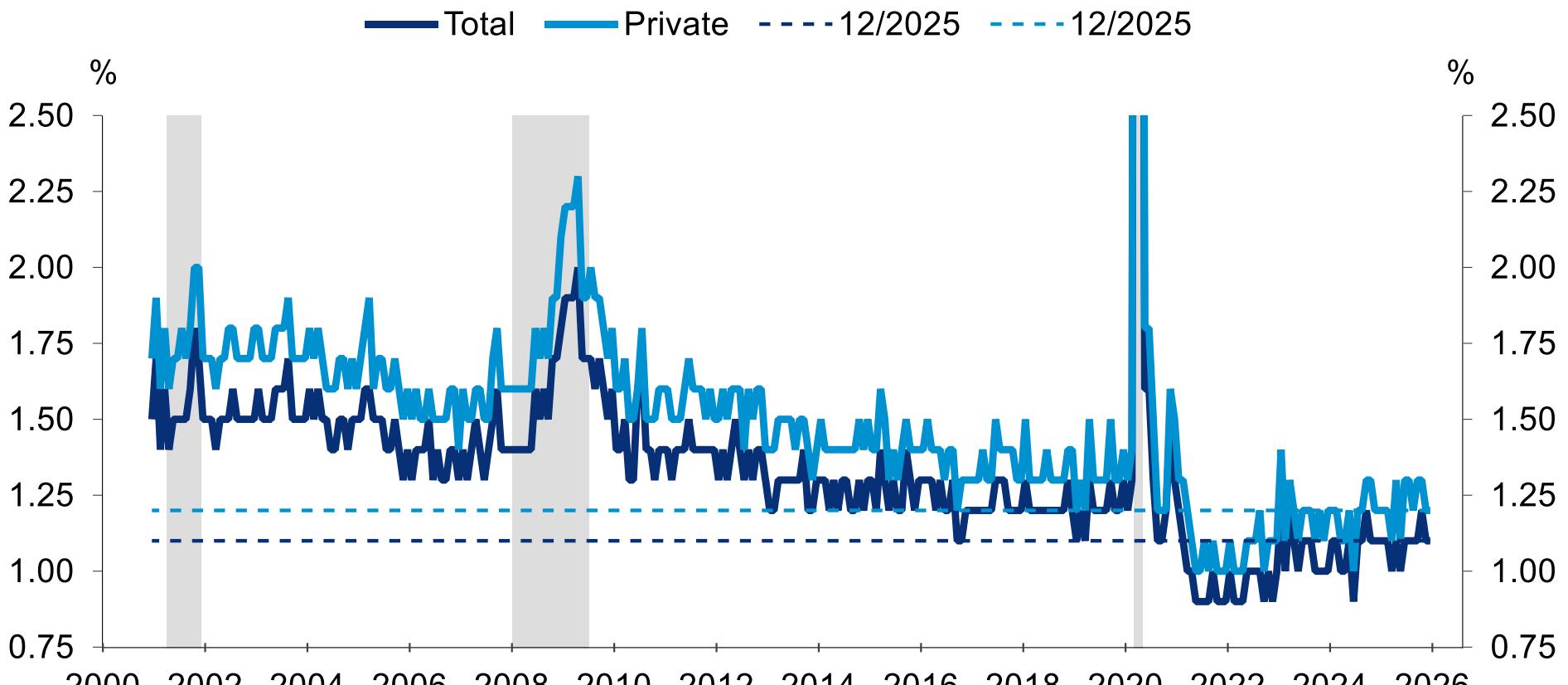


Source: Challenger, BLS, DoL, FRB Cleveland, Haver Analytics, Deutsche Bank

The layoff rate still at historically low levels – a key reason job gains holding in



Layoff rate

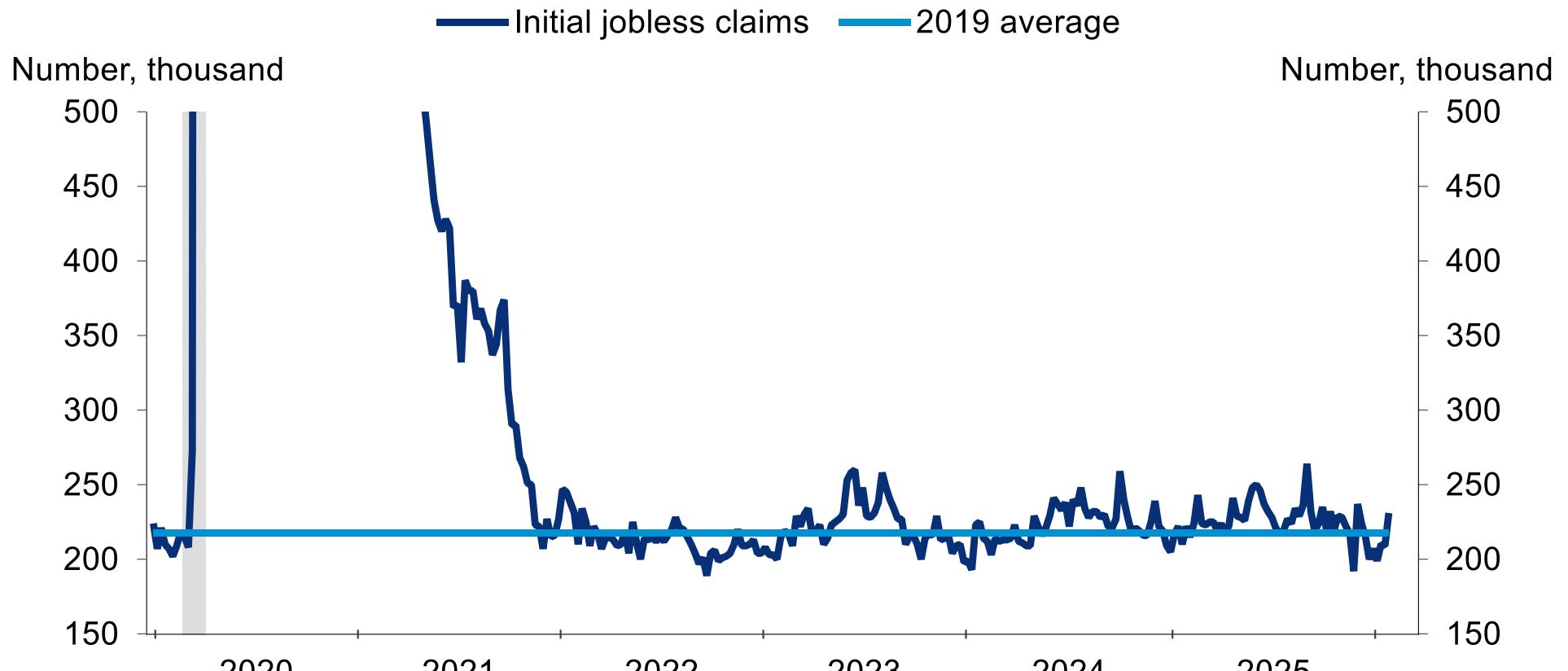


Source: BLS, Macrobond, Deutsche Bank



Initial jobless claims have fluctuated around their 2019 average – no signs of meaningful pick up in layoffs

Initial jobless claims

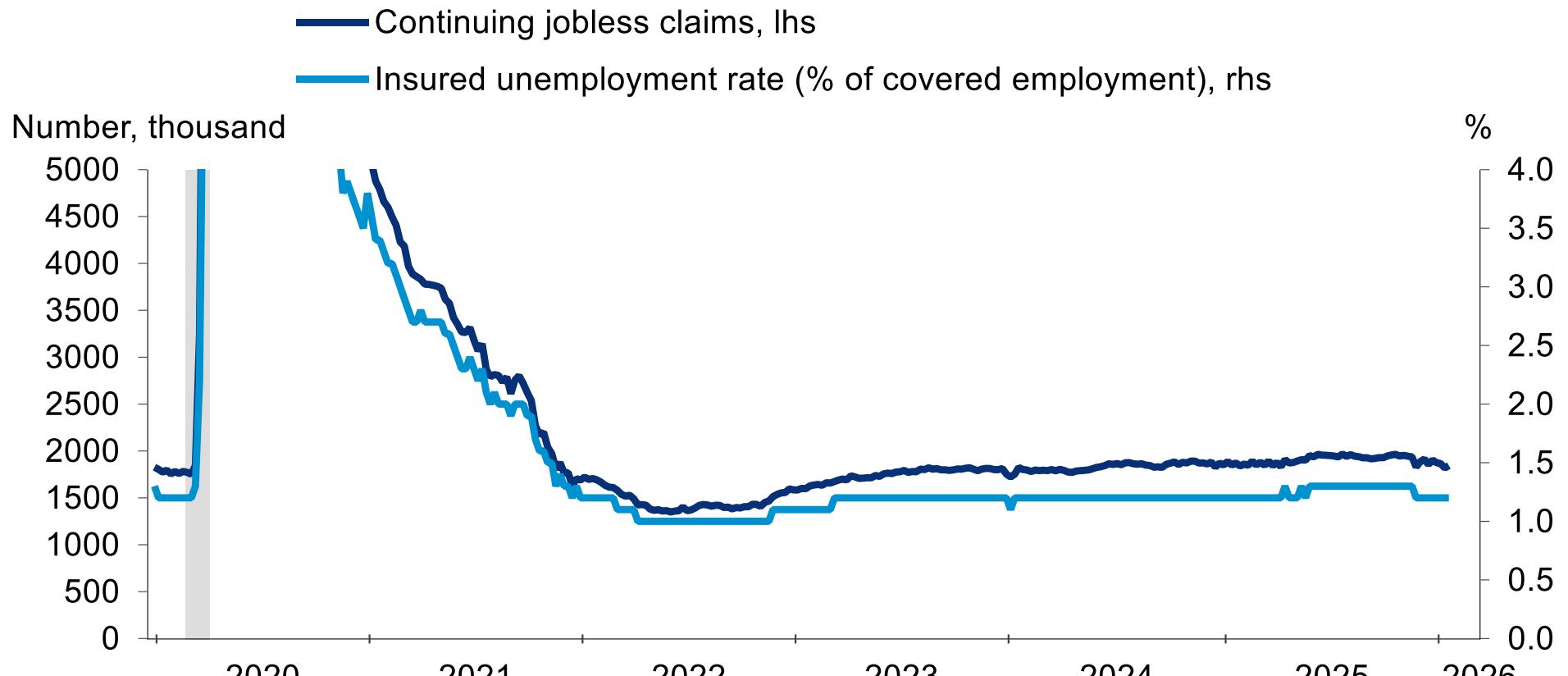


Source: DOL, Macrobond, Deutsche Bank



Continuing claims stabilized after moving higher

Continuing jobless claims

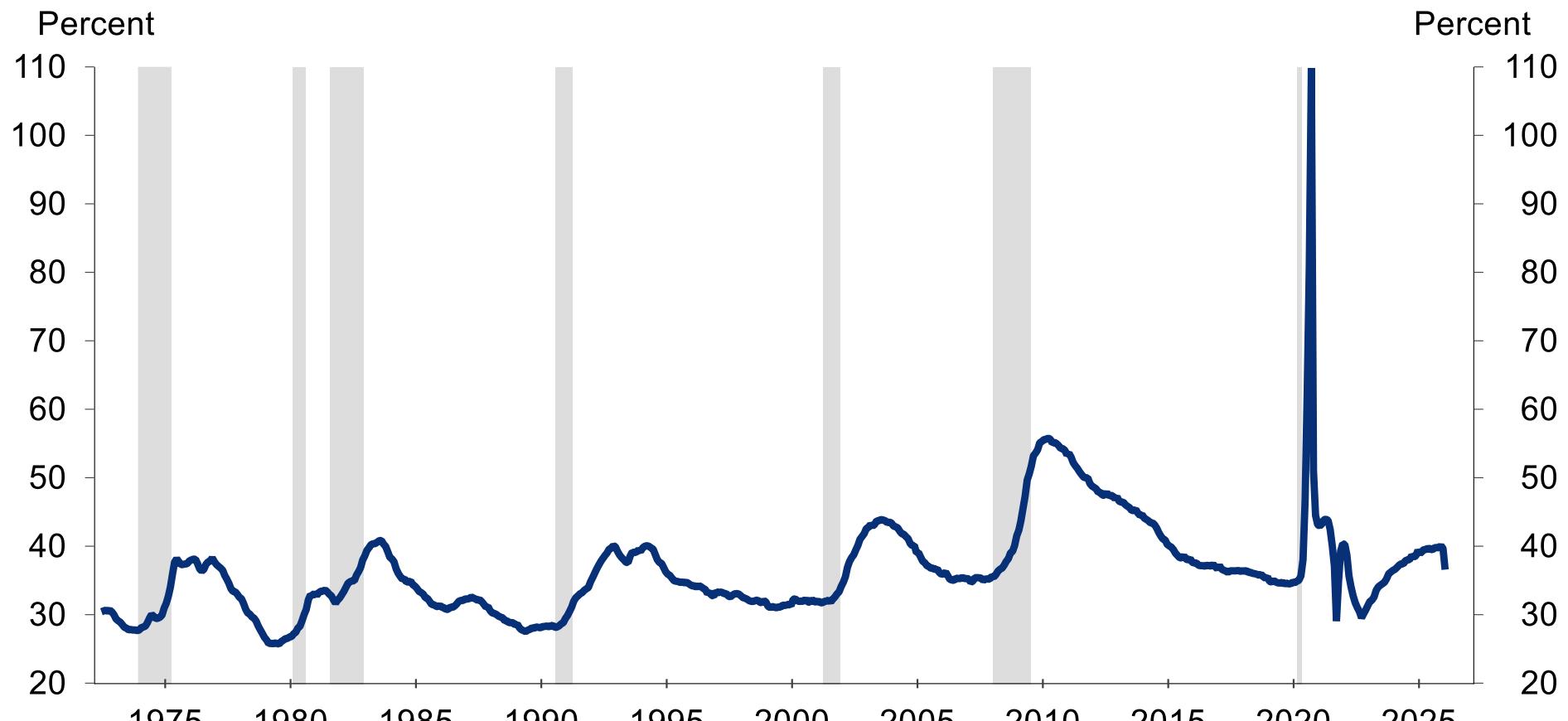


Source: DOL, Macrobond, Deutsche Bank

~40% of claimants are exhausting benefits – near 2015 levels



Share of claimants who collect all of their UI benefits

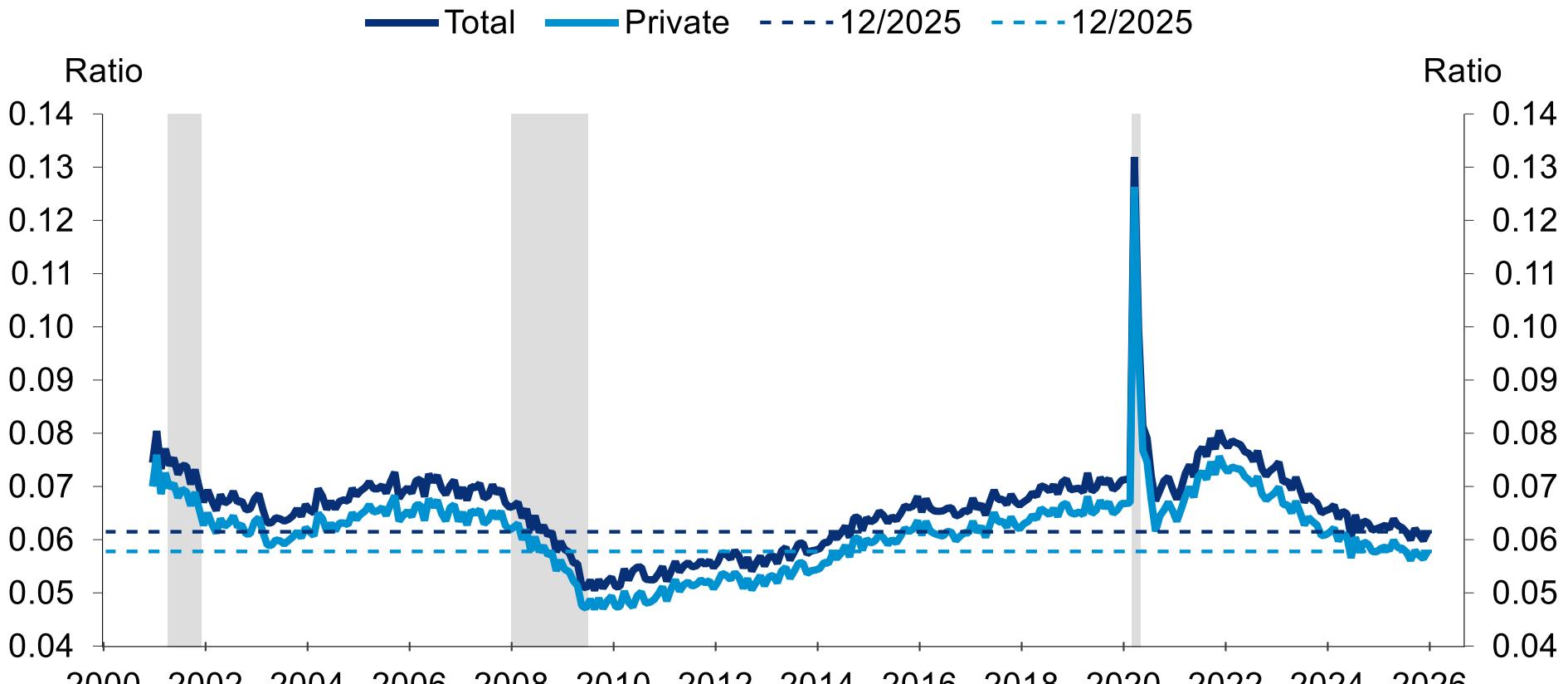


Source: DOL, Macrobond, Deutsche Bank



Measure of aggregate labor churn ((total hires + separations) / labor force) moving sideways at low levels recently

Labor churn ratio

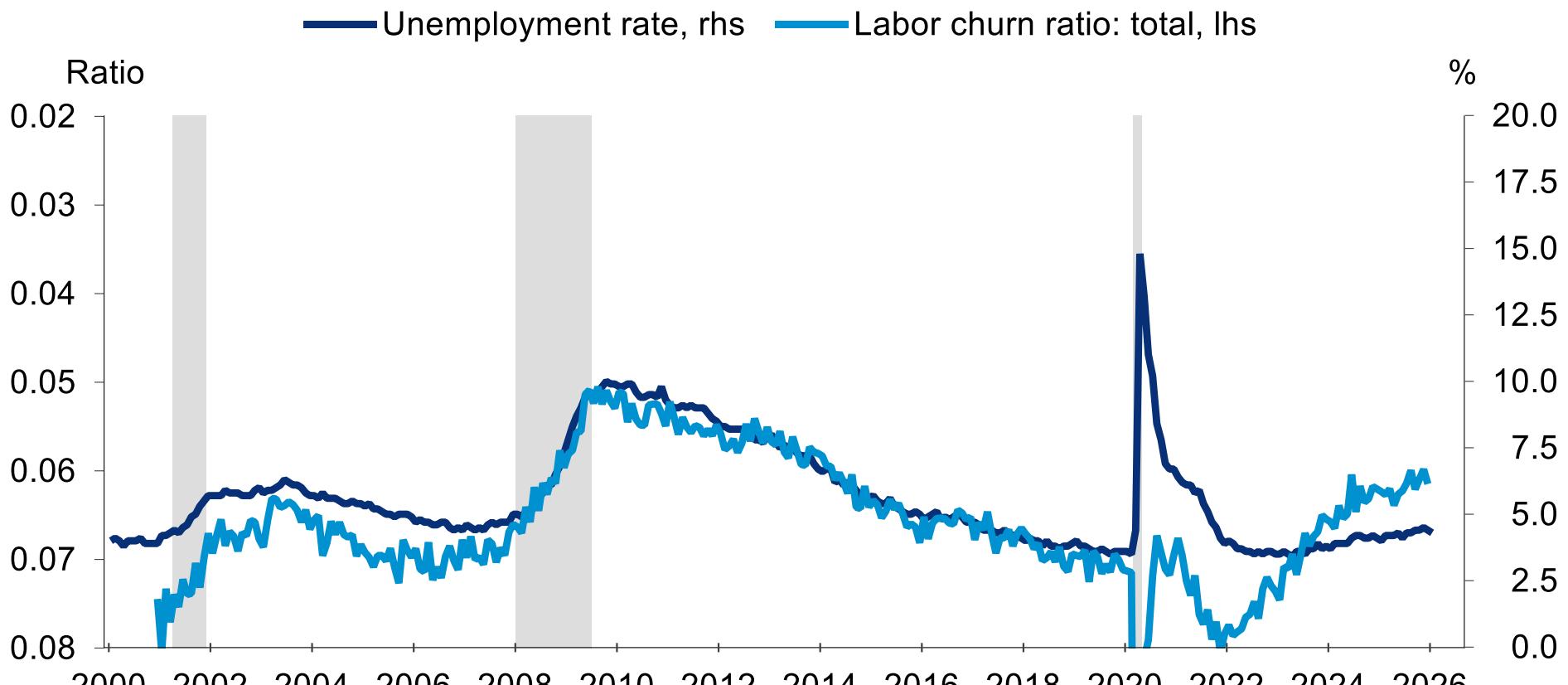


Source: BLS, Macrobond, Deutsche Bank



Low labor market churn would typically be associated with much higher unemployment rate

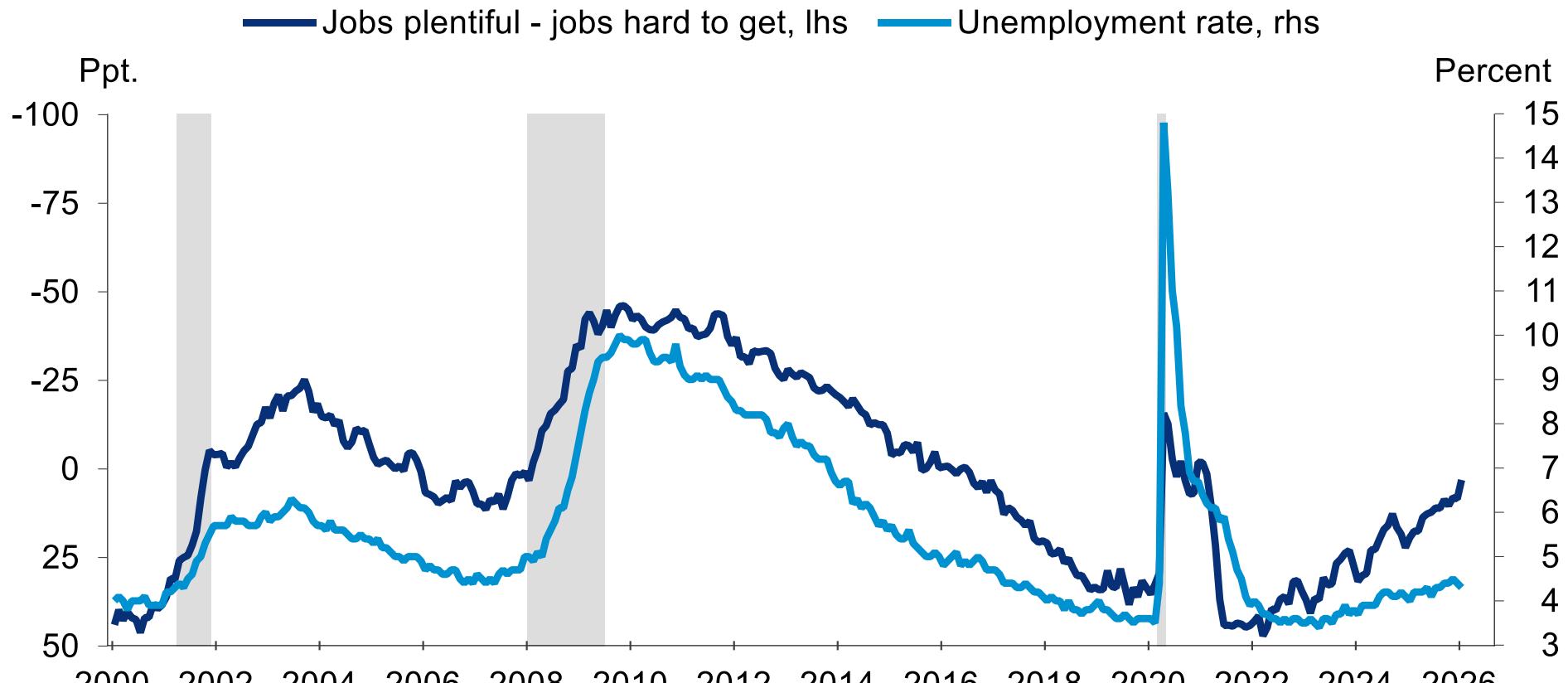
Labor churn ratio vs. unemployment rate



Conference Board jobs differential consistent with a loosening labor market



Conference Board jobs differential and the unemployment rate

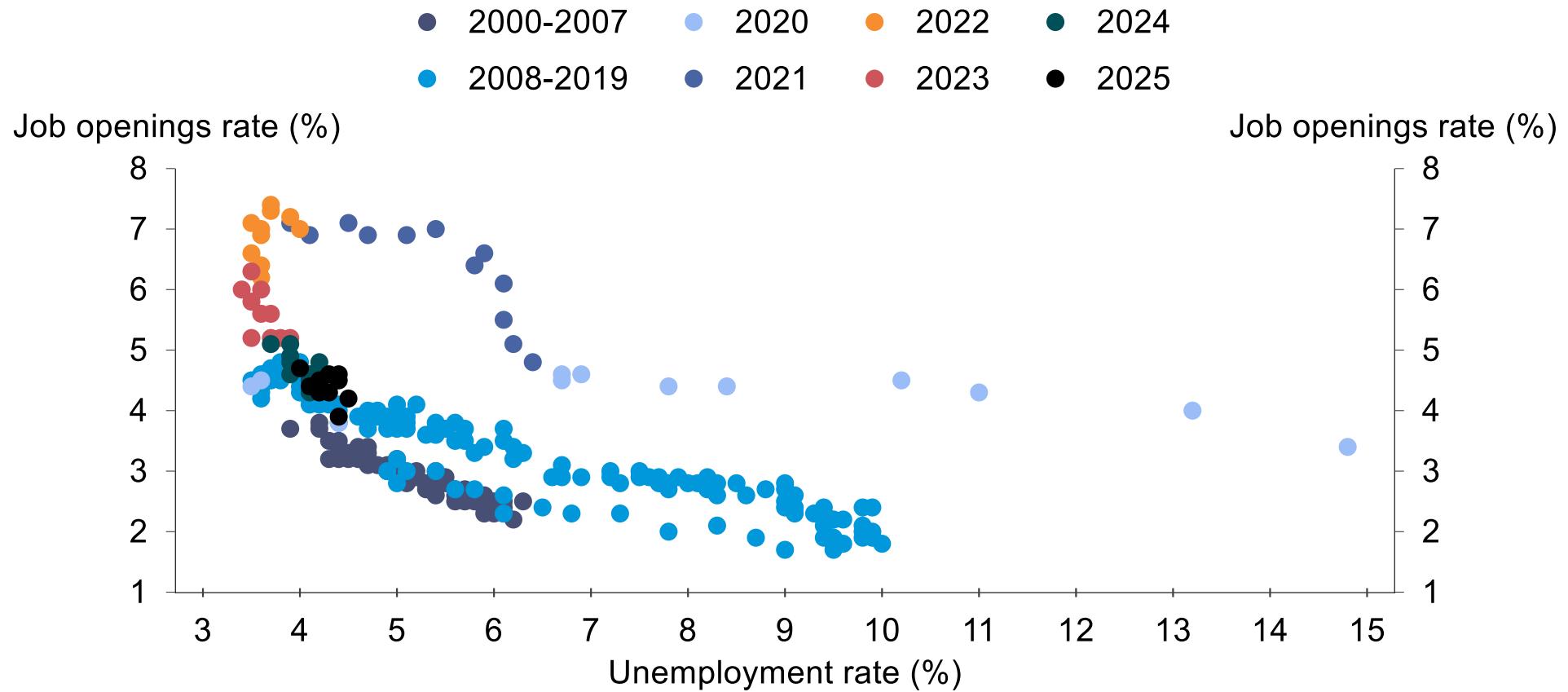


Source: TCB, BLS, Macrobond, Deutsche Bank



Beveridge curve normalized initially via lower job openings but unemployment had also started to move up

Beveridge curve



Source: BLS, Macrobond, Deutsche Bank

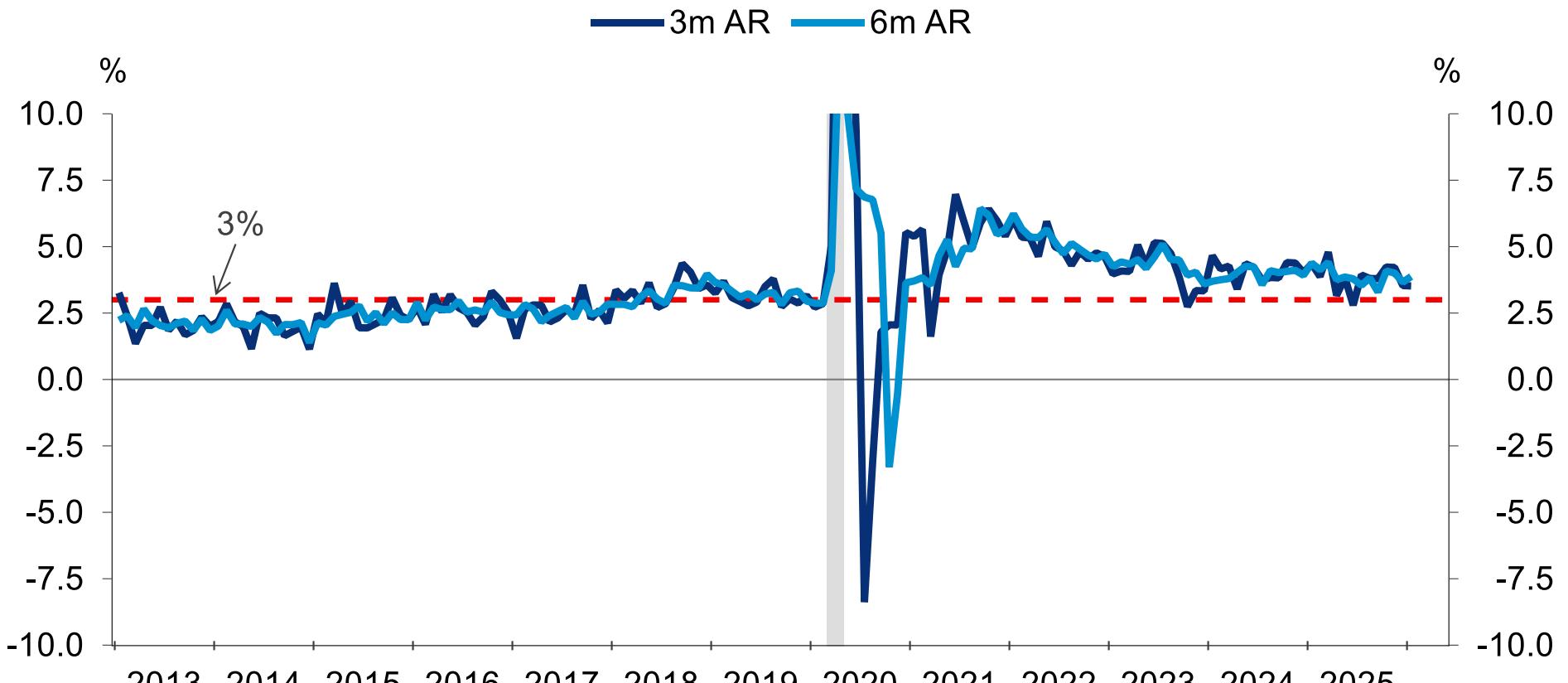


Wages



Short-term trends in AHEs remain above pre-Covid run rates

Private average hourly earnings growth for all employees

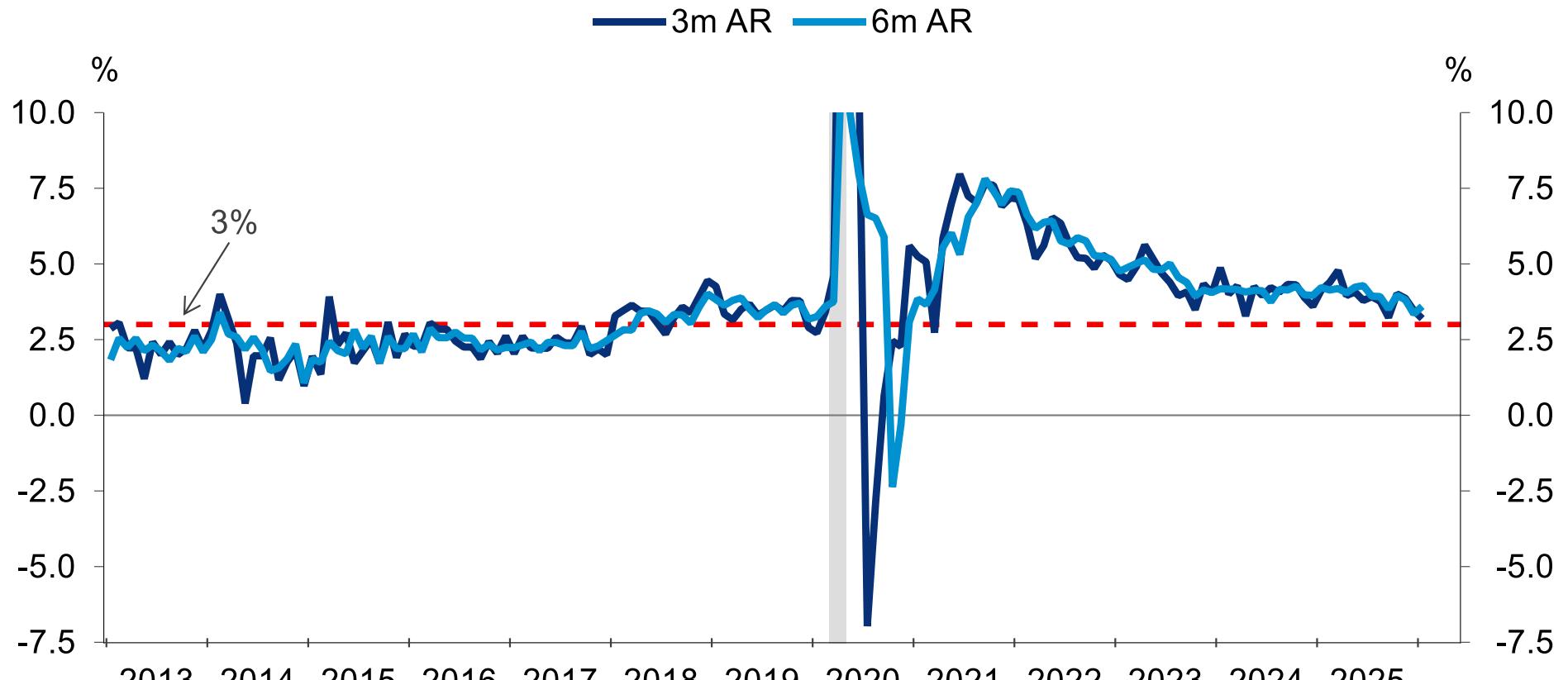


Source: BLS, Macrobond, Deutsche Bank



AHEs of production & nonsupervisory workers slightly above

Average hourly earnings growth for prod. & nonsup. employees

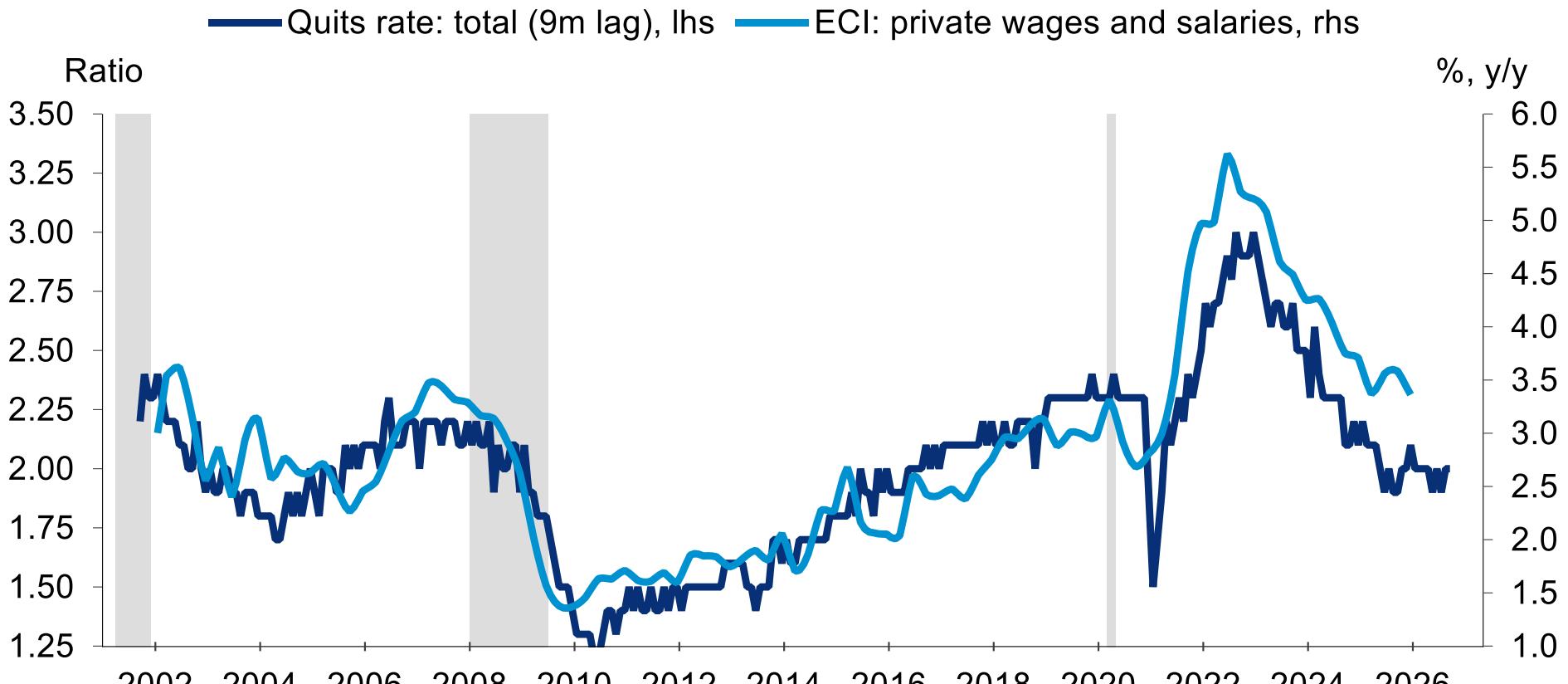


Source: BLS, Macrobond, Deutsche Bank



Quits rate suggests wage growth should stabilize in coming quarters

Quits rate and ECI wage growth



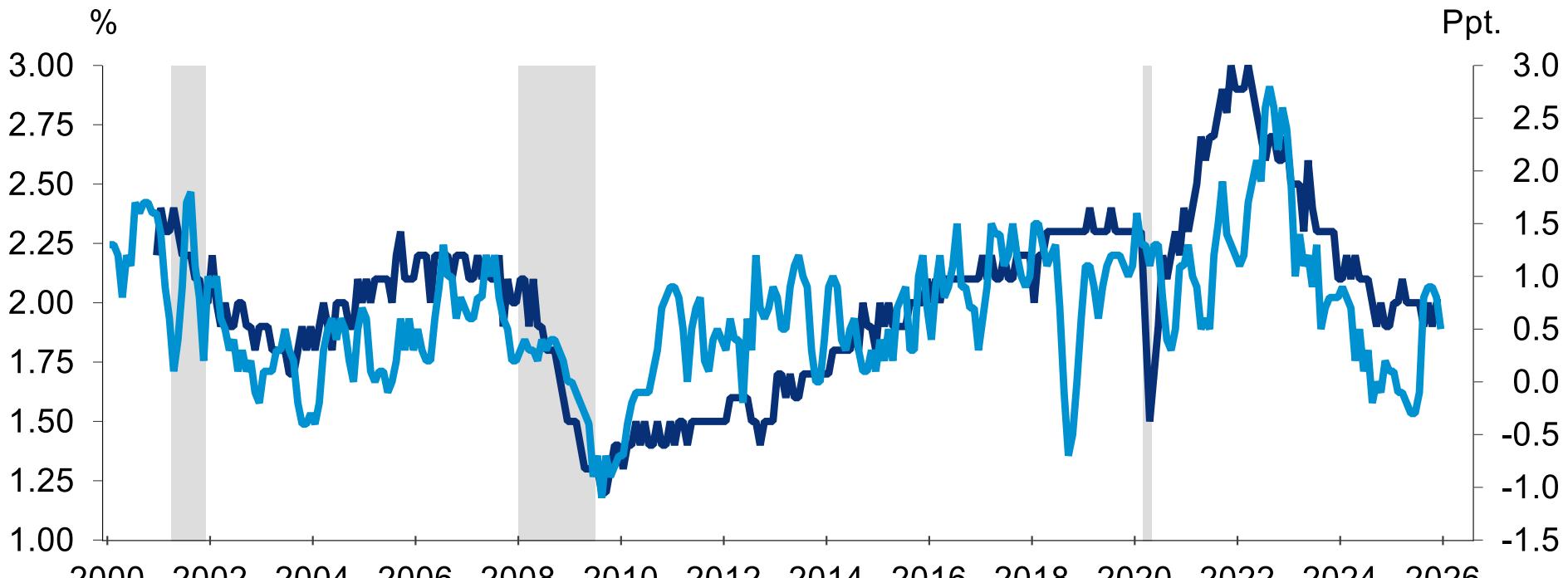
Source: BLS, Macrobond, Deutsche Bank



Quits had generally declined along with the wage premium for job switching despite a recent jump

Job switching premium

- Quits rate: total, lhs
- Atlanta Fed wage growth tracker gap between switchers and stayers, rhs

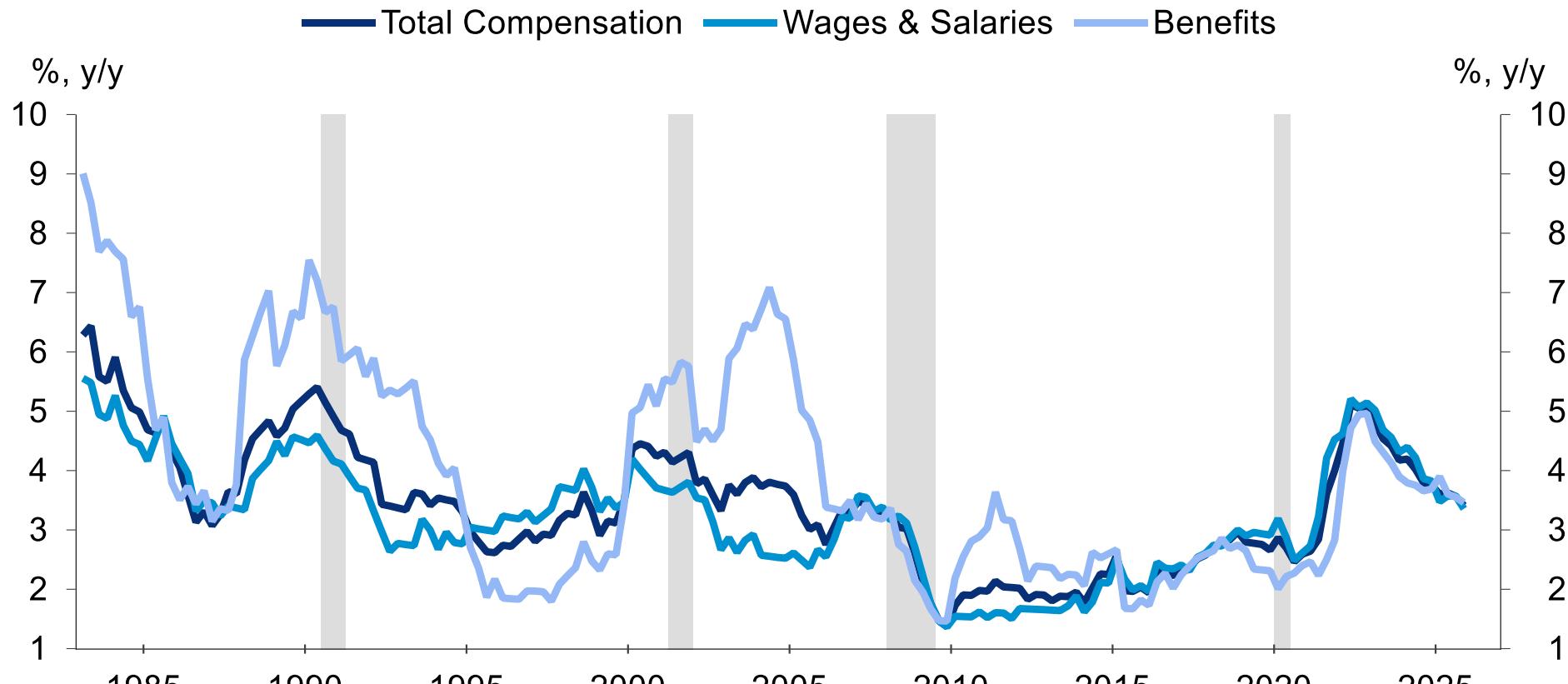


Source: BLS, Atlanta Fed, Macrobond, Deutsche Bank



Employment cost index moderating but still elevated

Employment Cost Index

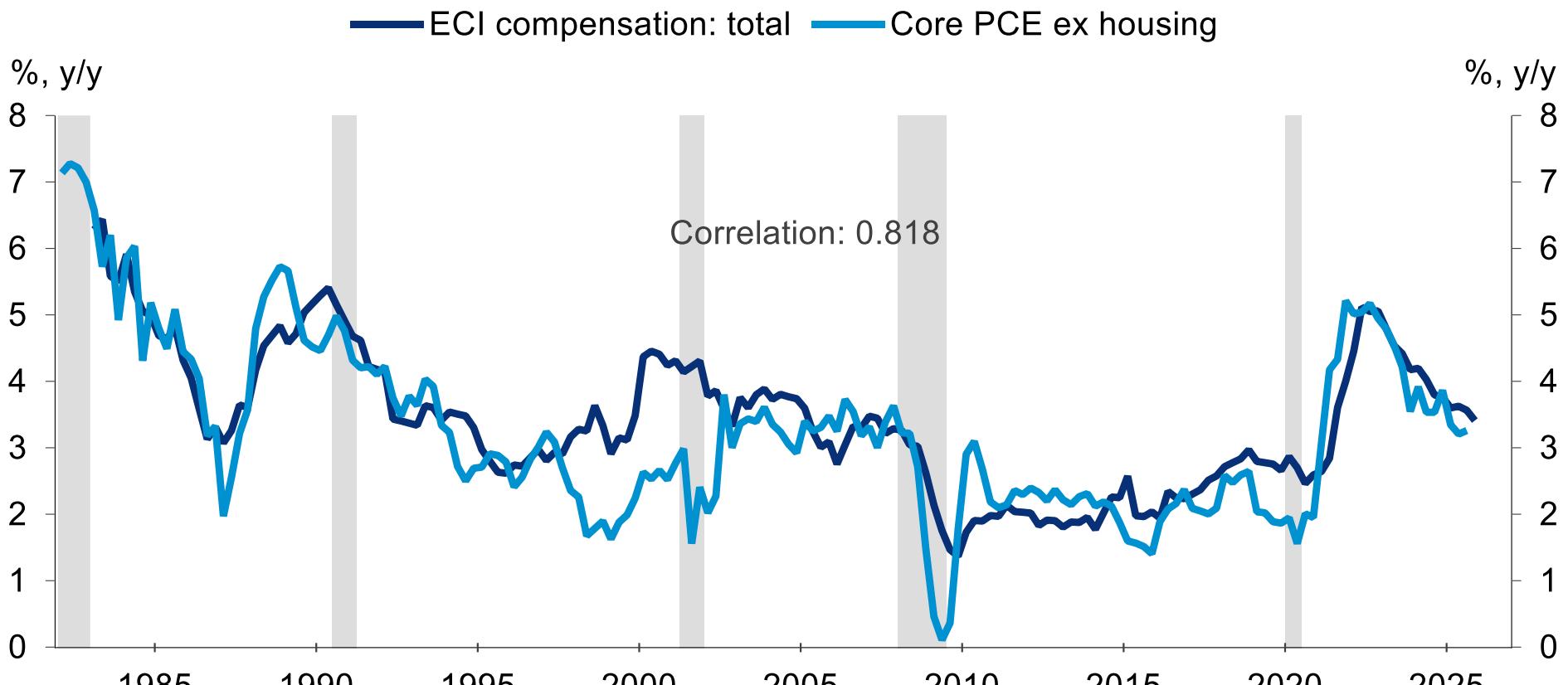


Source: BLS, Macrobond, Deutsche Bank



Fed focuses on core services ex-shelter inflation, which is significantly correlated with the ECI

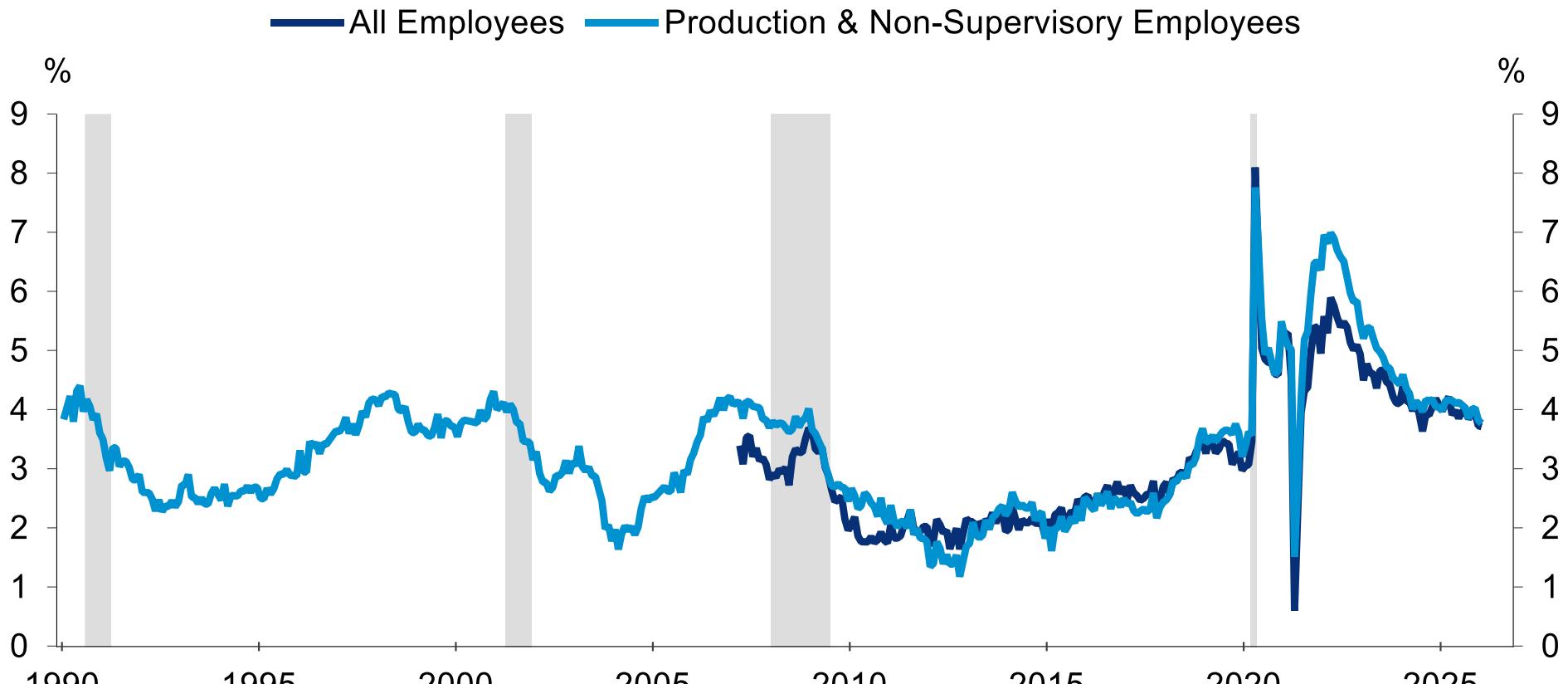
ECI vs supercore PCE





Year-over-year growth of AHEs at 3.7%, somewhat elevated relative to pre-pandemic

Average hourly earnings

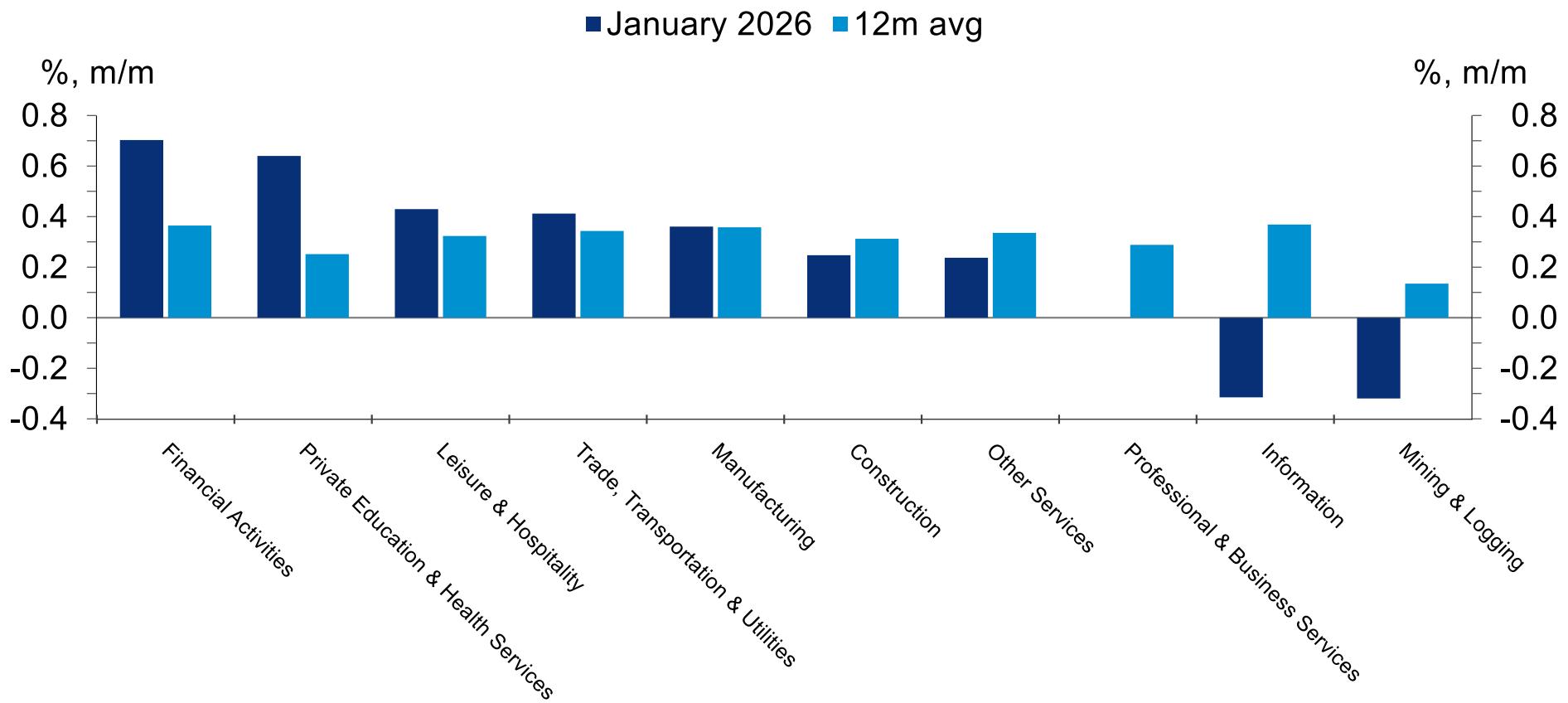


Source: BLS, Macrobond, Deutsche Bank



Wage growth across sectors

Average hourly earnings of employees in total private industries

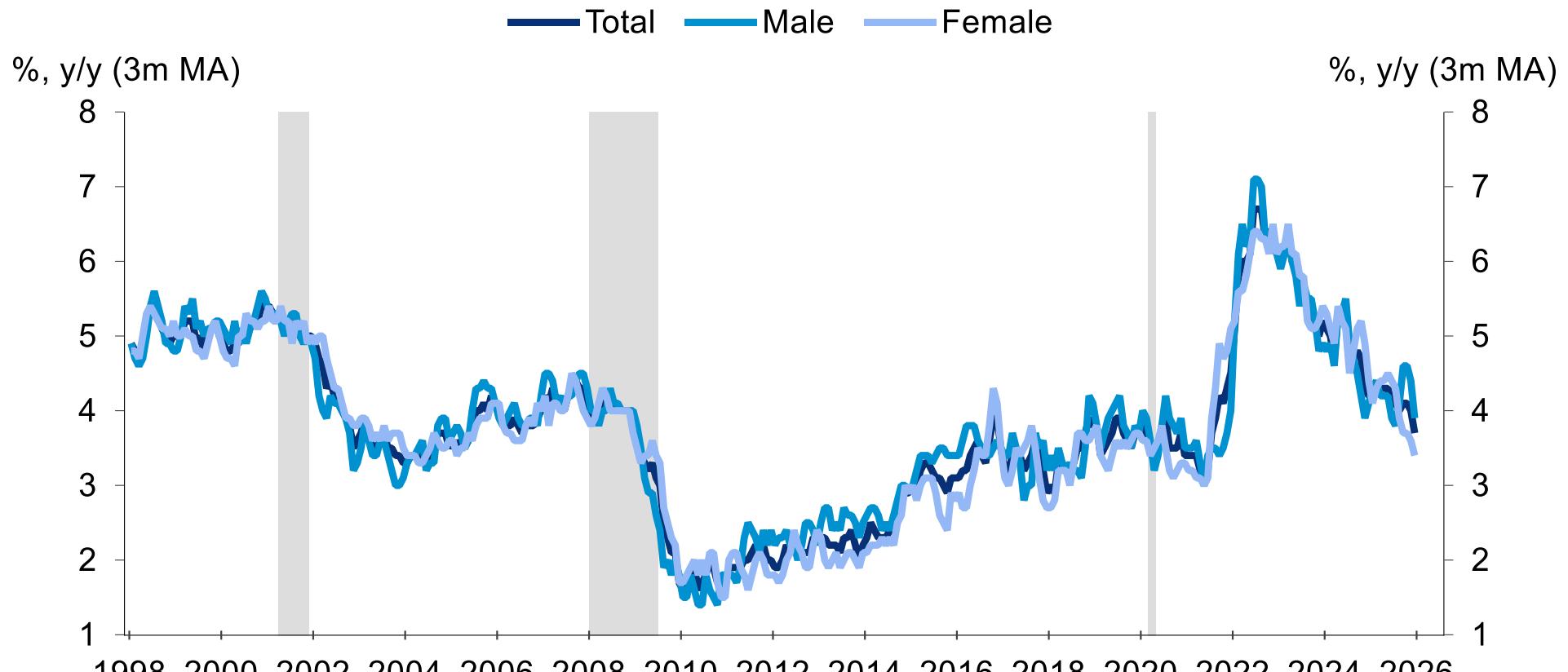


Source: BLS, Macrobond, Deutsche Bank

Atlanta Fed wage tracker still decelerating



Atlanta Fed wage tracker

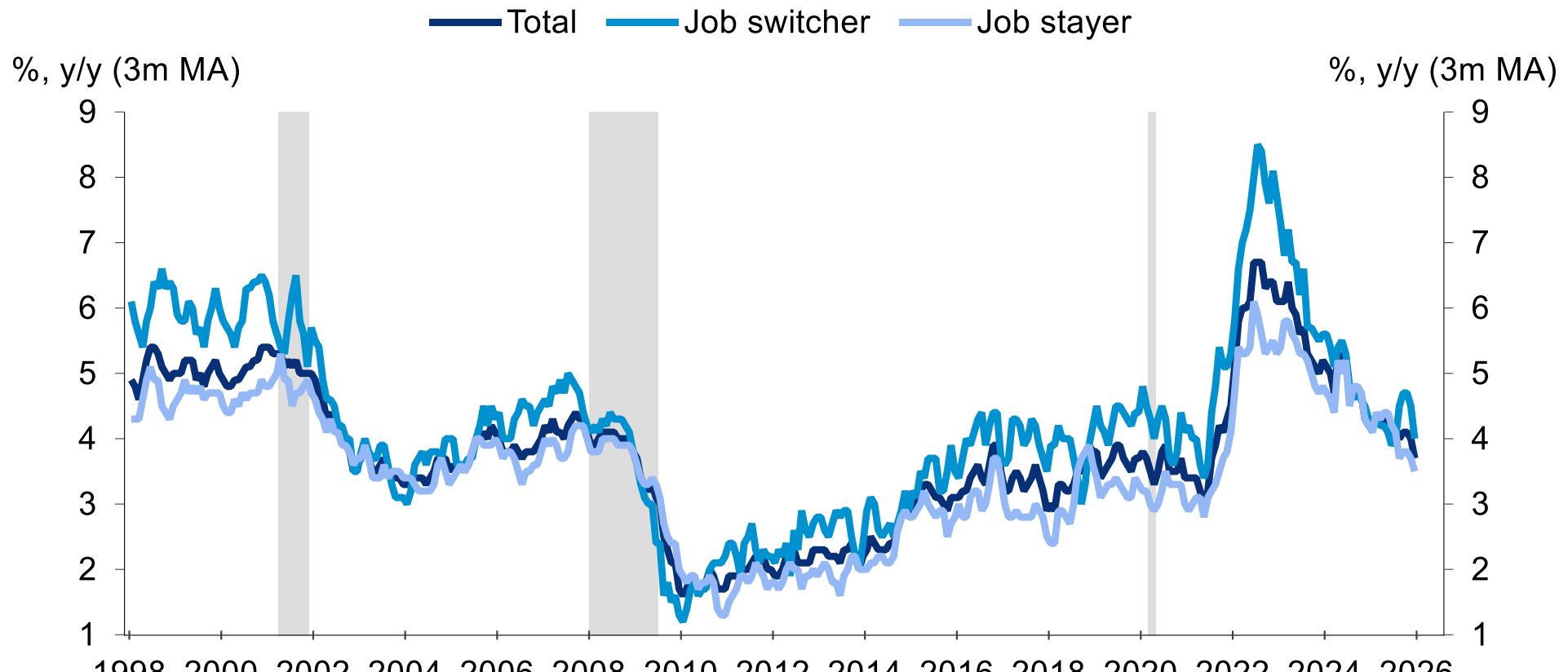


Source: Atlanta Fed, Macrobond, Deutsche Bank



Wage gap has reopened between job switchers and stayers

Atlanta Fed wage tracker

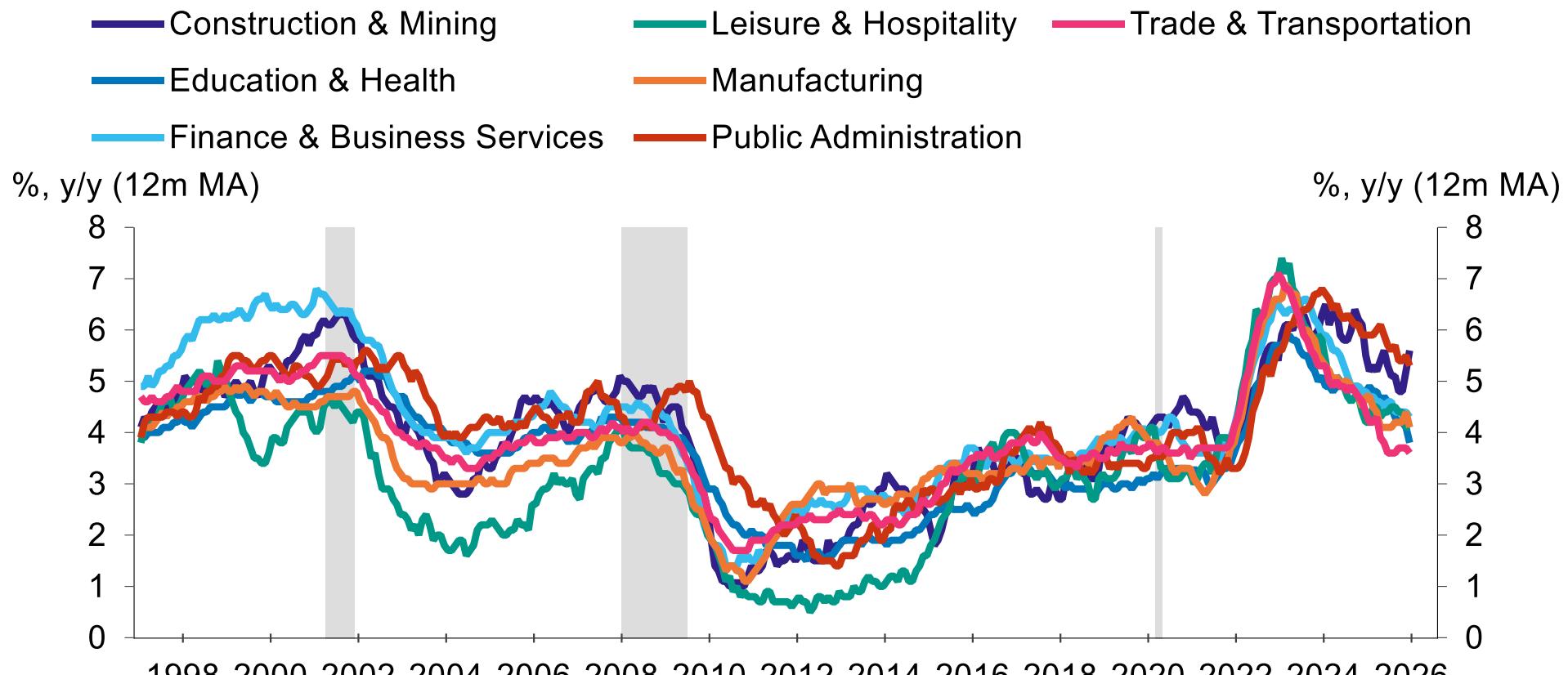


Source: Atlanta Fed, Macrobond, Deutsche Bank



Wage growth across industries shows some divergence

Atlanta Fed wage tracker

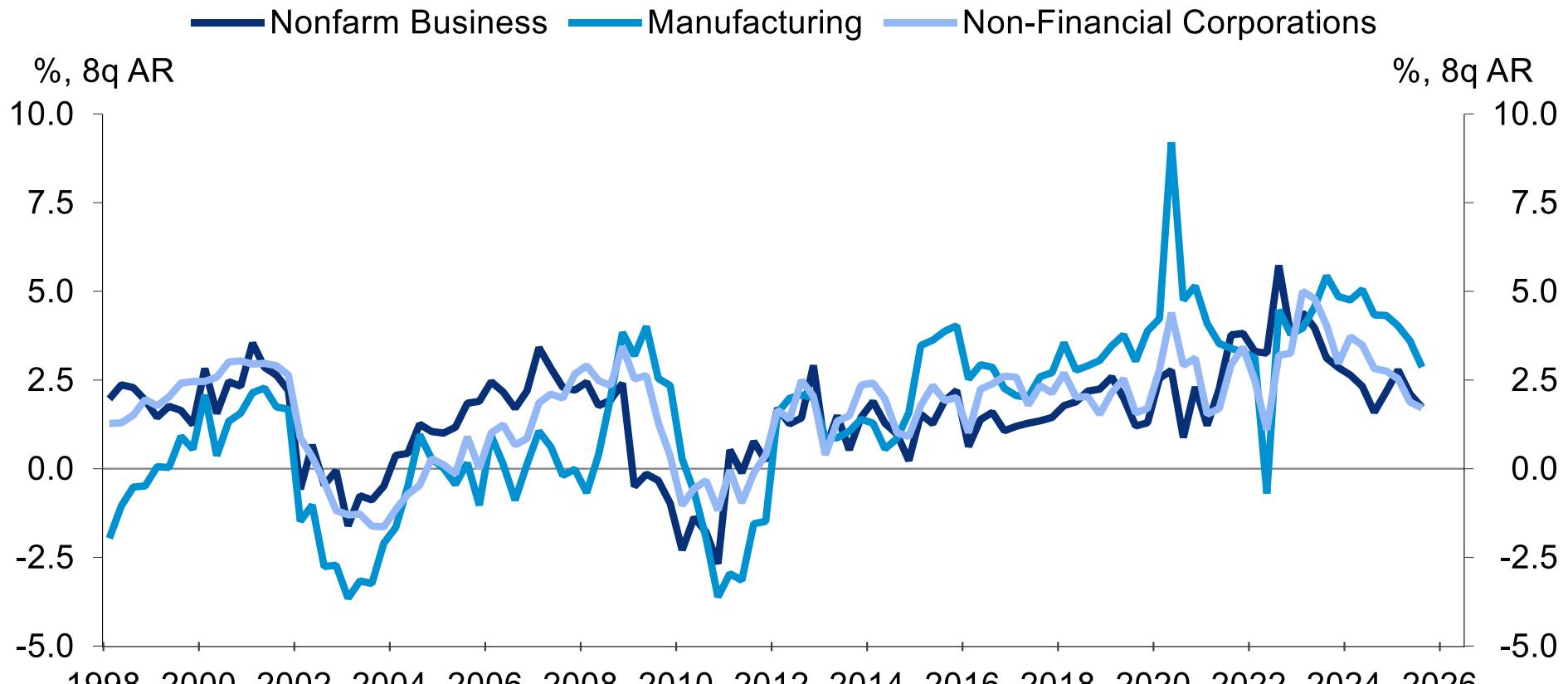


Source: Atlanta Fed, Macrobond, Deutsche Bank



Trend in unit labor costs has generally eased as productivity has picked up, a supportive signal for disinflation

Unit labor costs

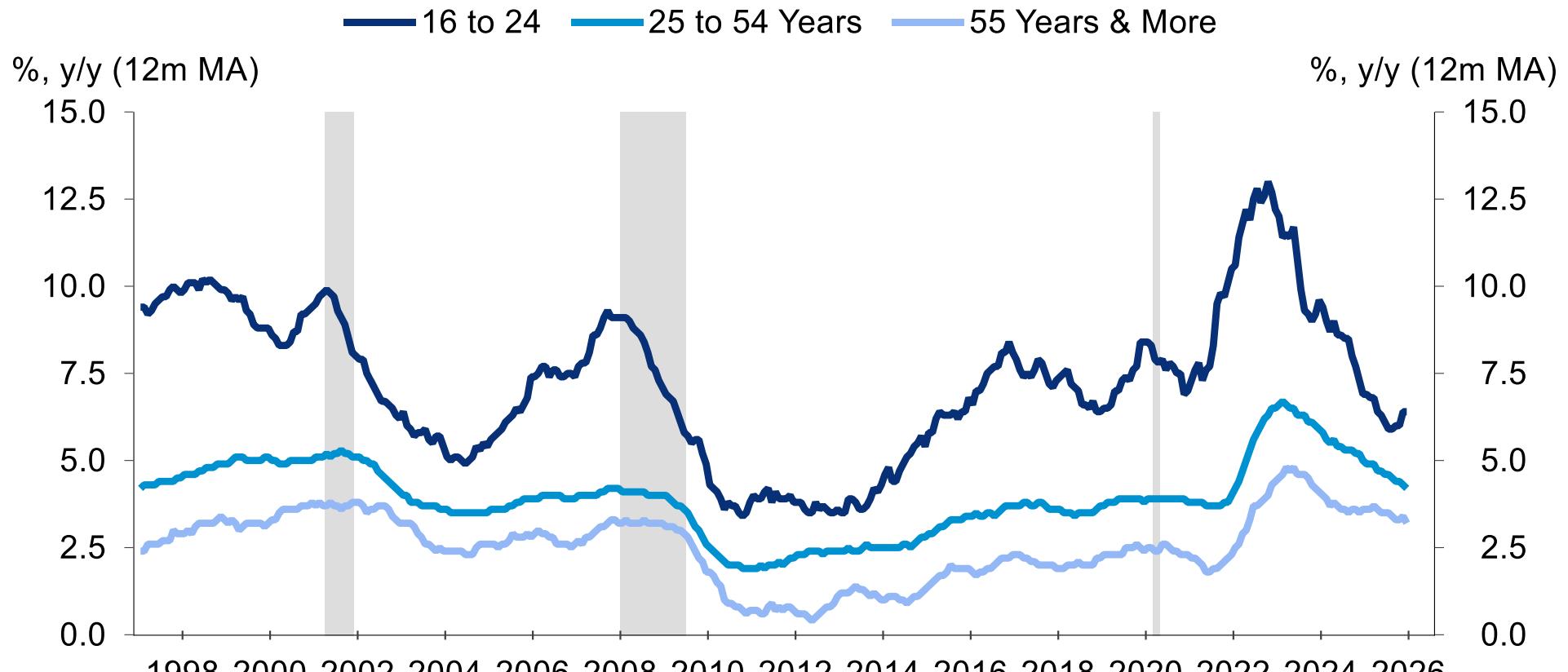


Source: BLS, Macrobond, Deutsche Bank



Younger workers continue to see faster wage growth, but that premium had been shrinking

Atlanta Fed wage tracker

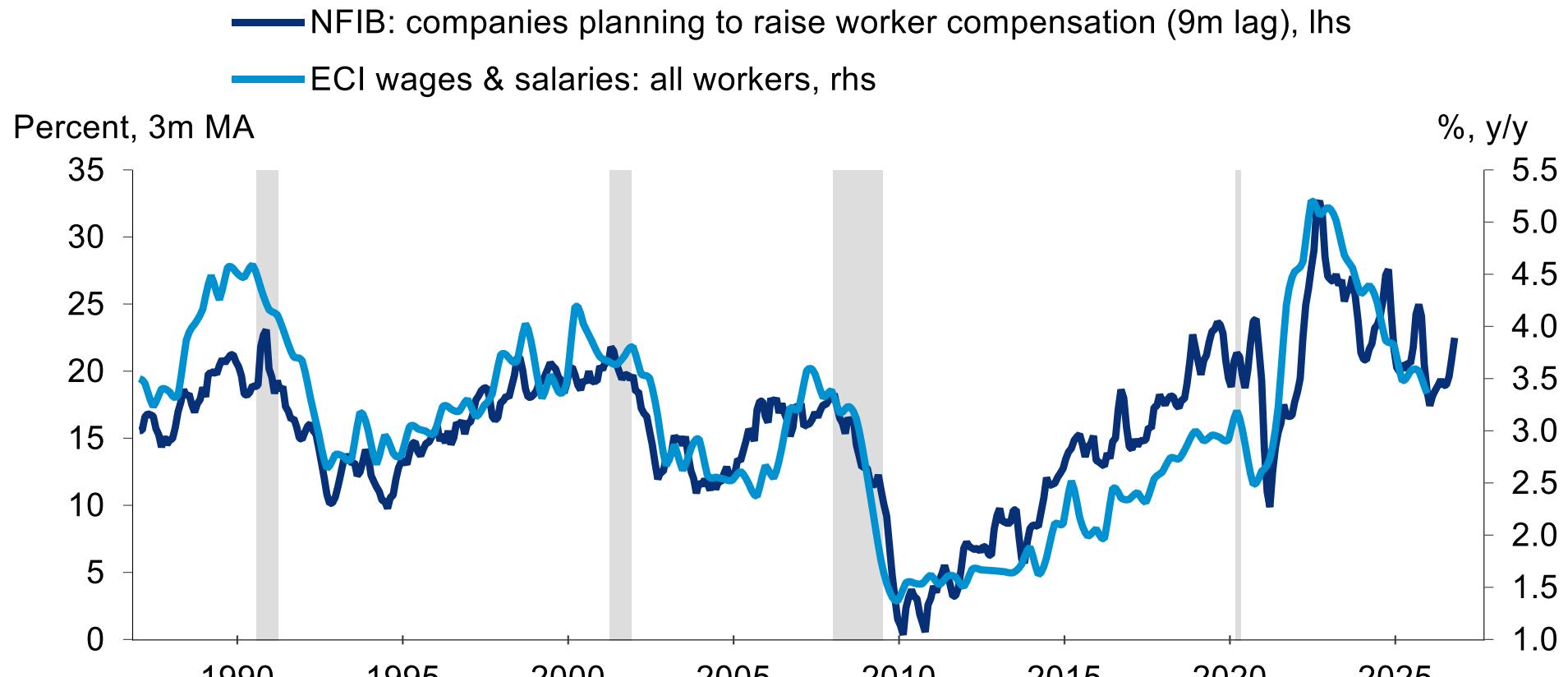


Source: Atlanta Fed, Macrobond, Deutsche Bank



NFIB could signal a near-term stabilization of wage growth

ECI wage growth and NFIB survey



Source: NFIB, BLS, Macrobond, Deutsche Bank

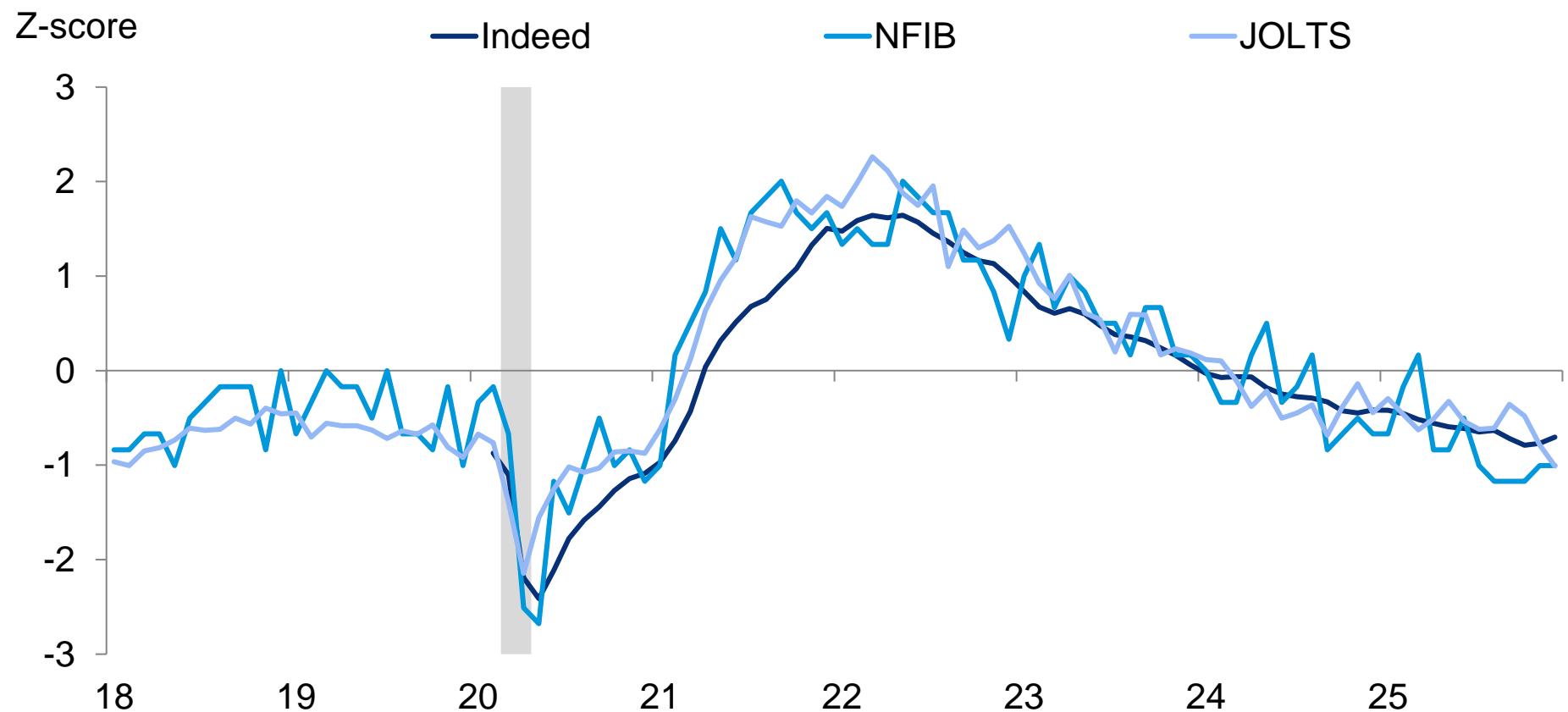


Other indicators



Alternative data sources consistent with modest further decline in job openings

Job openings



Job openings have come down meaningfully



Change in total job openings

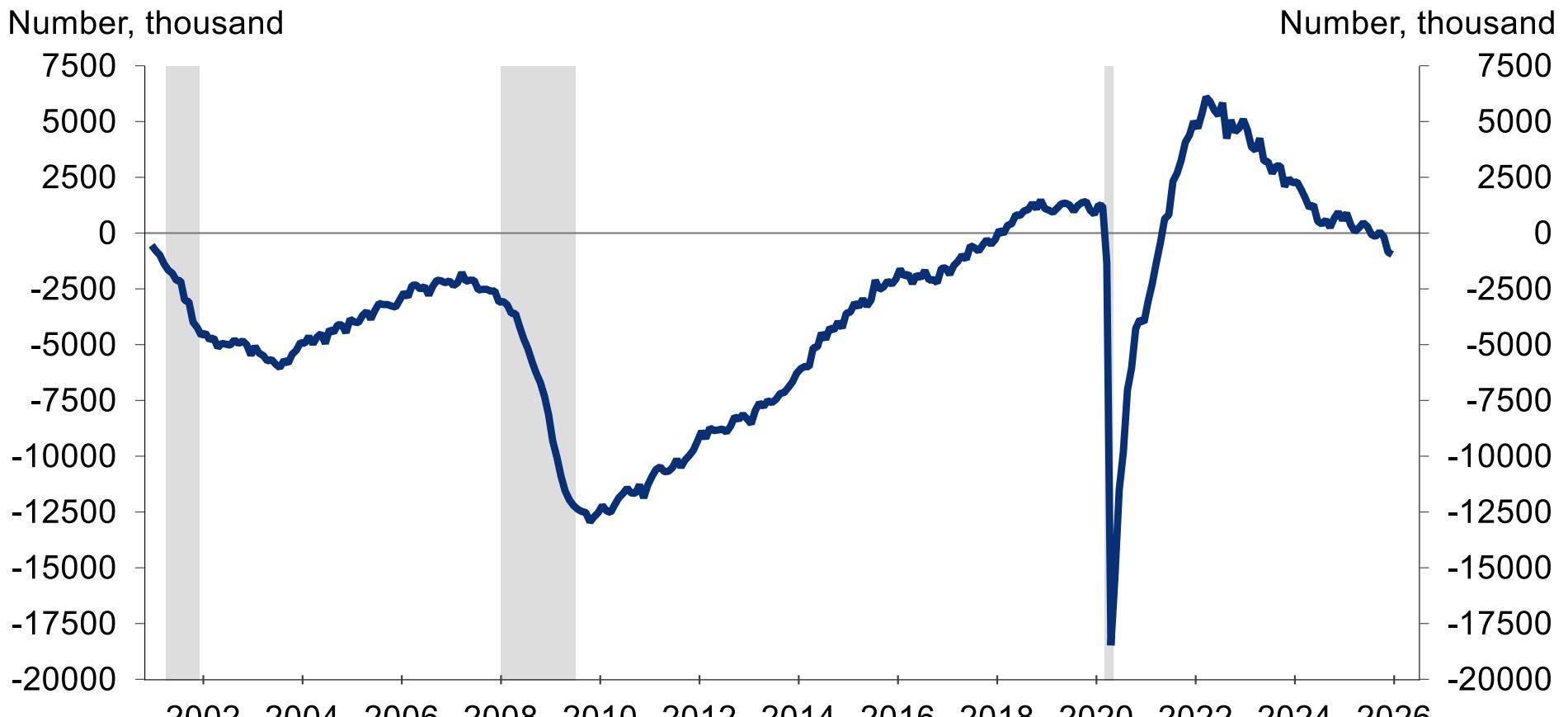


Source: BLS, Macrobond, Deutsche Bank



Job openings are below the number of unemployed people indicating still some slack

Job openings less unemployed workers

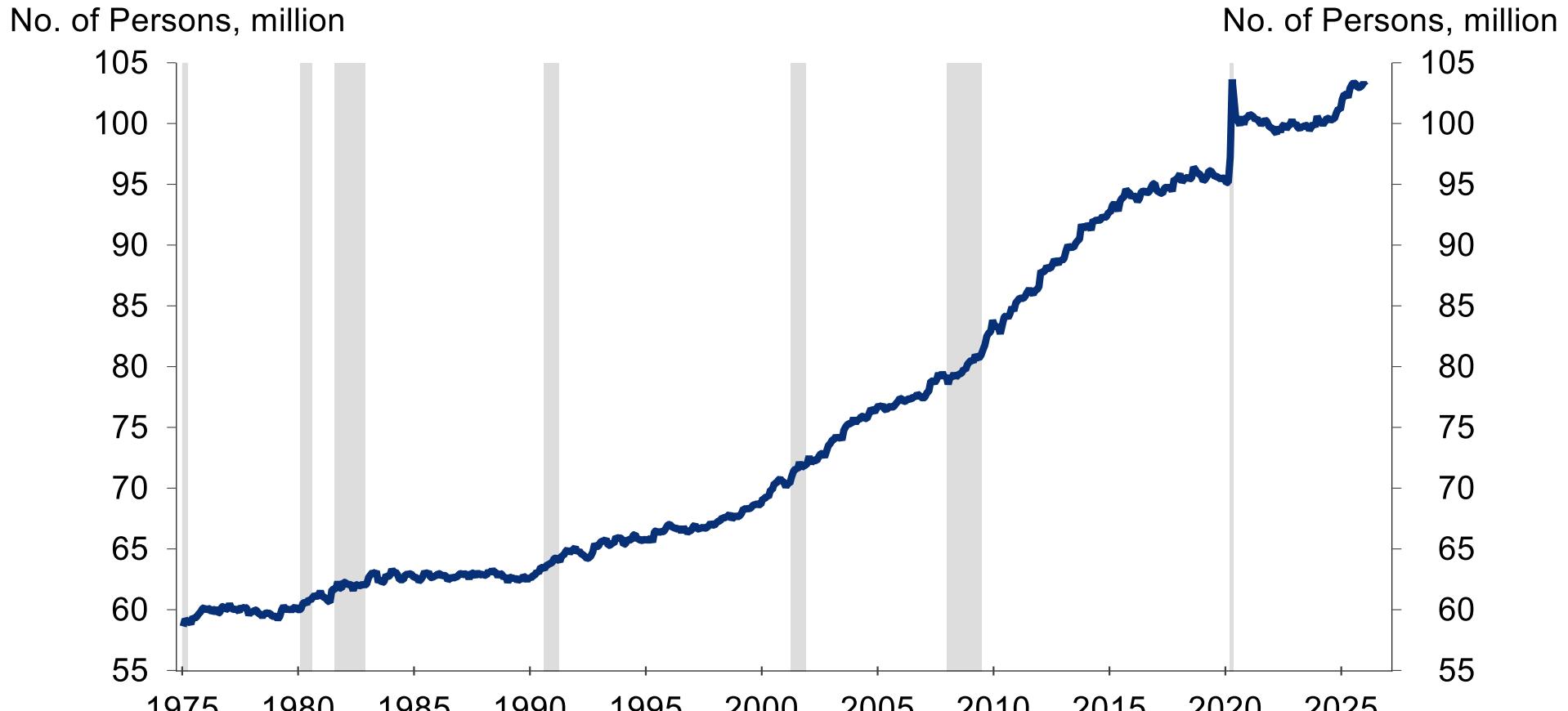


Source: BLS, Macrobond, Deutsche Bank



~103mn people are not in the labor force, ~7mn more than pre-pandemic

Civilians not in labor force

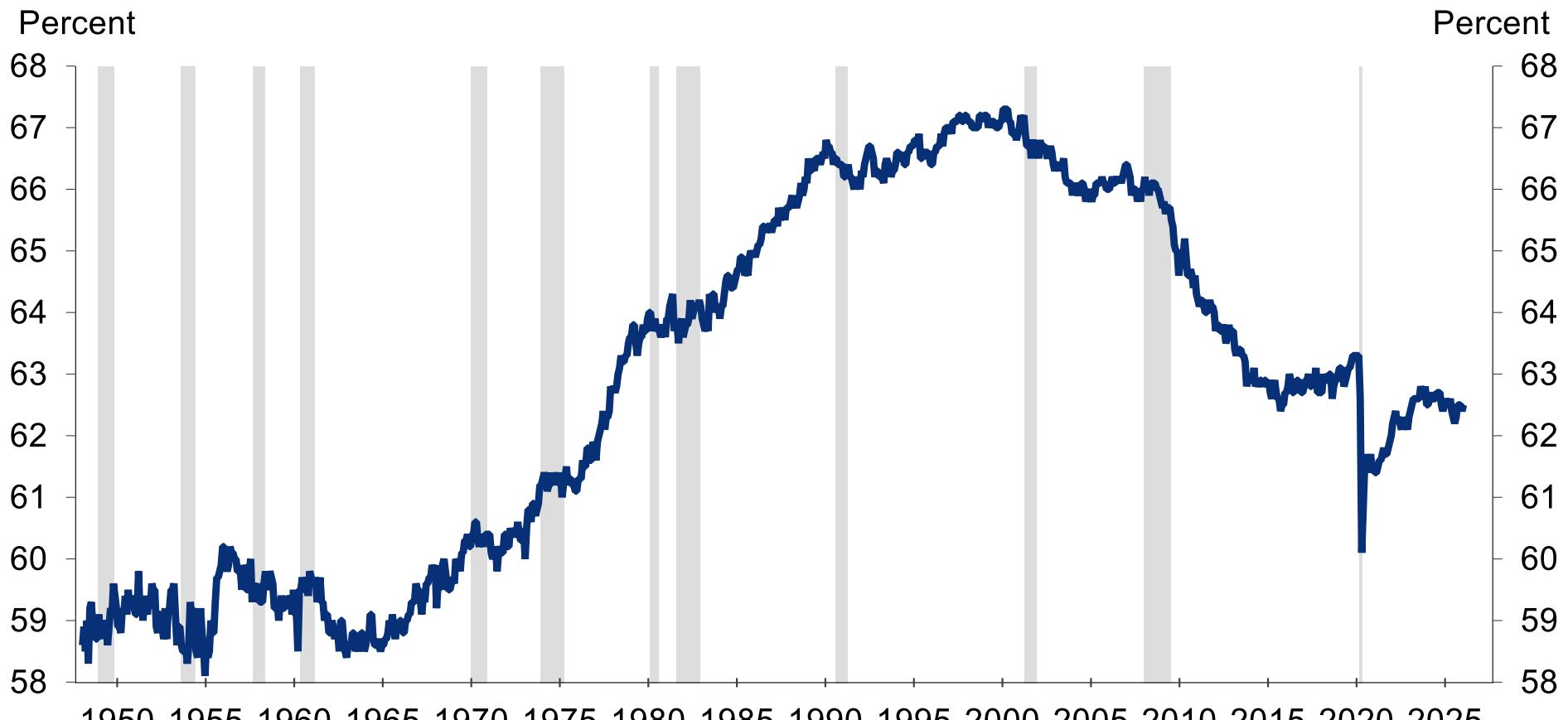


Source: BLS, Macrobond, Deutsche Bank



The overall labor force participation rate still below the November 2023 post-pandemic peak of 62.8%

Civilian labor force participation rate

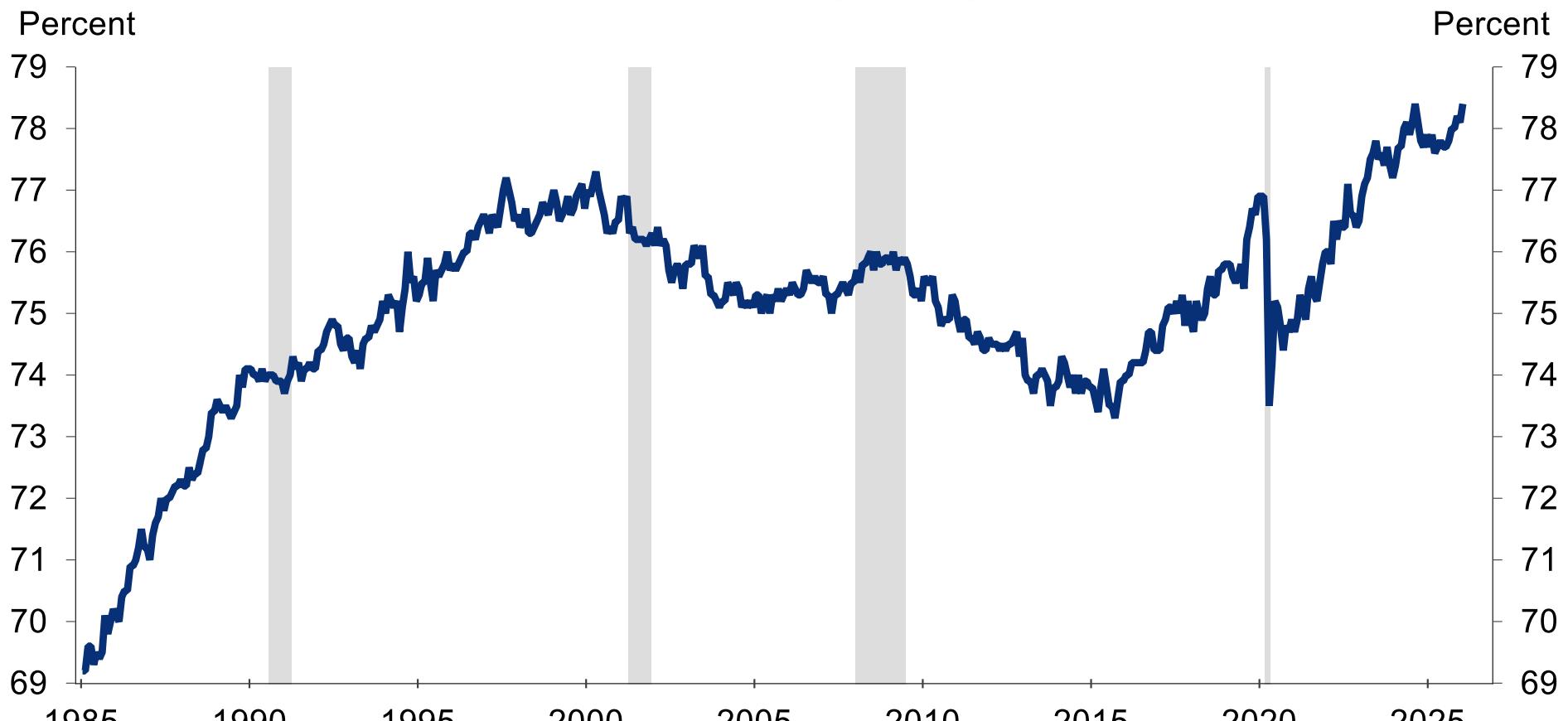


Source: BLS, Macrobond, Deutsche Bank



Prime age labor force participation for women near all time highs

Labor force participation rate: women (25-54)

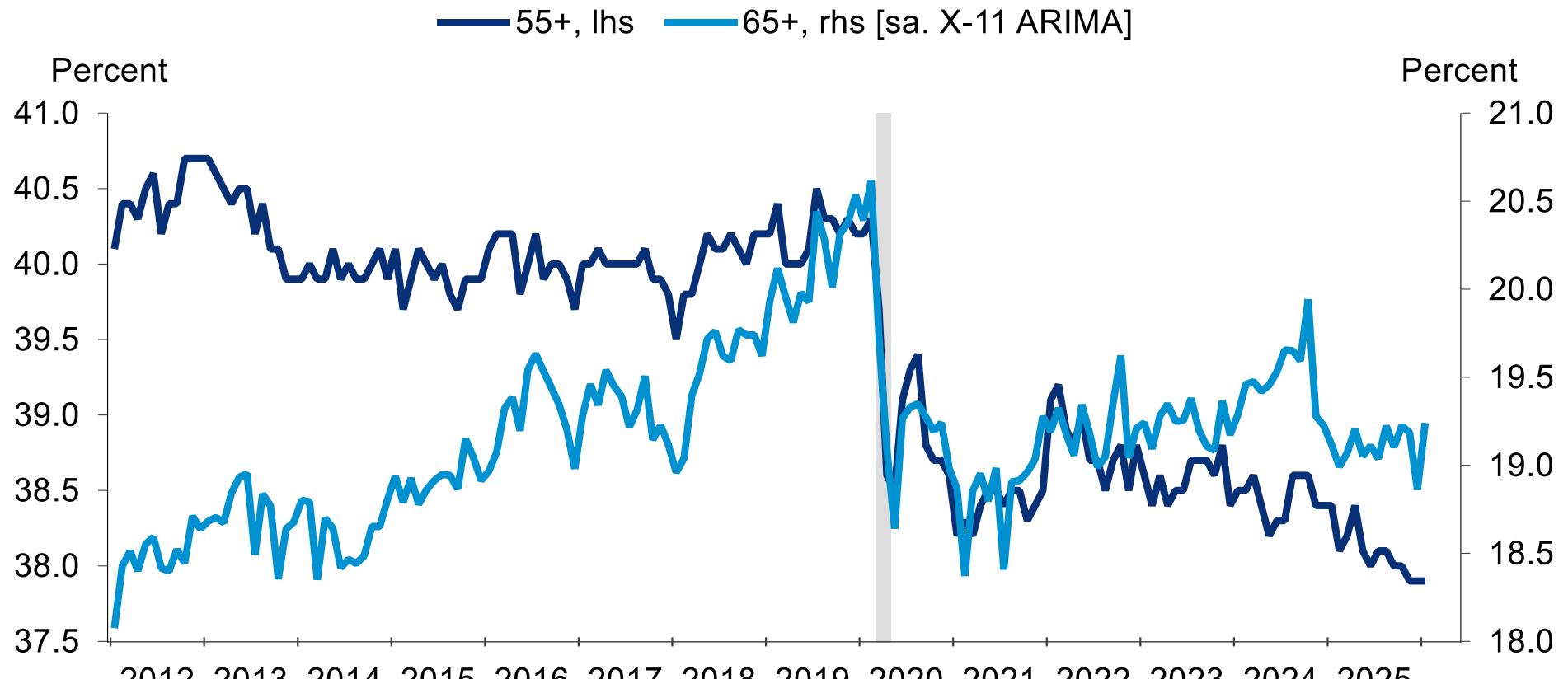


Source: BLS, Macrobond, Deutsche Bank

The participation rate for the 55+ trending lower



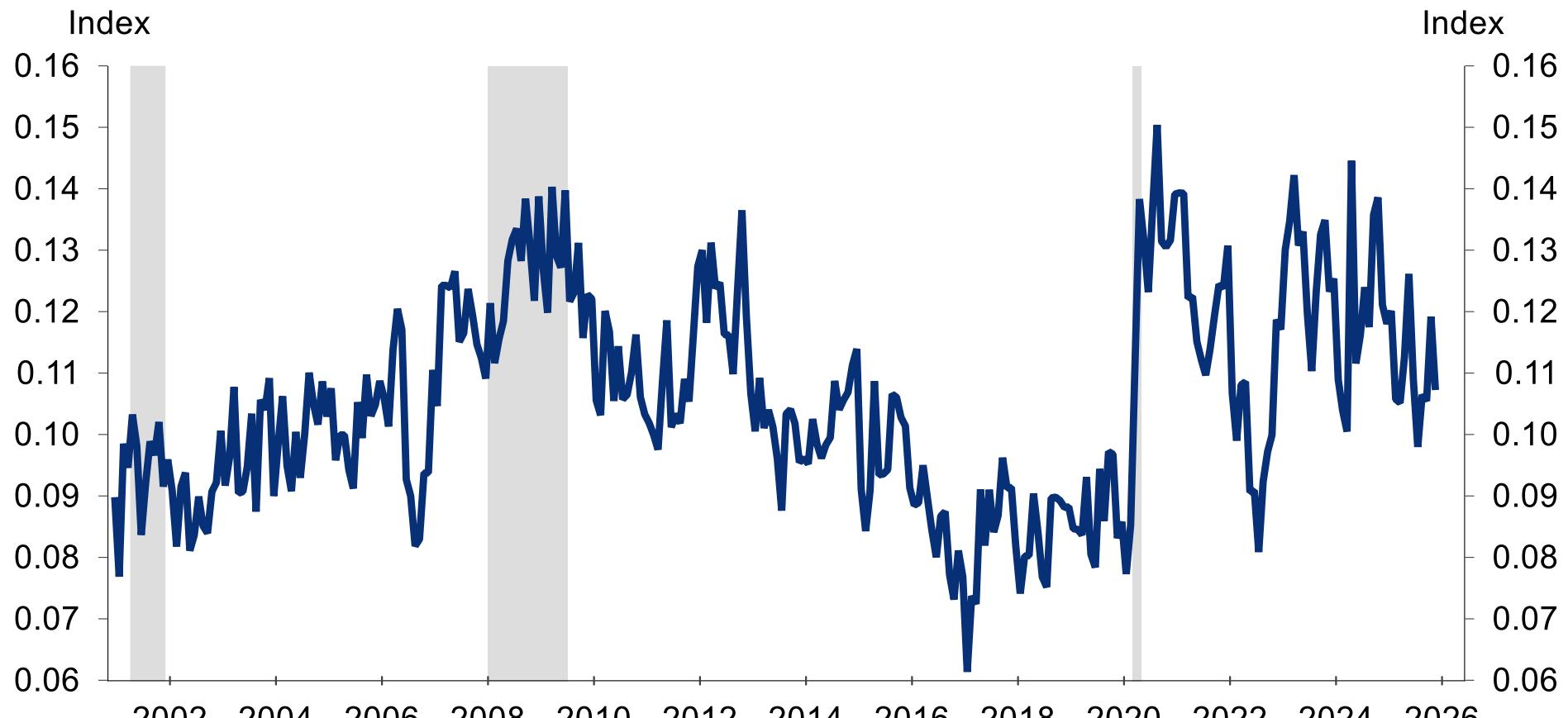
Labor force participation rate





Geographic labor market mismatch remains elevated relative to 2019

Geographic mismatch index

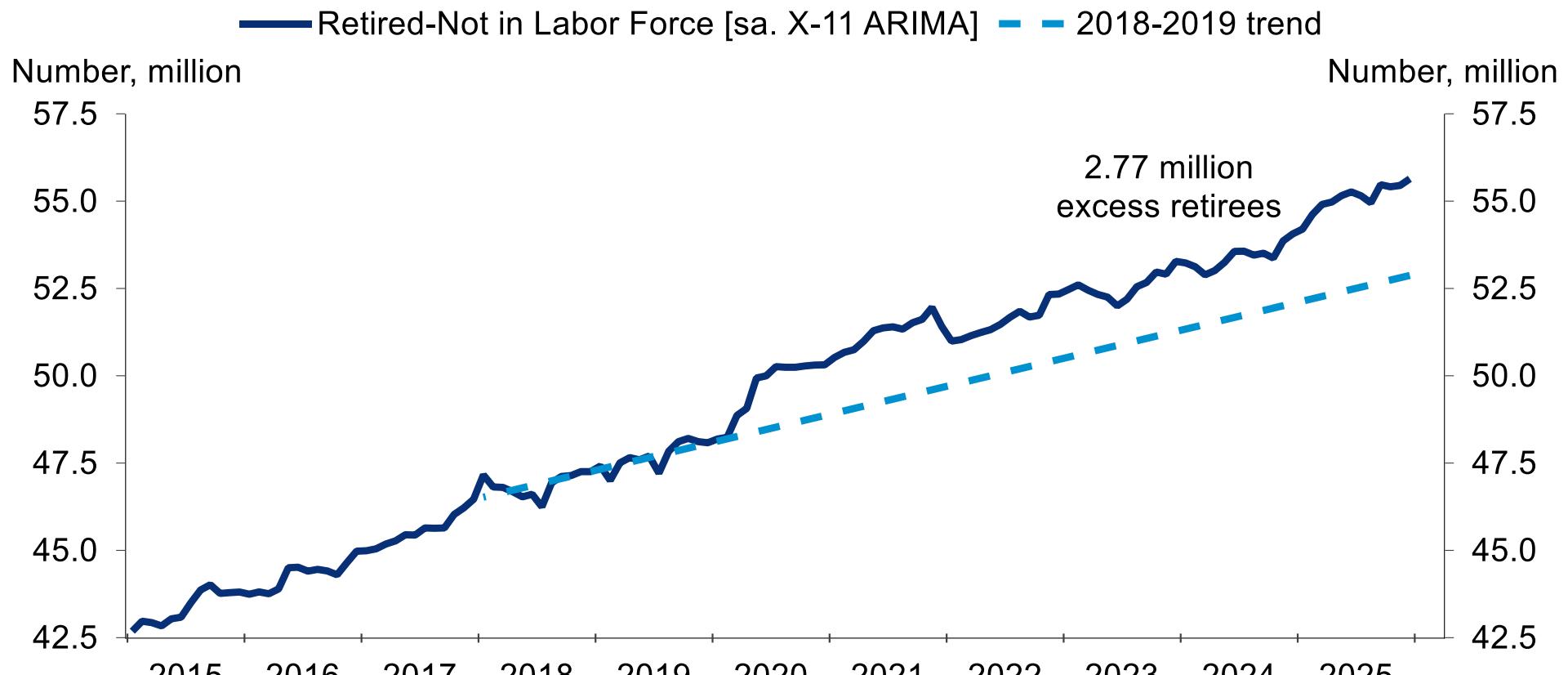


Source: BLS, Macrobond, Deutsche Bank



Excess retirements remain elevated

Excess retirements

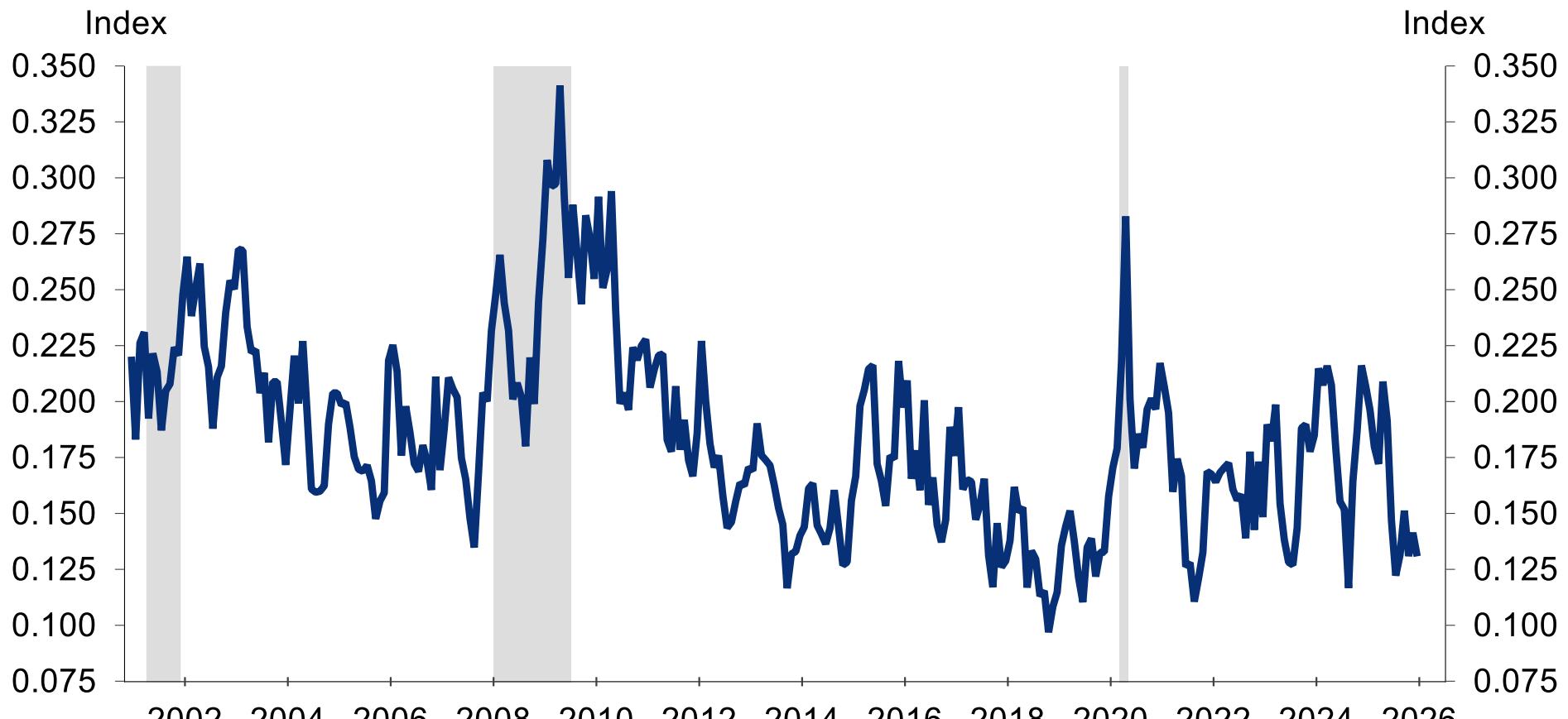


Source: USCB, Macrobond, Deutsche Bank



Sectoral mismatch index recently at its lows

Industry-level mismatch

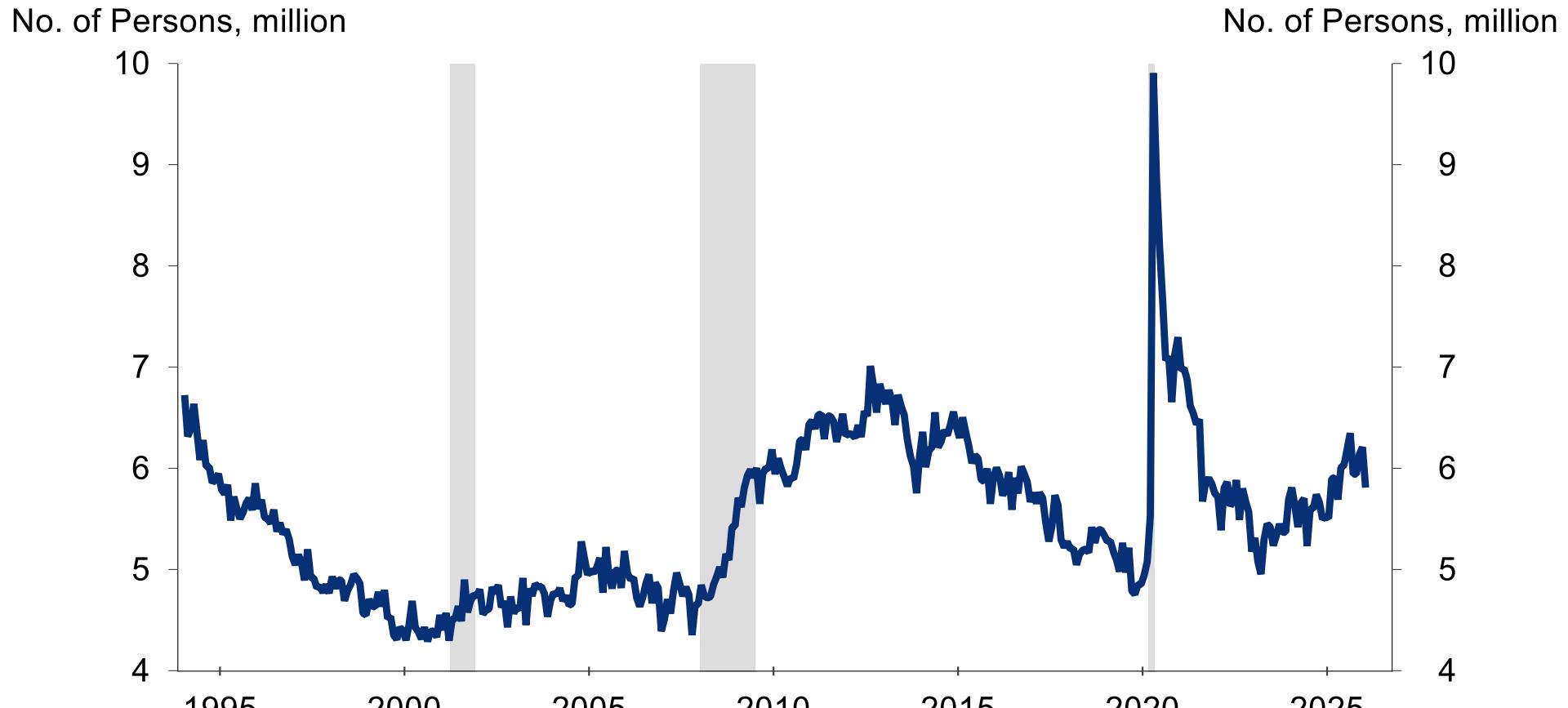


Source: BLS, Macrobond, Deutsche Bank

About 6mn people outside the labor force want a job now



Not in labor force but want a job now

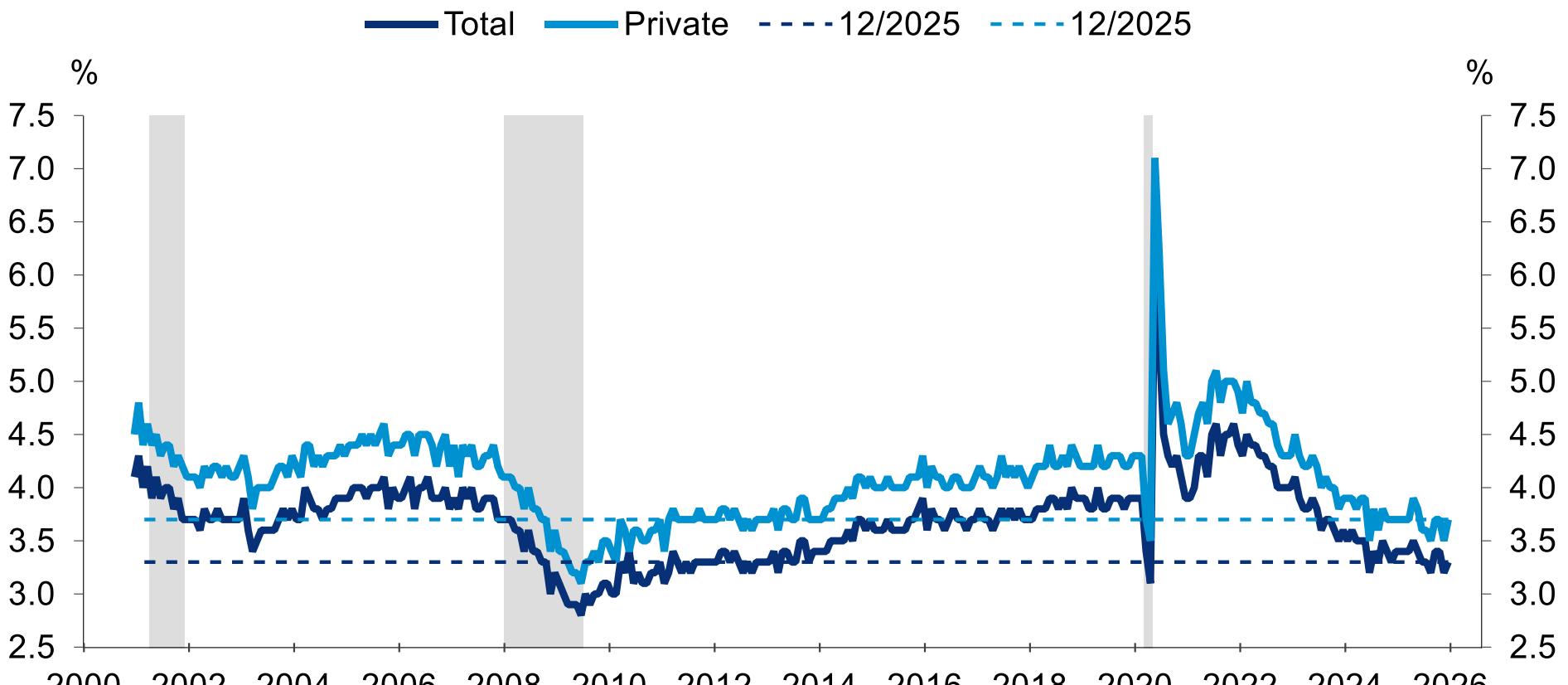


Source: BLS, Macrobond, Deutsche Bank



Hiring rate has fallen to near 2013/2014 levels

Hiring rate



Source: BLS, Macrobond, Deutsche Bank



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Appendix 1

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