



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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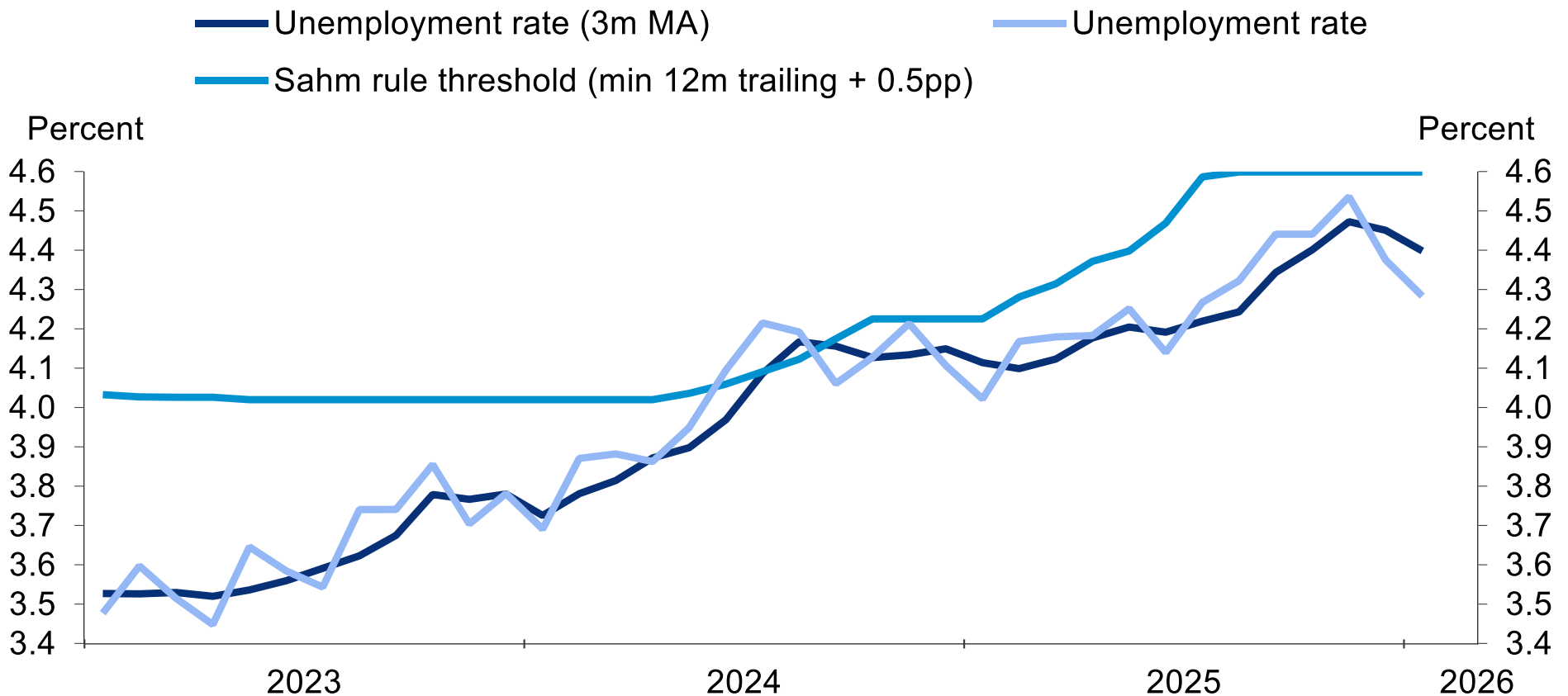


# Top charts from the January jobs report

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



## Sahm rule

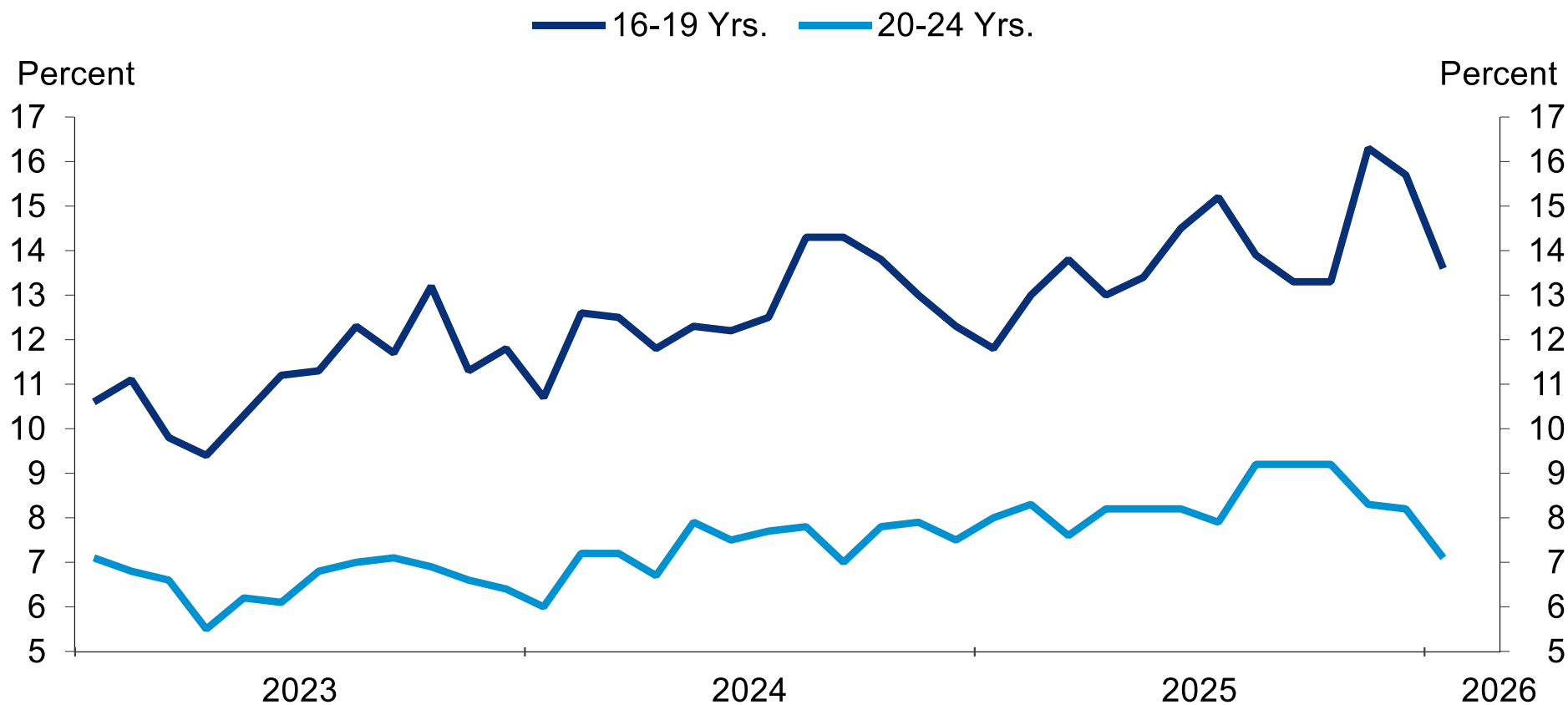


Source: BLS, Macrobond, Deutsche Bank



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

## Unemployment rate for younger age groups

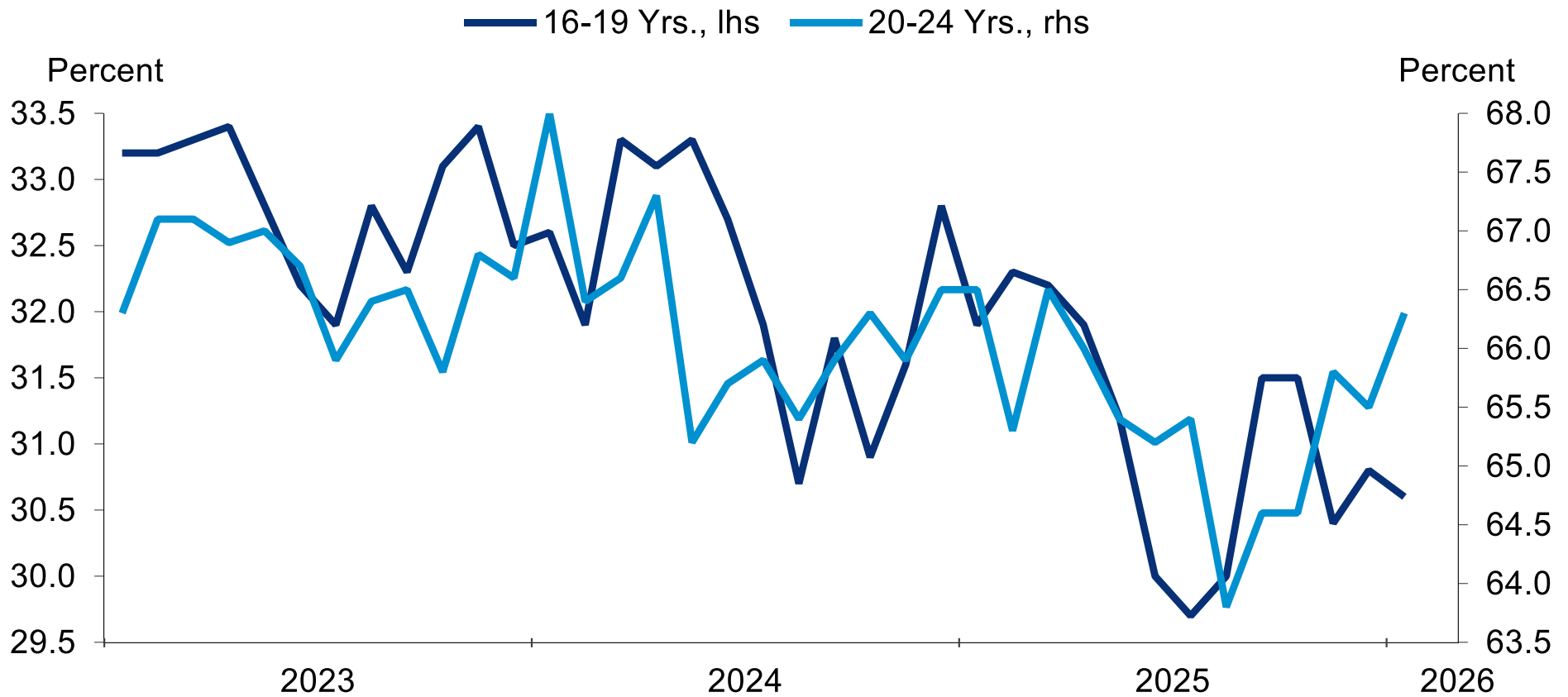


Source: BLS, Macrobond, Deutsche Bank

# Employment/population ratio for newer workers has begun to recover



## Employment-population ratios for younger age groups



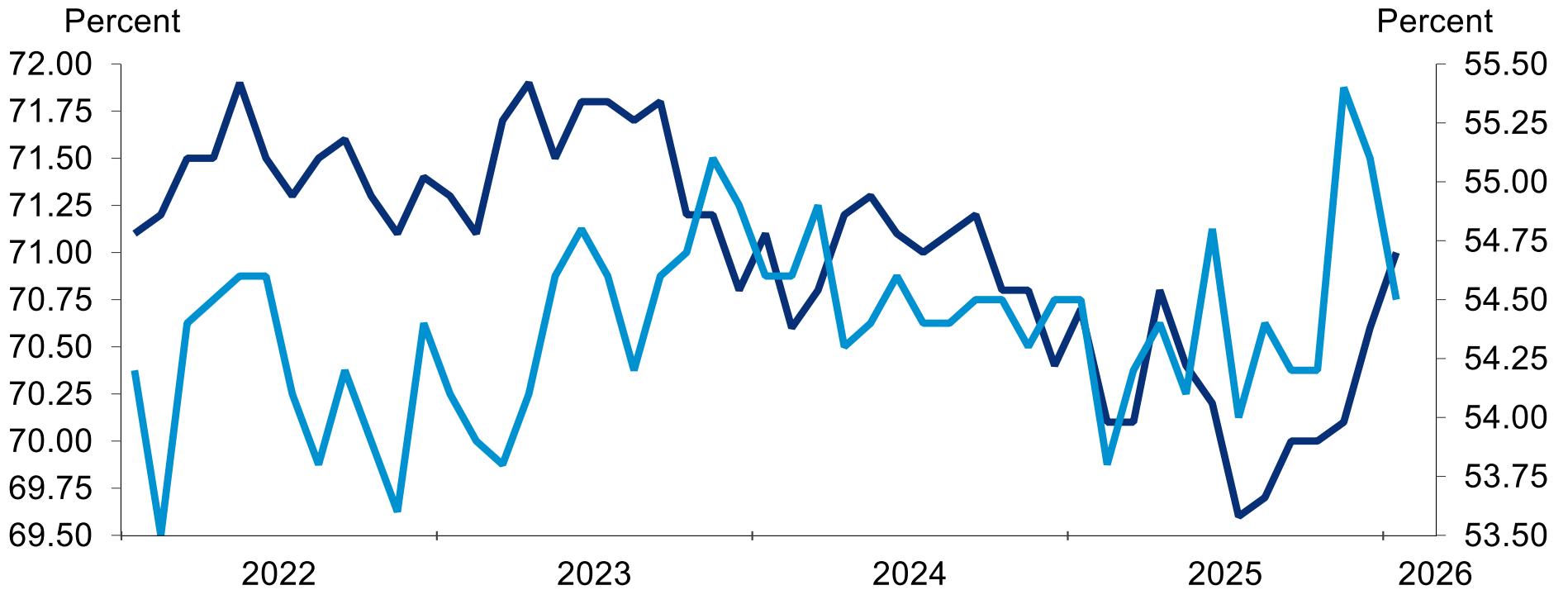
Source: BLS, Macrobond, Deutsche Bank

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



## Employment-population ratios by education level

- Bachelor's Degree & Higher, 25 Yrs. & Over, lhs
- High School Graduates, No College, 25 Yrs. & Over, rhs

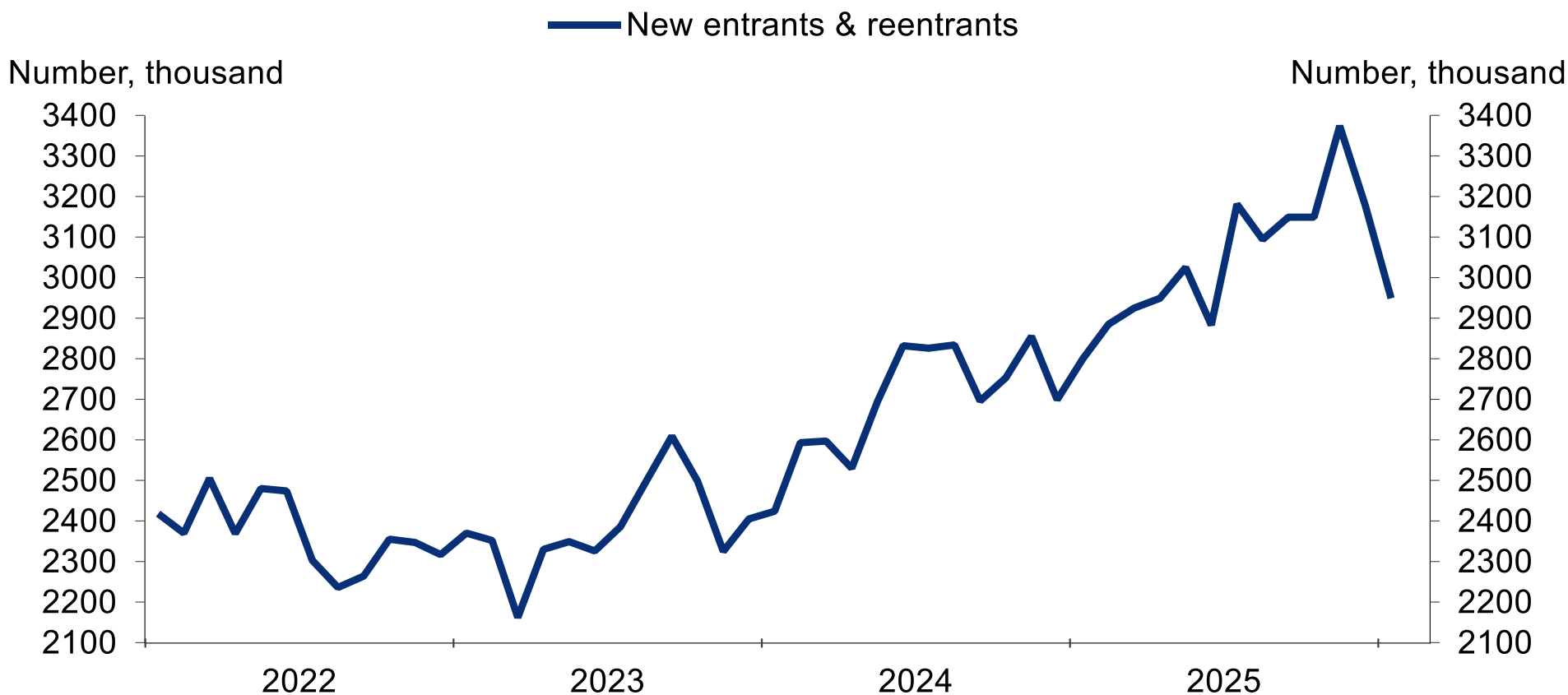


Source: BLS, Macrobond, Deutsche Bank



# 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



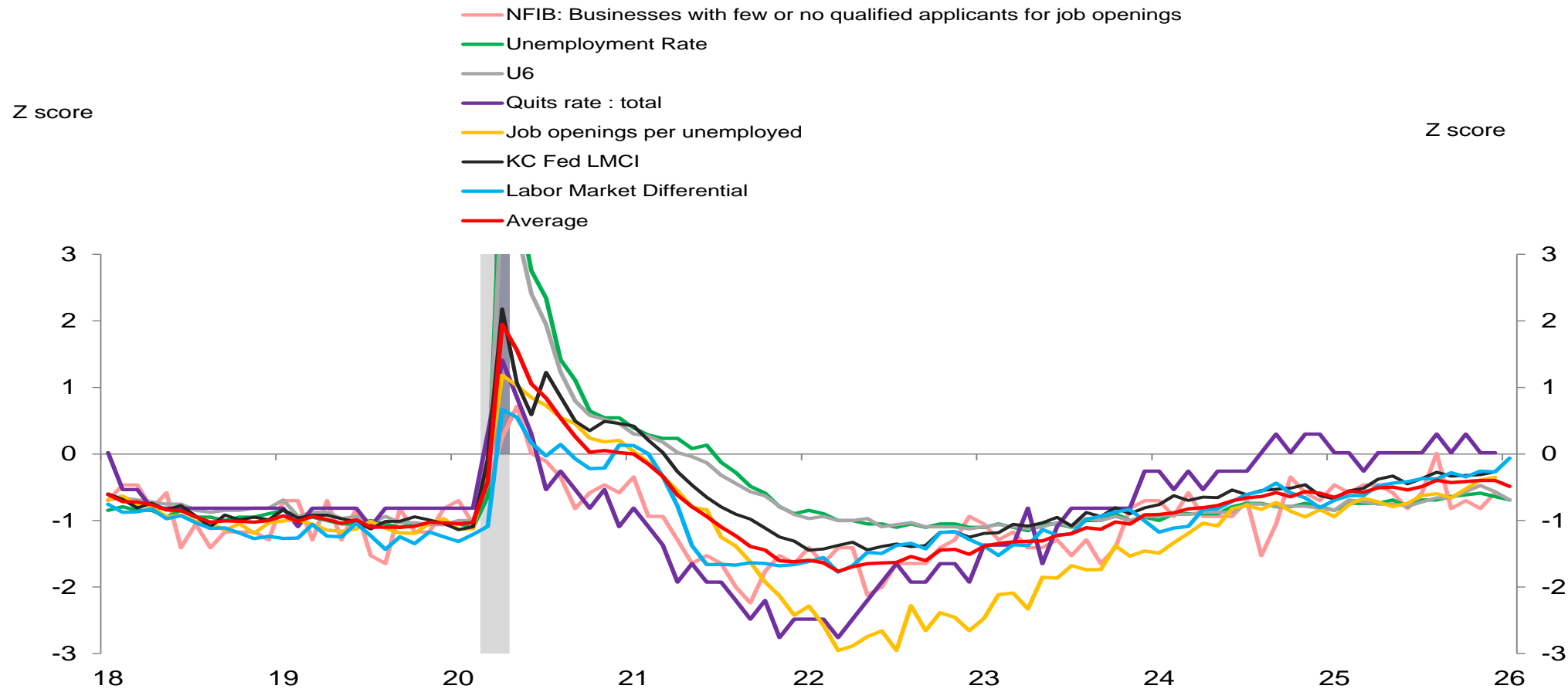
Source: BLS, Macrobond, Deutsche Bank





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

## Z-score for labor market indicators

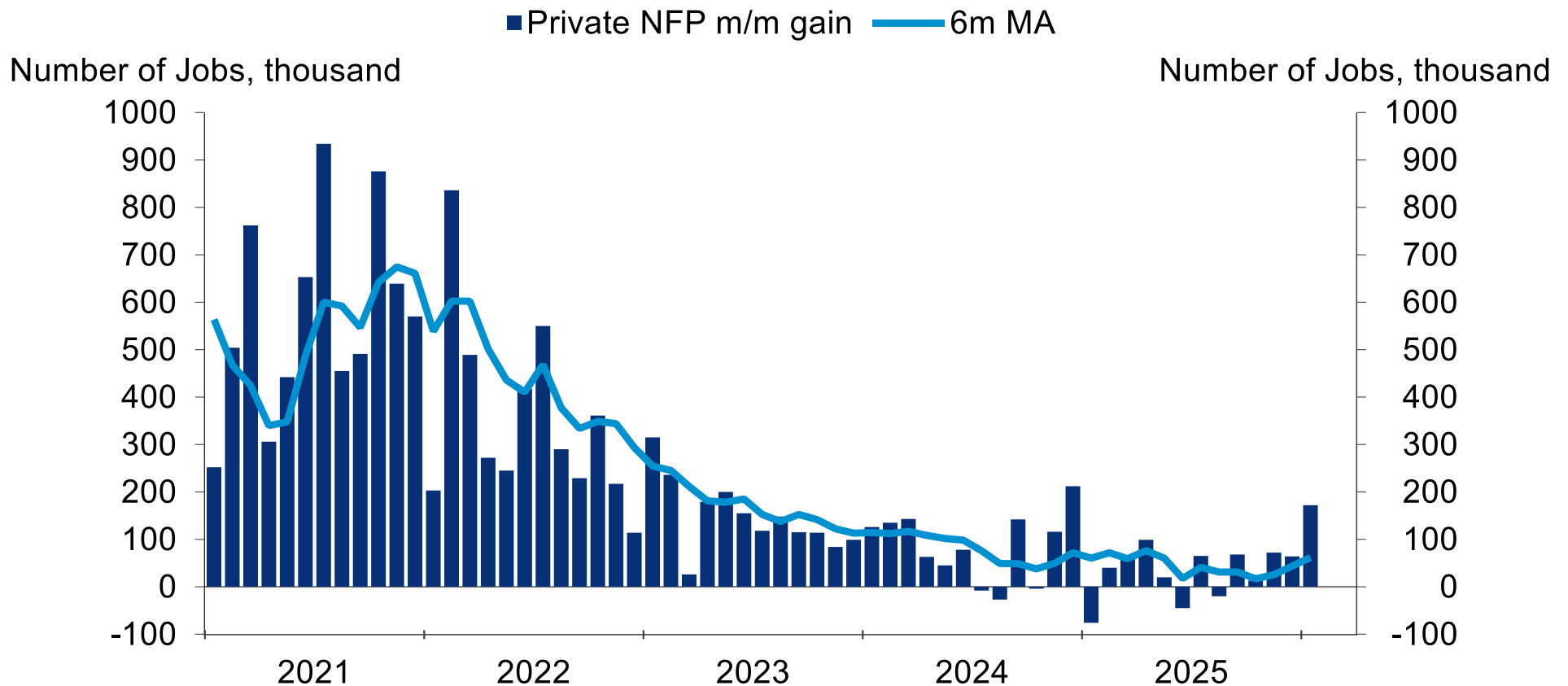


Source: The Conference Board, BLS, FRB Kansas City/ Haver Analytics, Deutsche Bank Research



# Private payroll gains of 172k in January well exceeded expectations

## Change in private nonfarm payroll employment

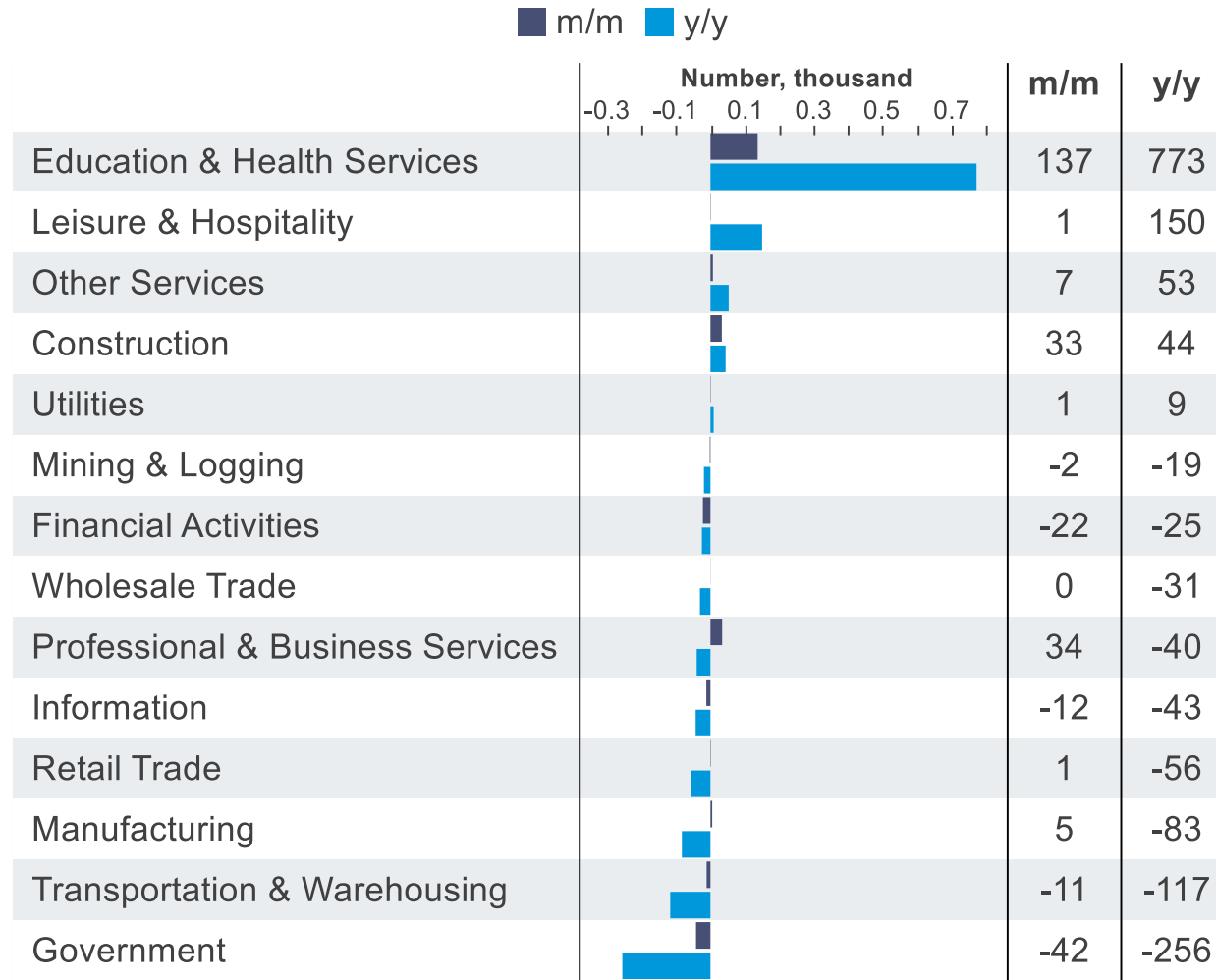


Source: BLS, Macrobond, Deutsche Bank



# 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

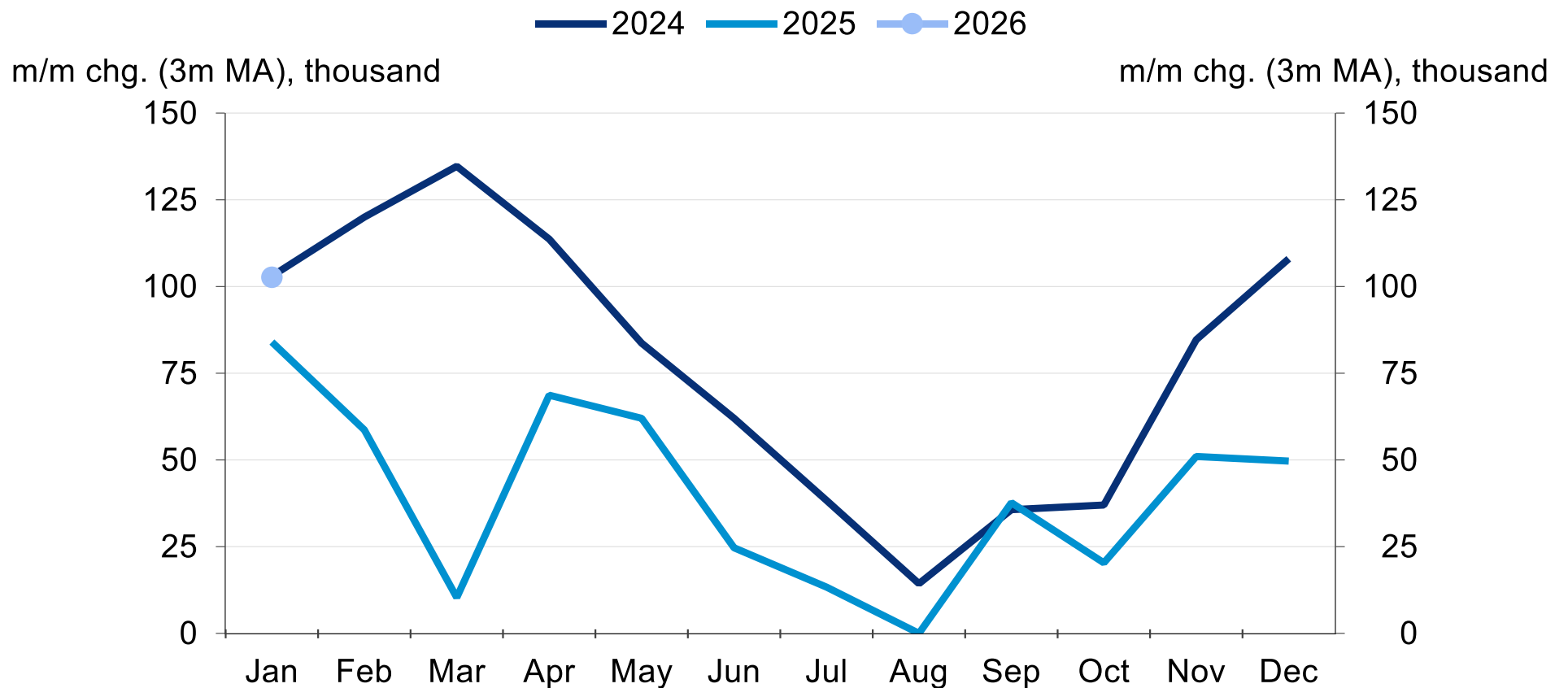


Source: BLS, Macrobond, Deutsche Bank

# 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

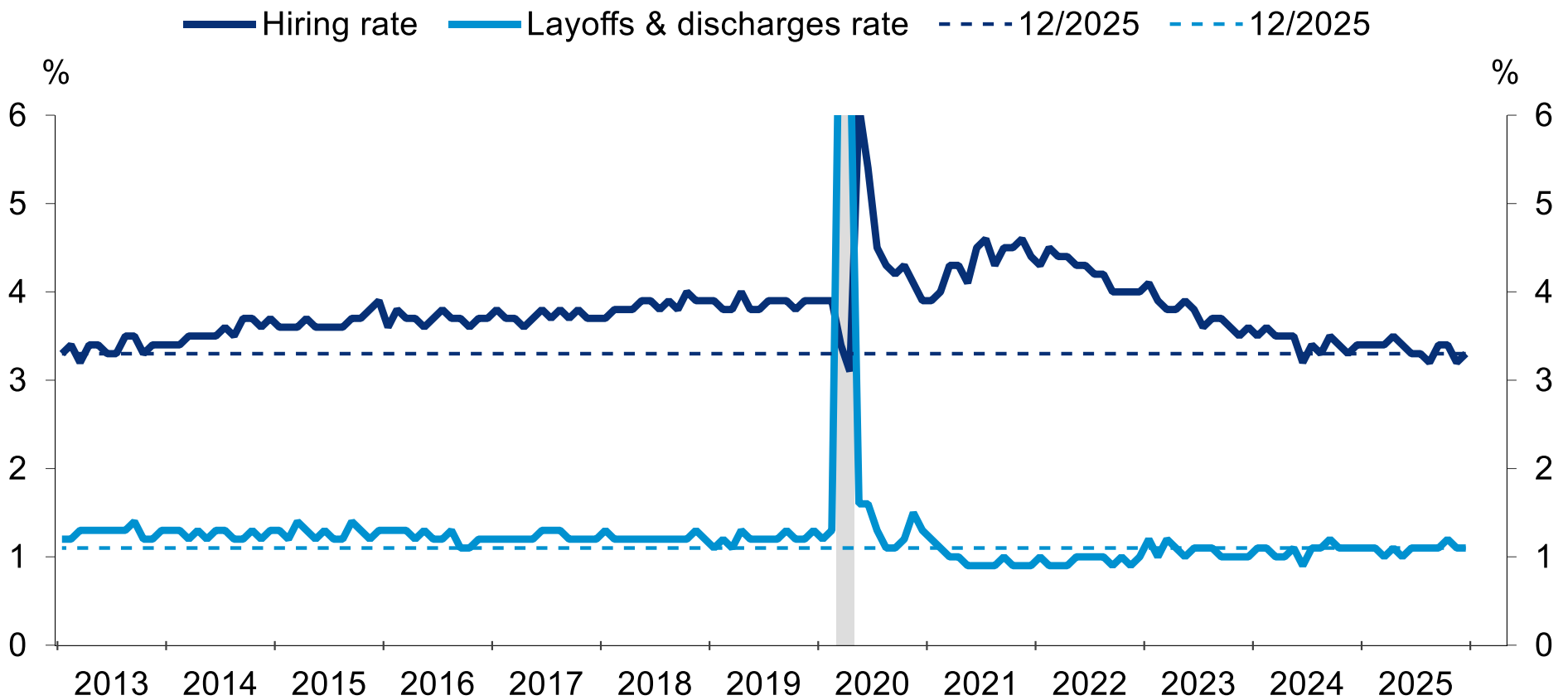


Source: BLS, New York Fed, Macrobond, Deutsche Bank

# 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

— Latest 
 — 1y ago 
 — 2019 avg 
 — Maximum 
 - - - - 75th Percentile (outer) 
 - - - - Median 
 - - - - 25th Percentile (inner)



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



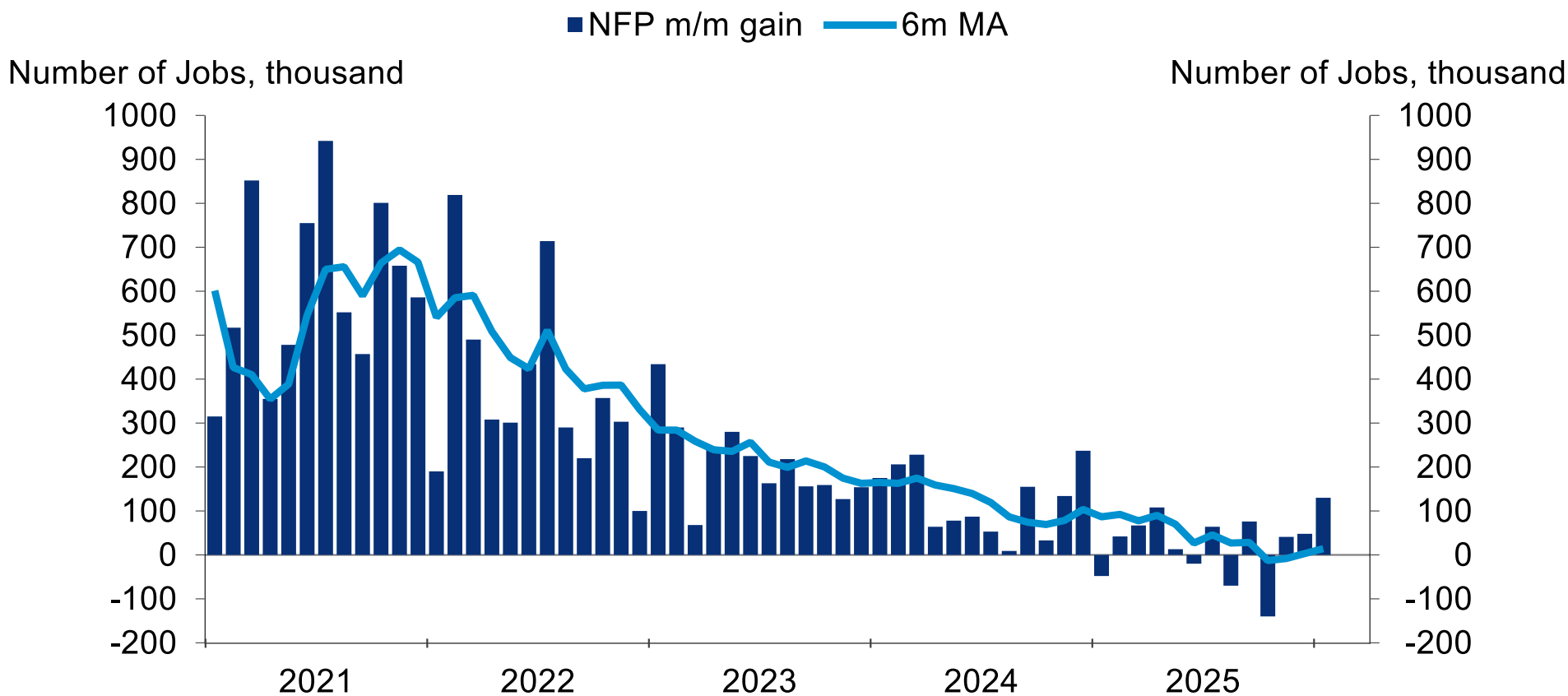
# Payrolls deep dive





# January headline payroll gain of 130k reflected ongoing government layoffs

## Change in nonfarm payroll employment

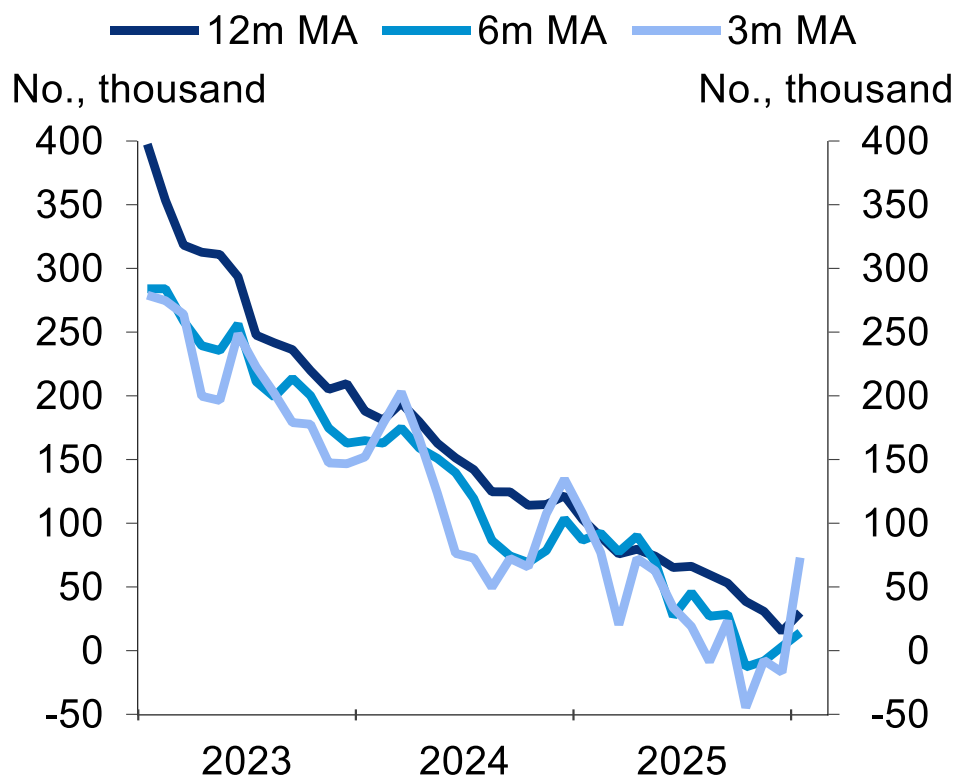


Source: BLS, Macrobond, Deutsche Bank

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

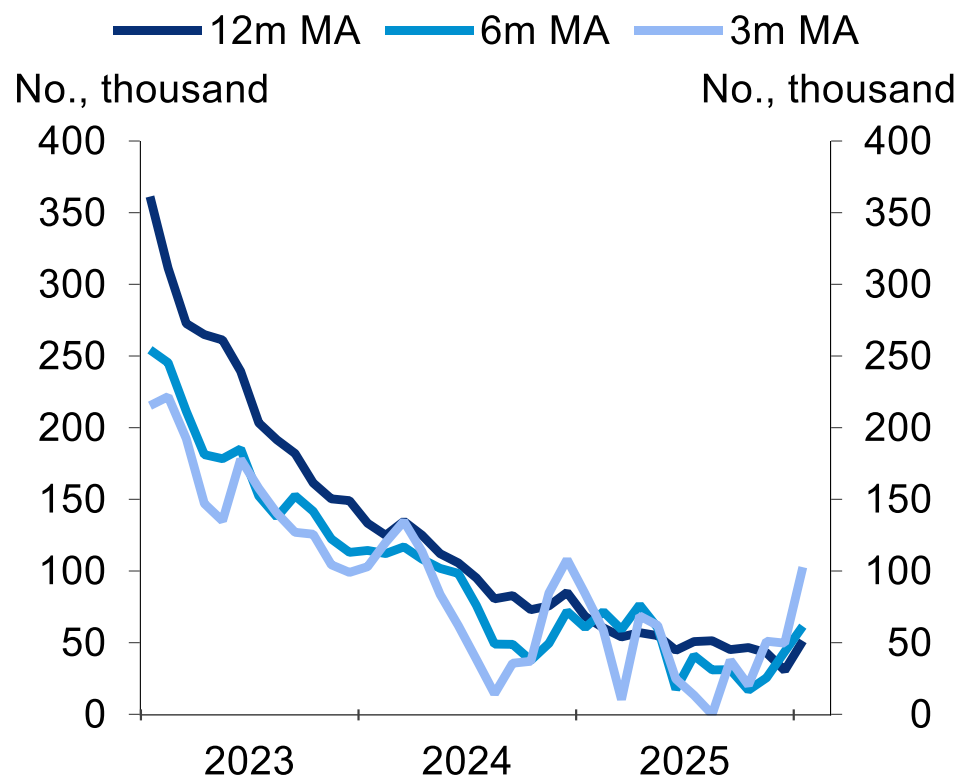


## Smoothed monthly gains in headline nonfarm payrolls



Source: BLS, Macrobond, Deutsche Bank

## Smoothed monthly gains in private nonfarm payrolls

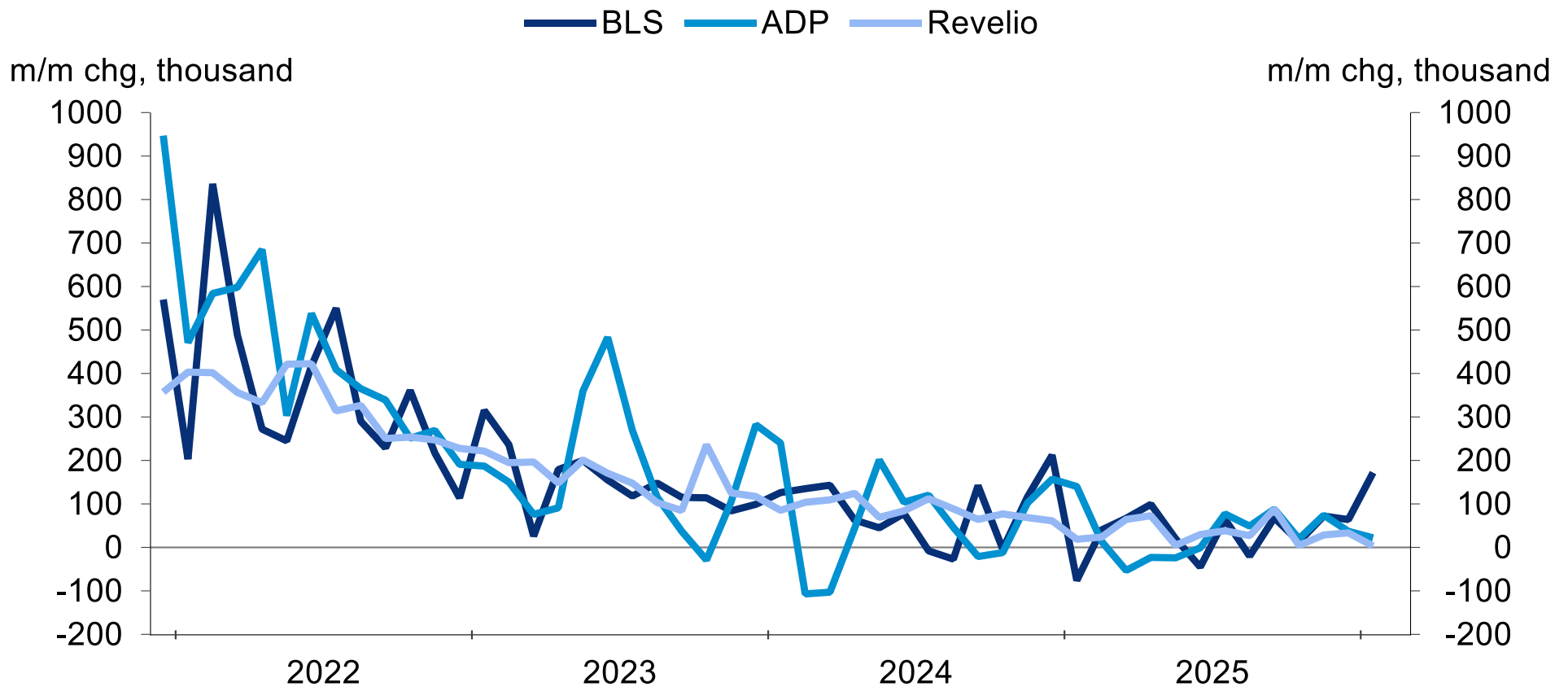


Source: BLS, Macrobond, Deutsche Bank

# Alternative labor market measures broadly consistent with NFP



## Private payroll gains

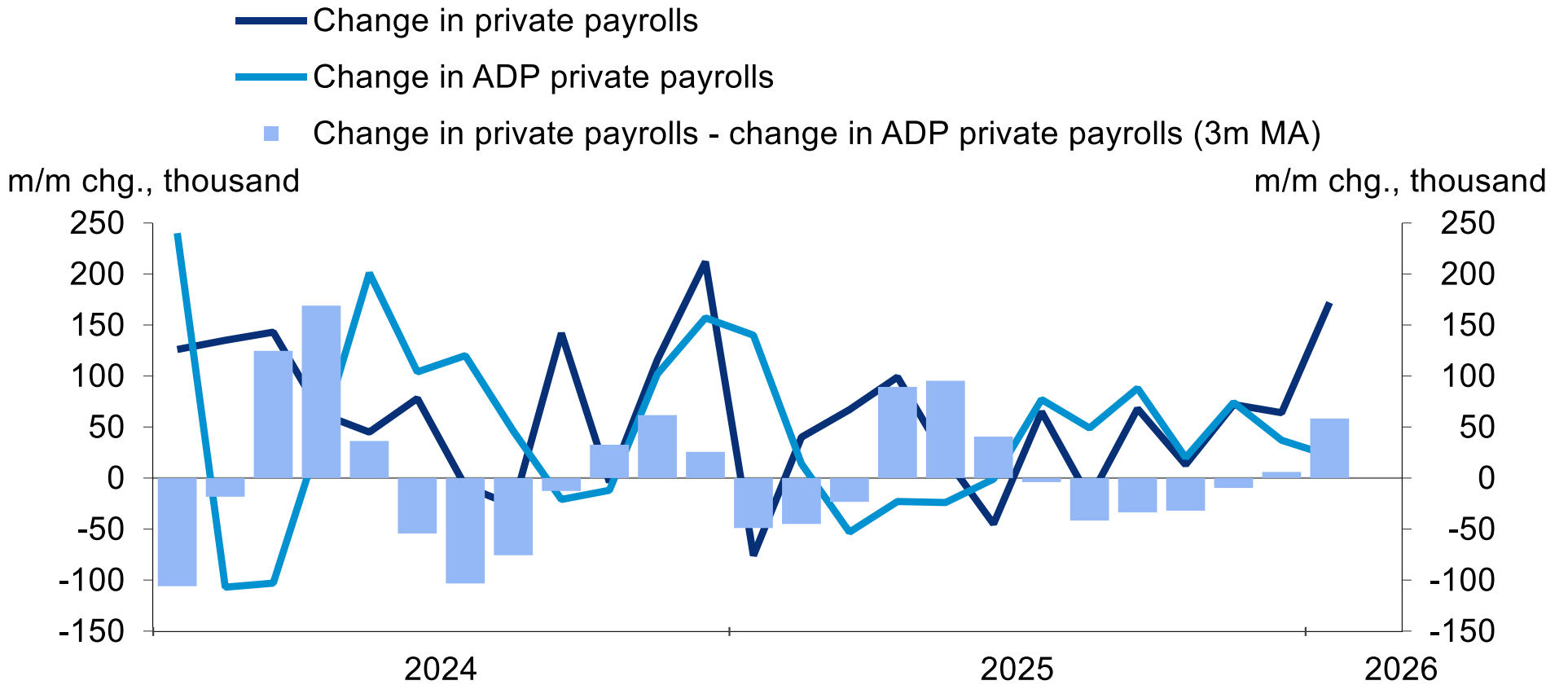


Source: BLS, ADP, Revelio Labs, Macrobond, Deutsche Bank



# ADP private payroll change significantly less than BLS in January

## ADP vs. NFP

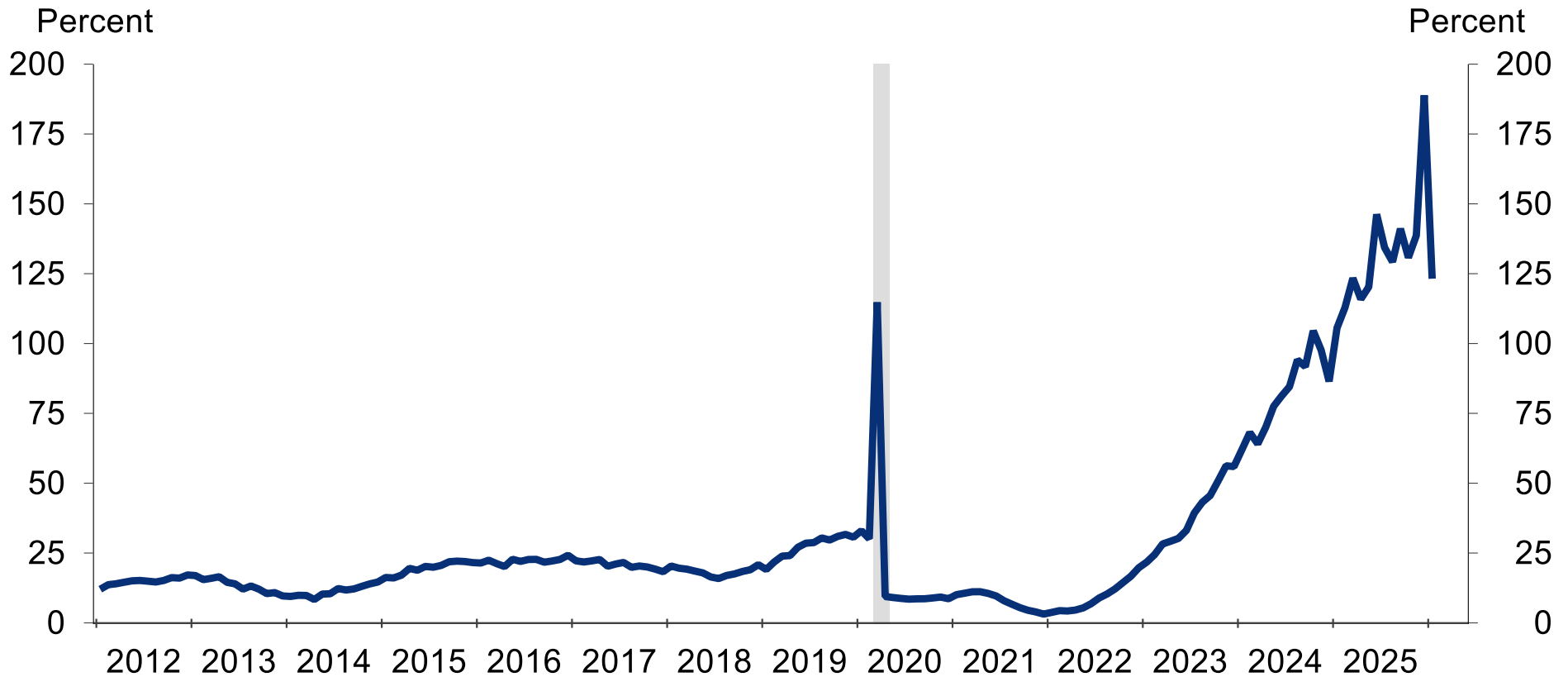


Source: BLS, ADP, Macrobond, Deutsche Bank



# 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

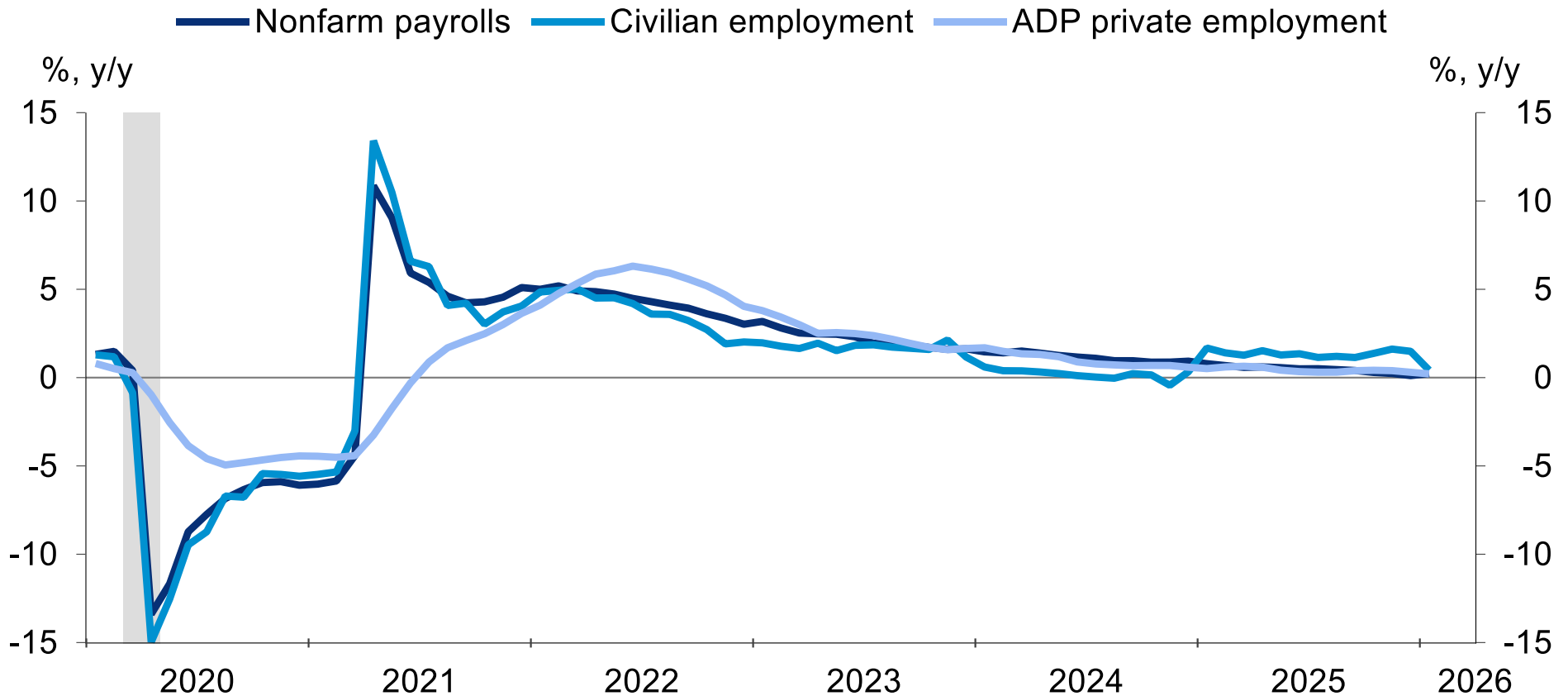


Source: BLS, Macrobond, Deutsche Bank

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



## Employment growth measures

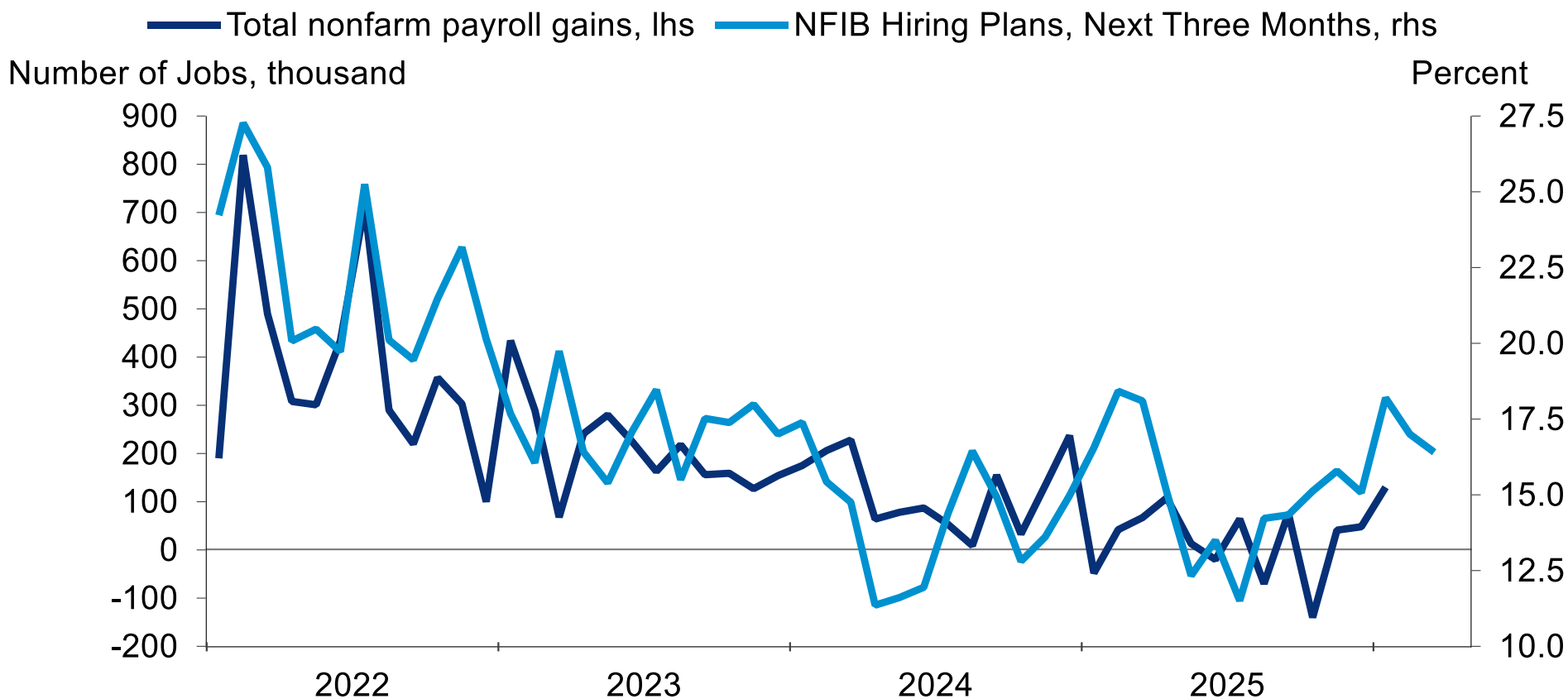


Source: BLS, ADP, Macrobond, Deutsche Bank



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

## Small business hiring plans lead actual job gains

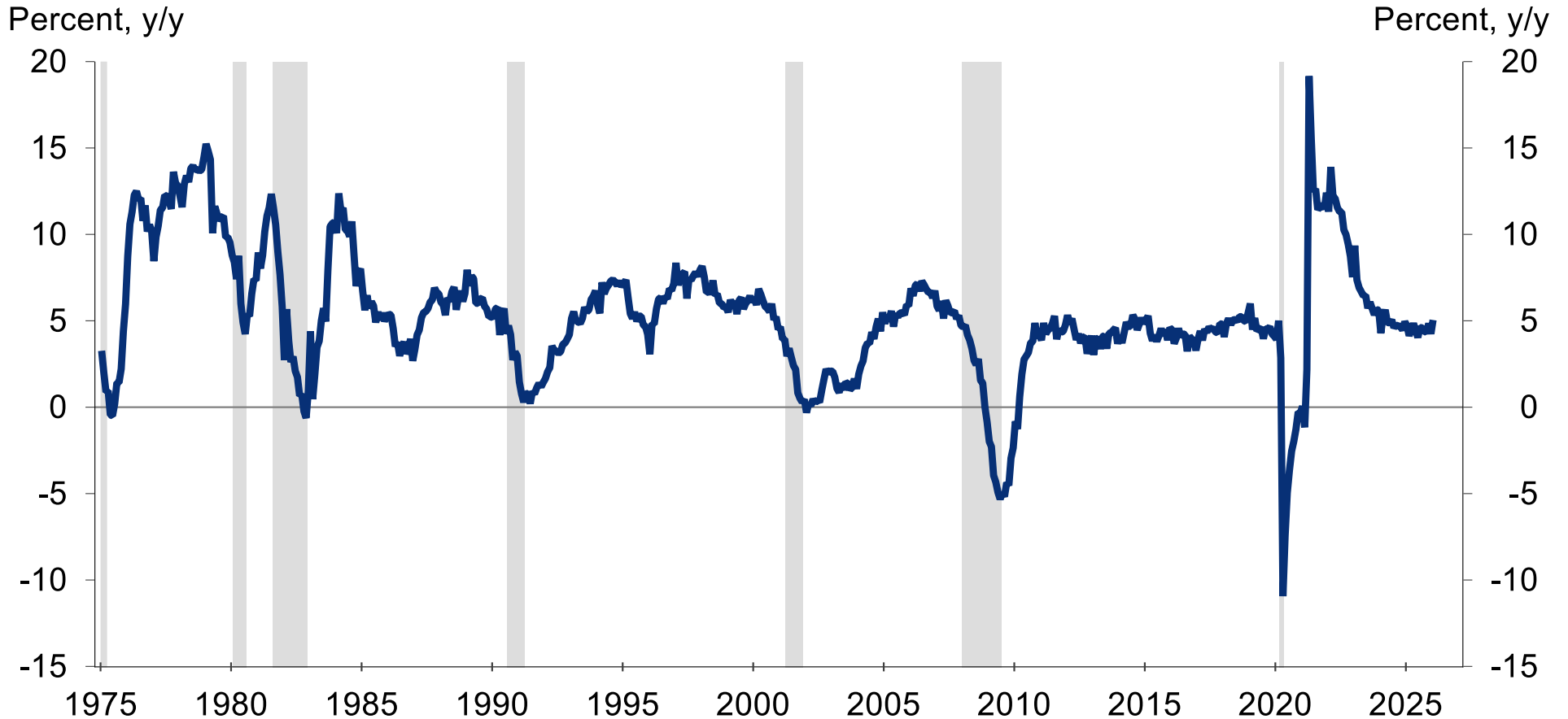


Source: BLS, NFIB, Macrobond, Deutsche Bank

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



## Payroll proxy for nominal income growth



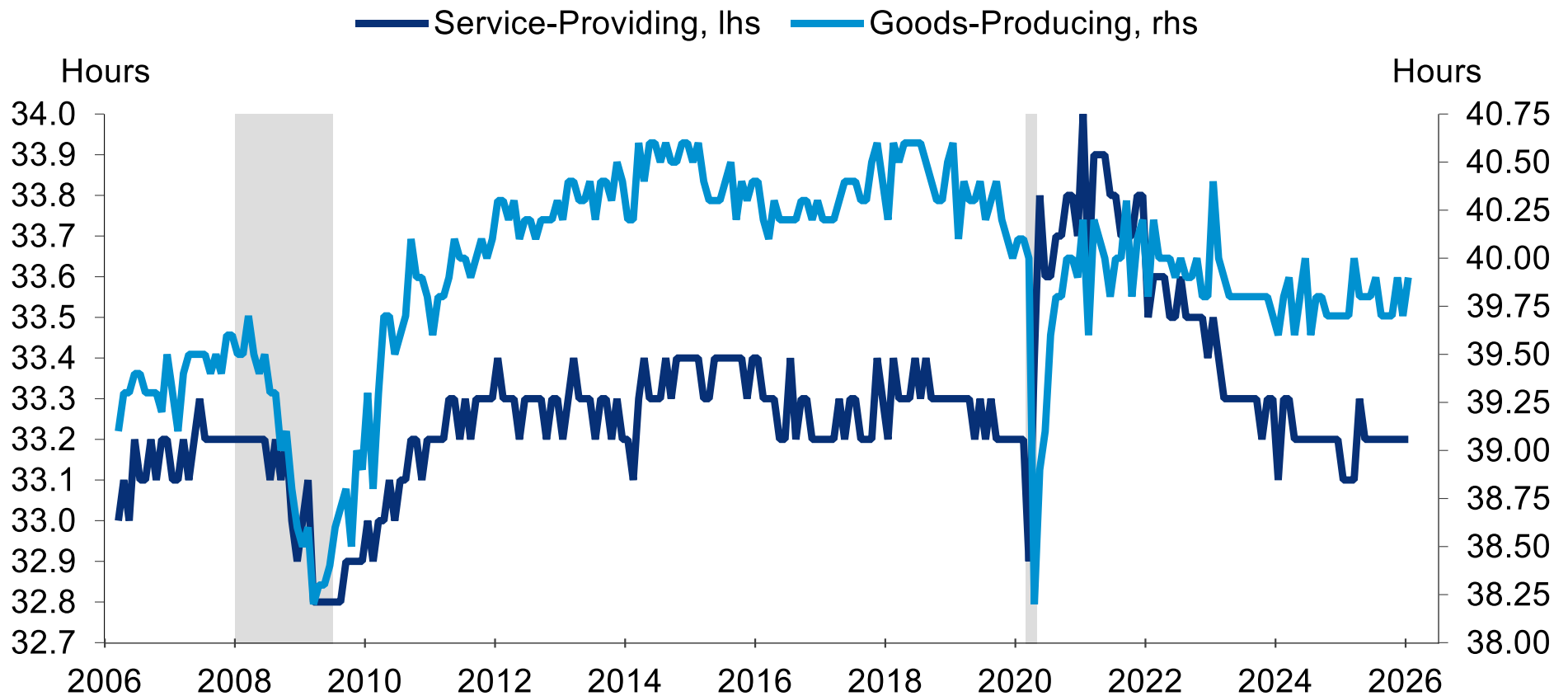
Source: BLS, Macrobond, Deutsche Bank



# Hours worked ticked up a tenth to 34.3 in January



## Average hours worked

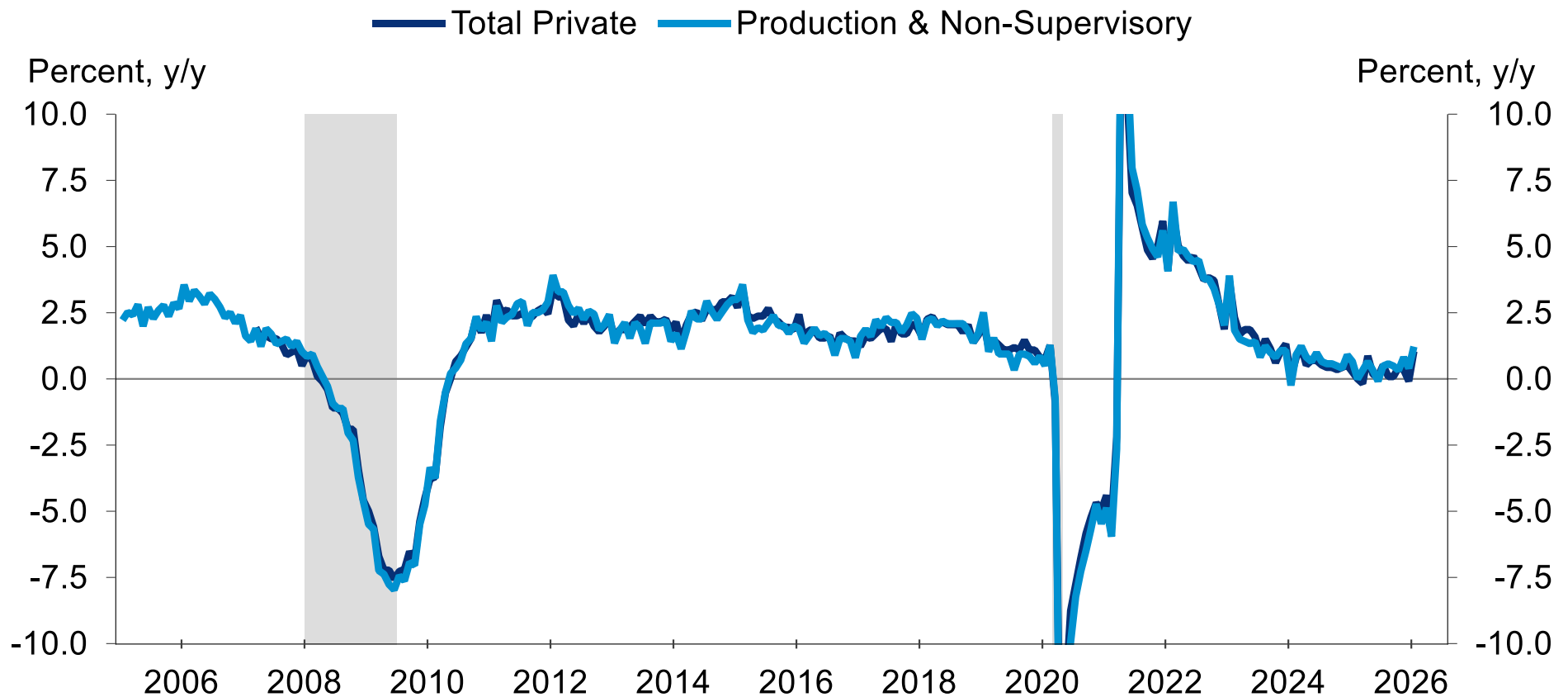


Source: BLS, Macrobond, Deutsche Bank

# Aggregate hours worked still tracking close to 2019 growth rates



## Aggregate weekly hours index

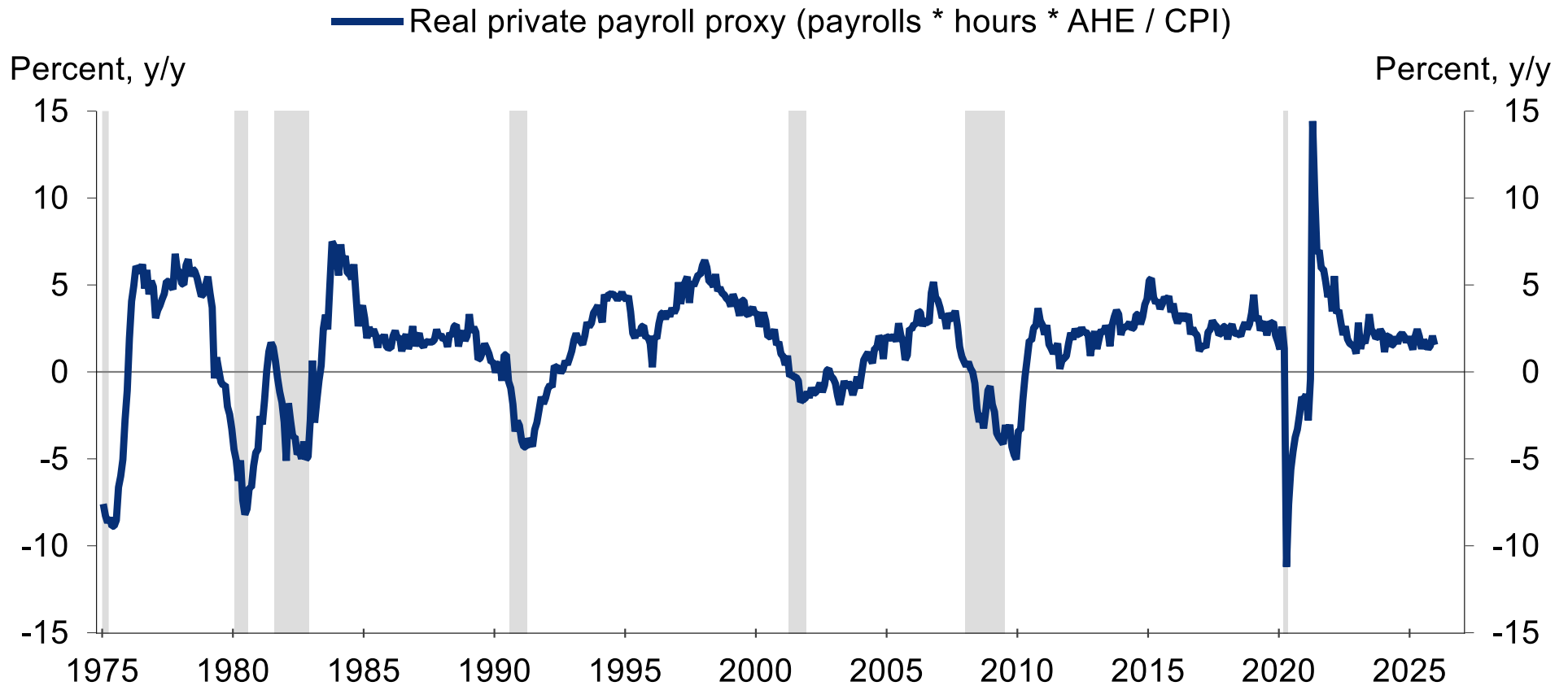


Source: BLS, Macrobond, Deutsche Bank

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



## Real aggregate income growth from the payroll proxy

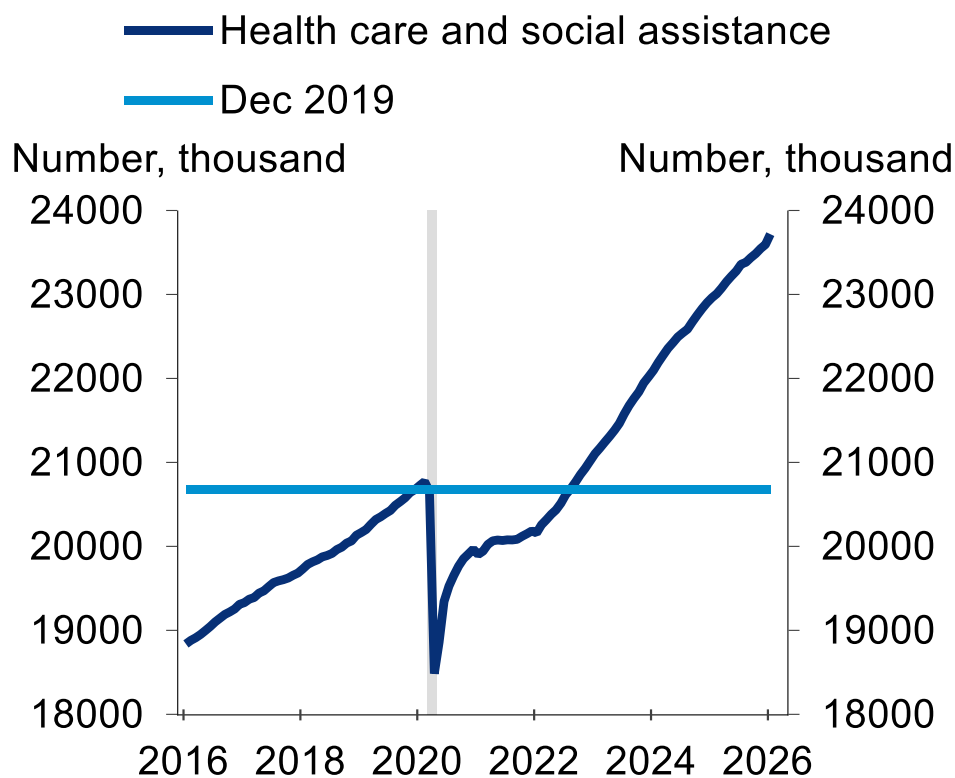


Source: BLS, Macrobond, Deutsche Bank



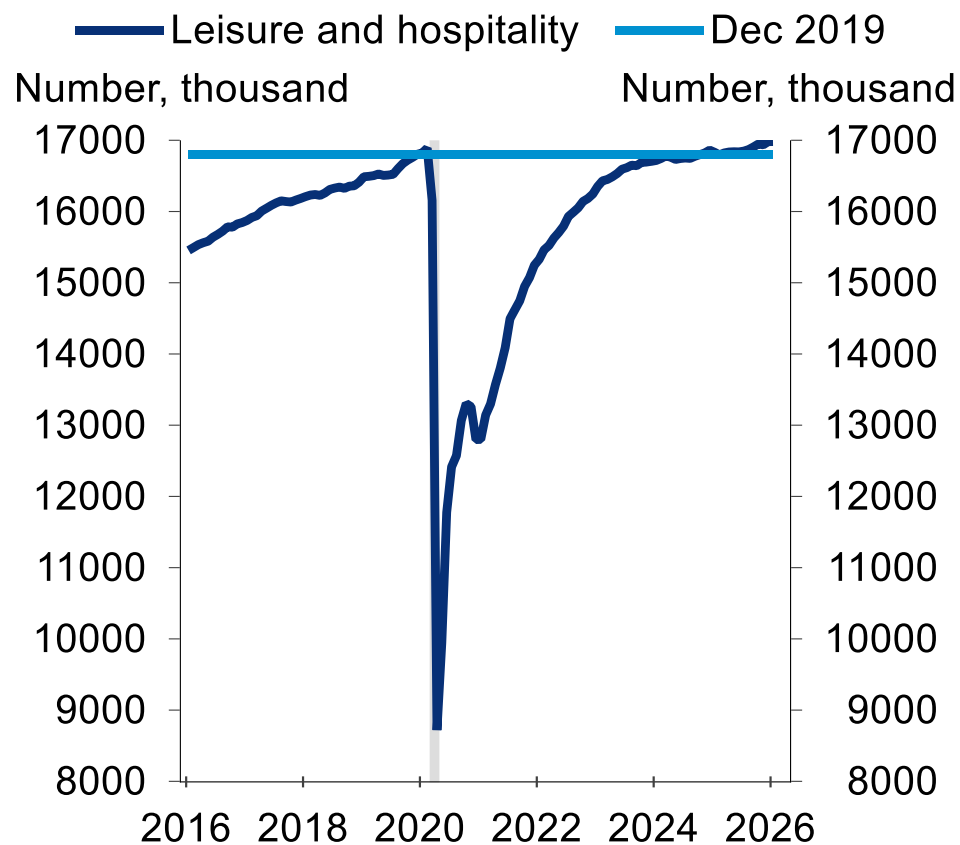
# Health care/social assistance employment well above pre-pandemic; leisure/hospitality slightly above

## Health care and social assistance payrolls



Source: BLS, Macrobond, Deutsche Bank

## Leisure and hospitality payrolls

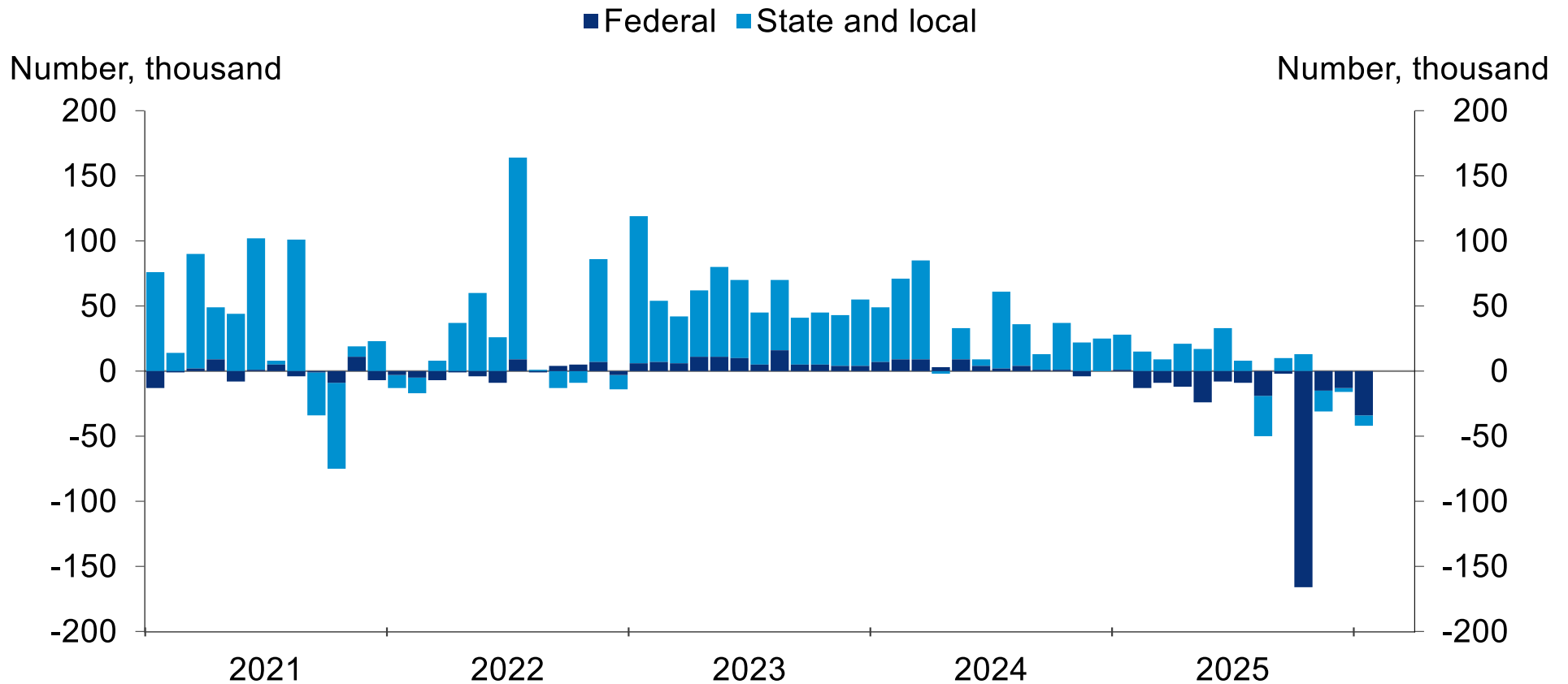


Source: BLS, Macrobond, Deutsche Bank

# Government employment continues to decline, weighing on overall job gains



## Monthly change in government payrolls

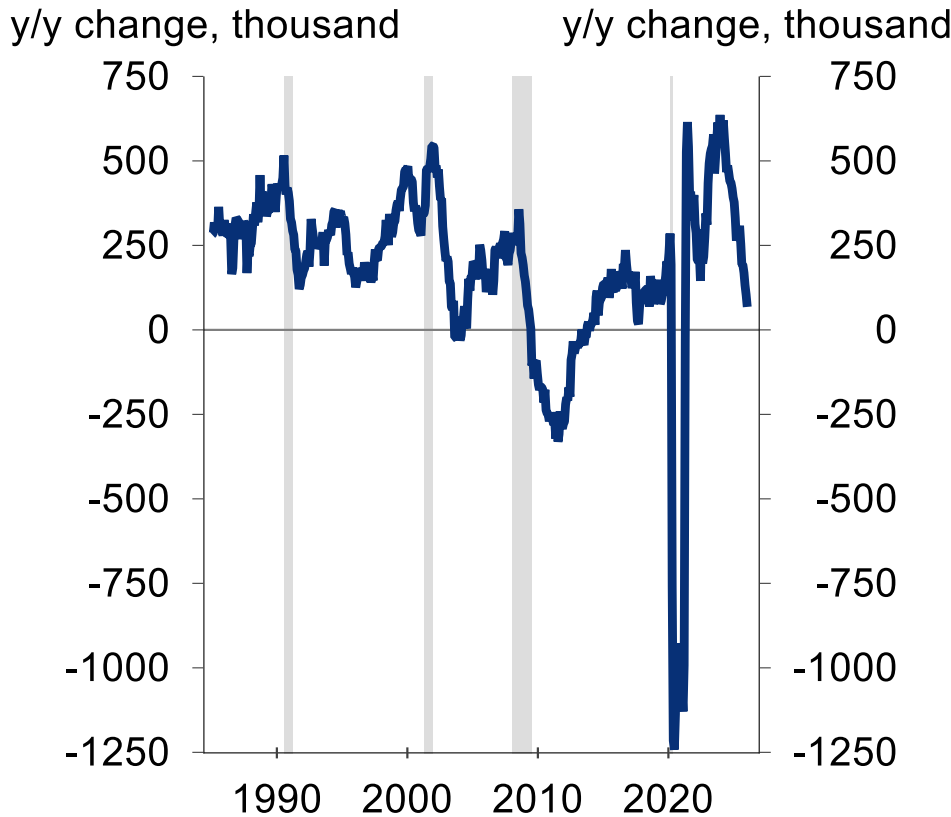


Source: BLS, Macrobond, Deutsche Bank

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

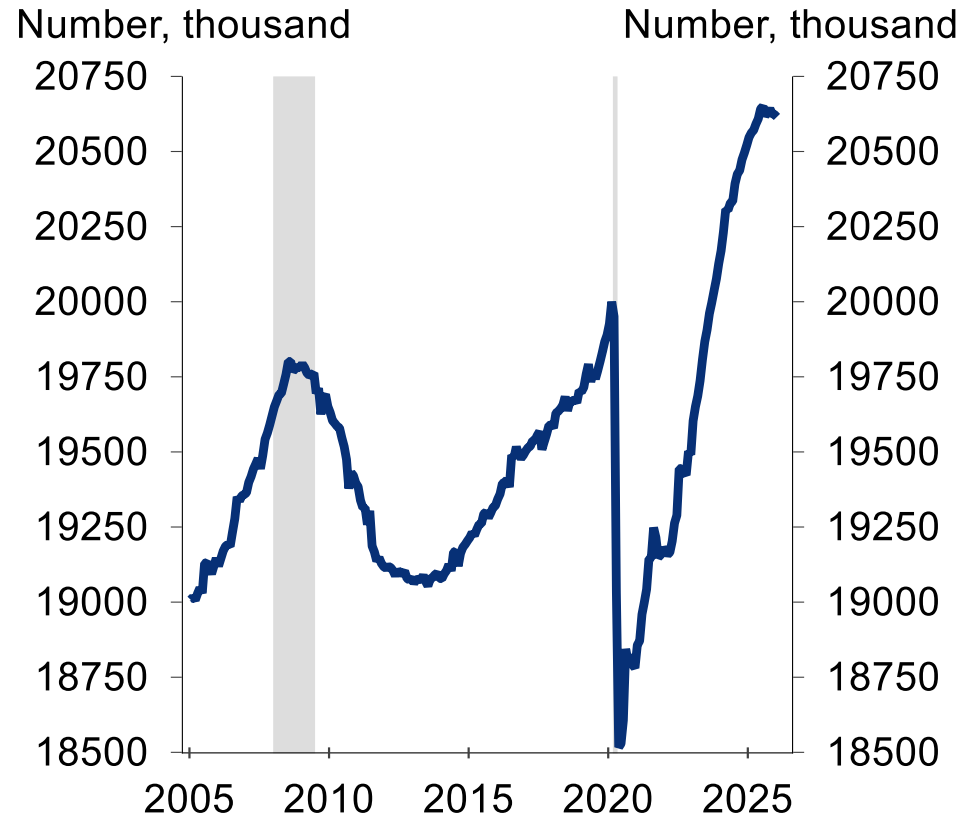


## State and local government payrolls



Source: BLS, Macrobond, Deutsche Bank

## State and local government payrolls

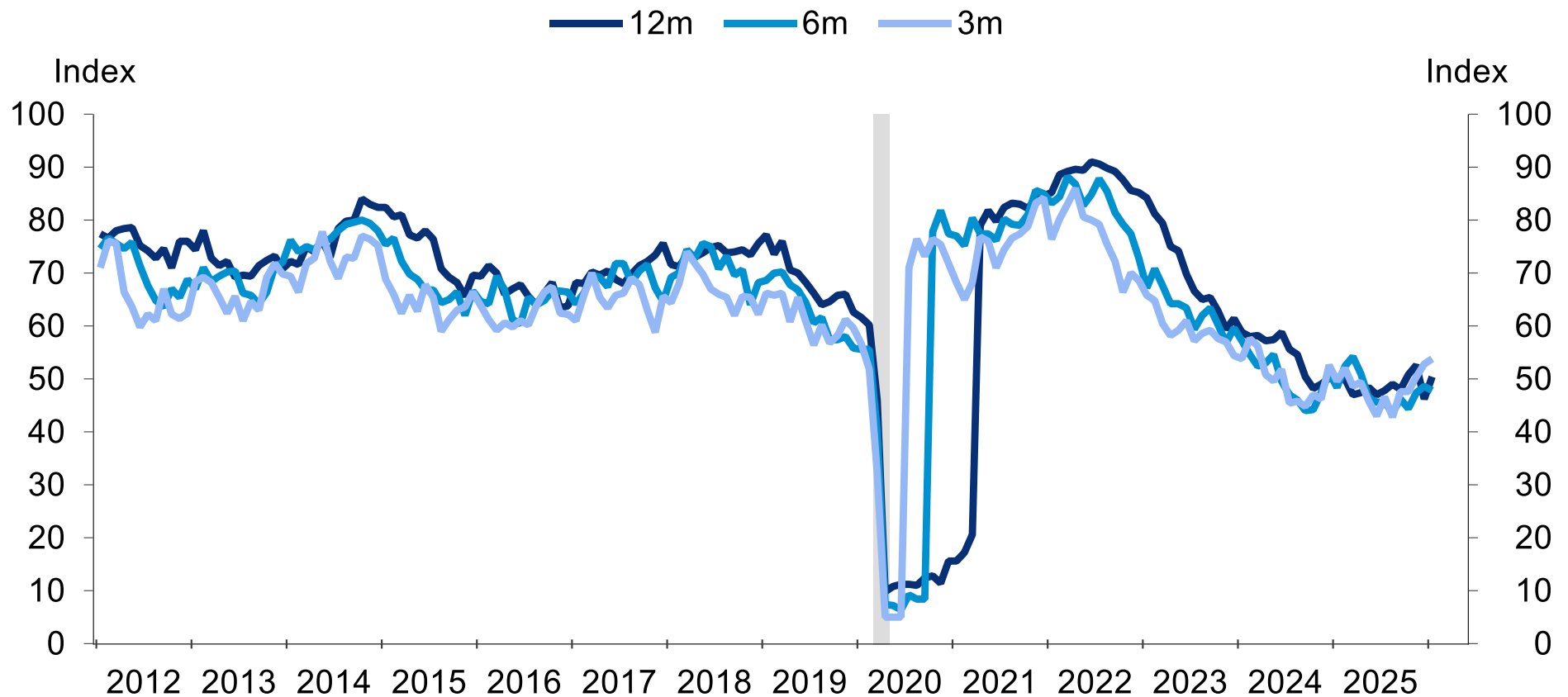


Source: BLS, Macrobond, Deutsche Bank

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



## Diffusion indices

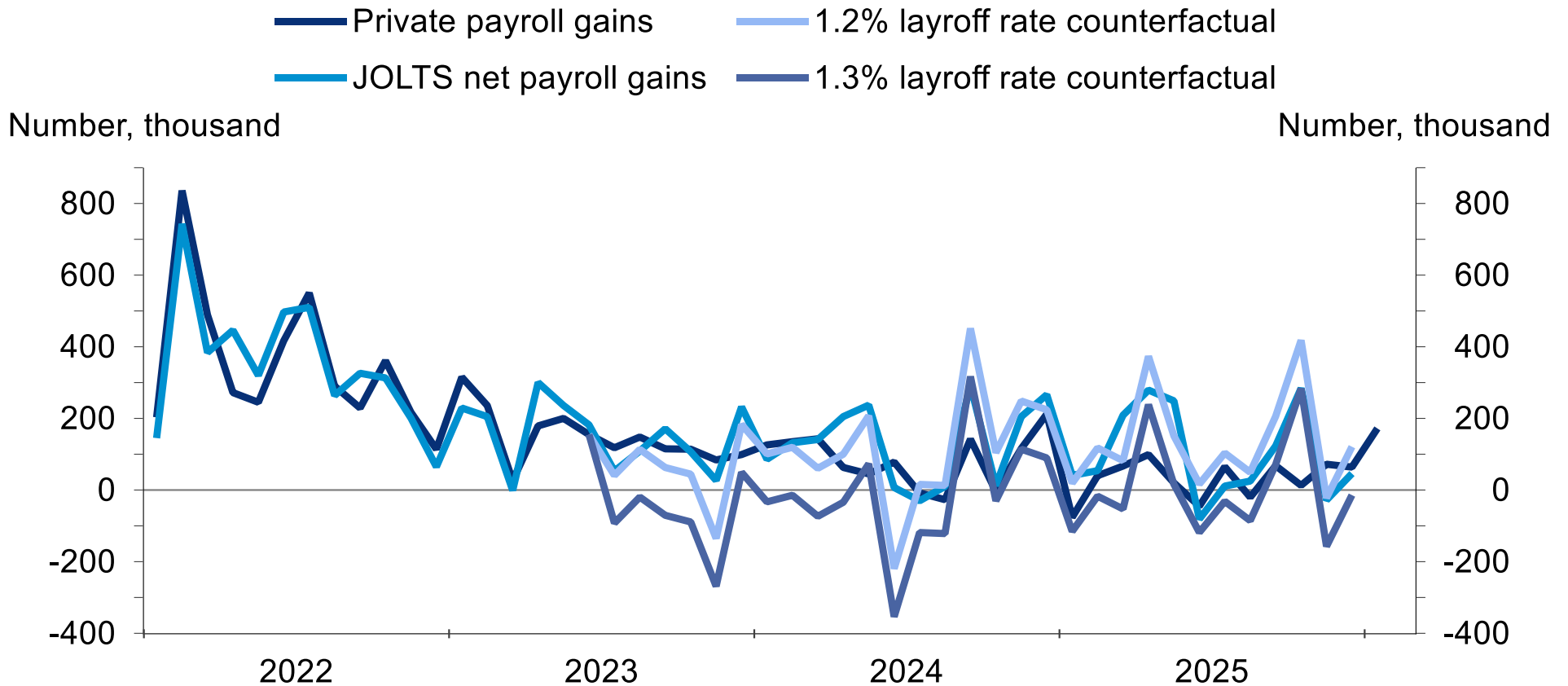


Source: BLS, Macrobond, Deutsche Bank

# Payroll gains continue to rely on low layoffs



## Counterfactuals for private payroll gains



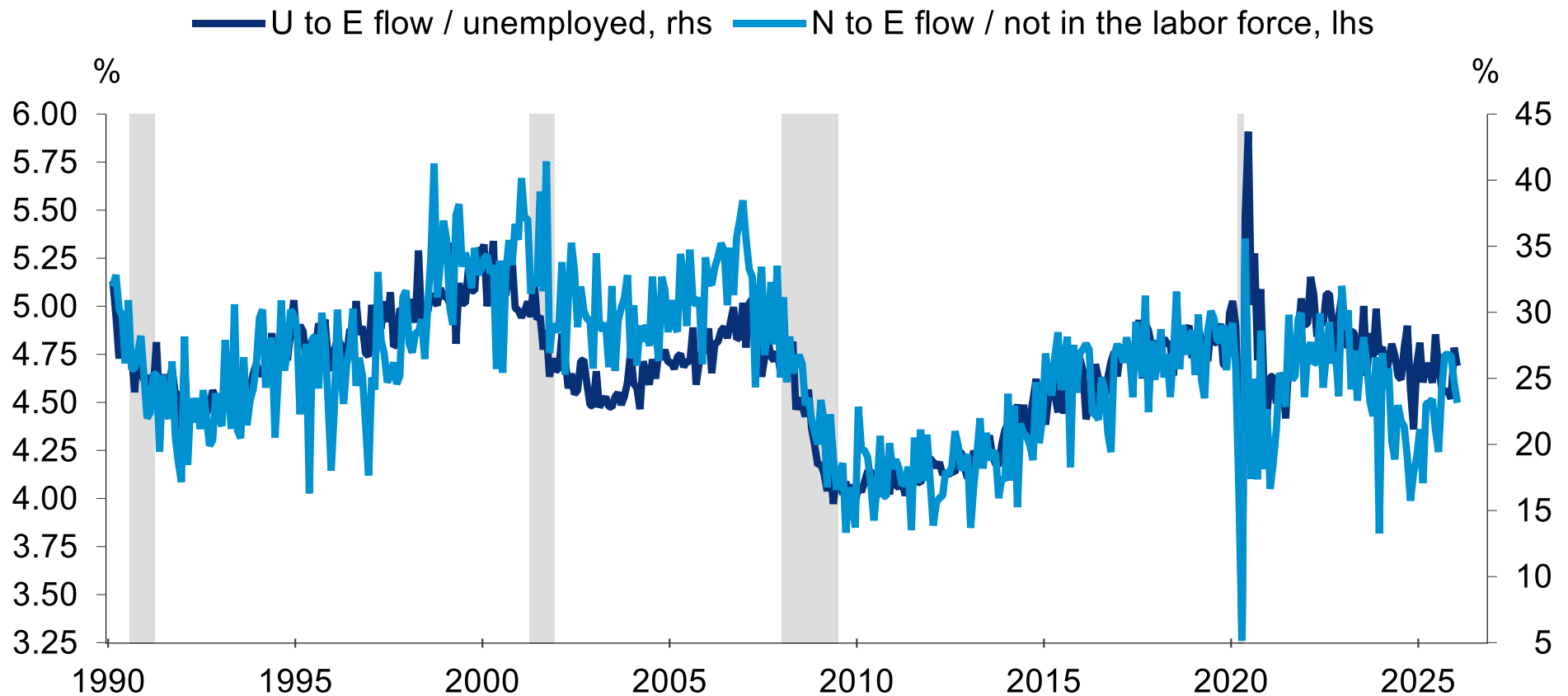
Source: BLS, Macrobond, Deutsche Bank



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



## Job finding rate

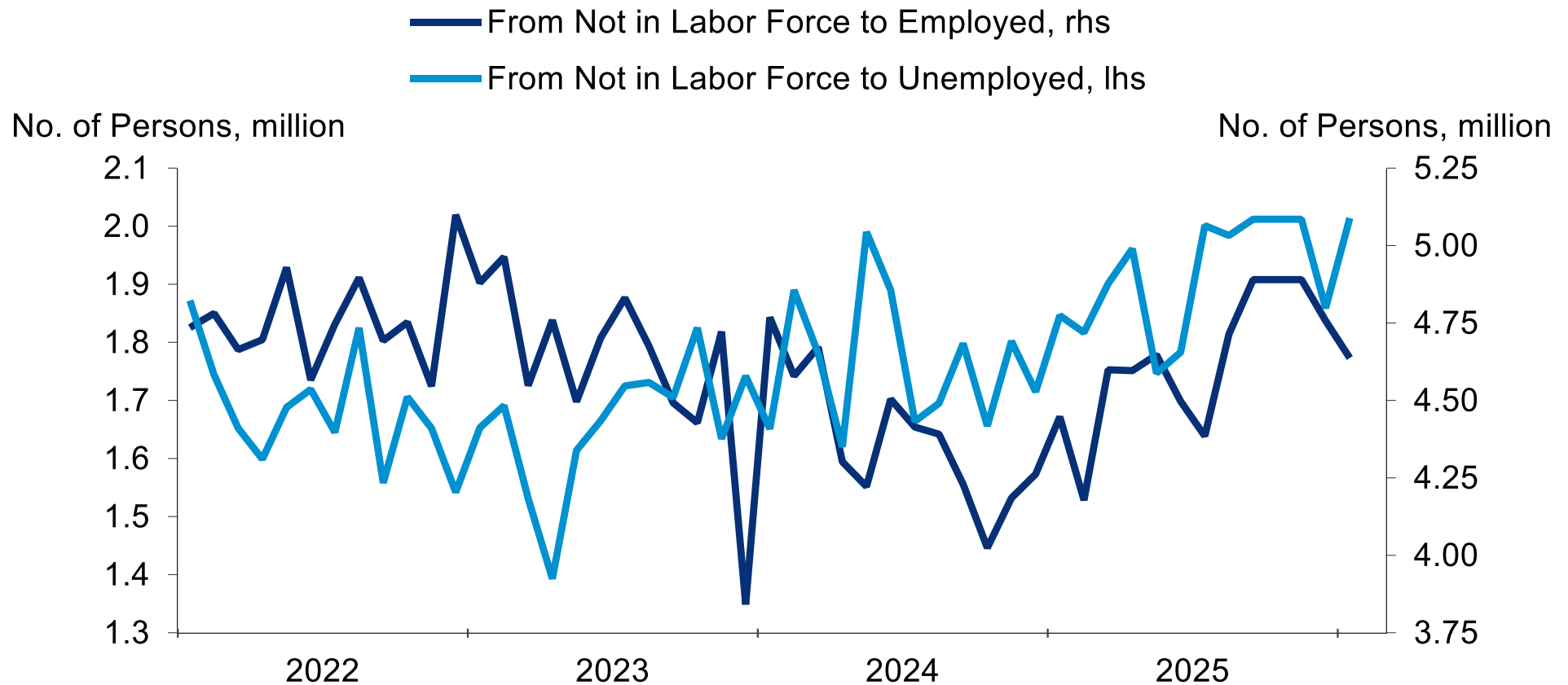


Source: BLS, Macrobond, Deutsche Bank



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

## Flows into the labor force

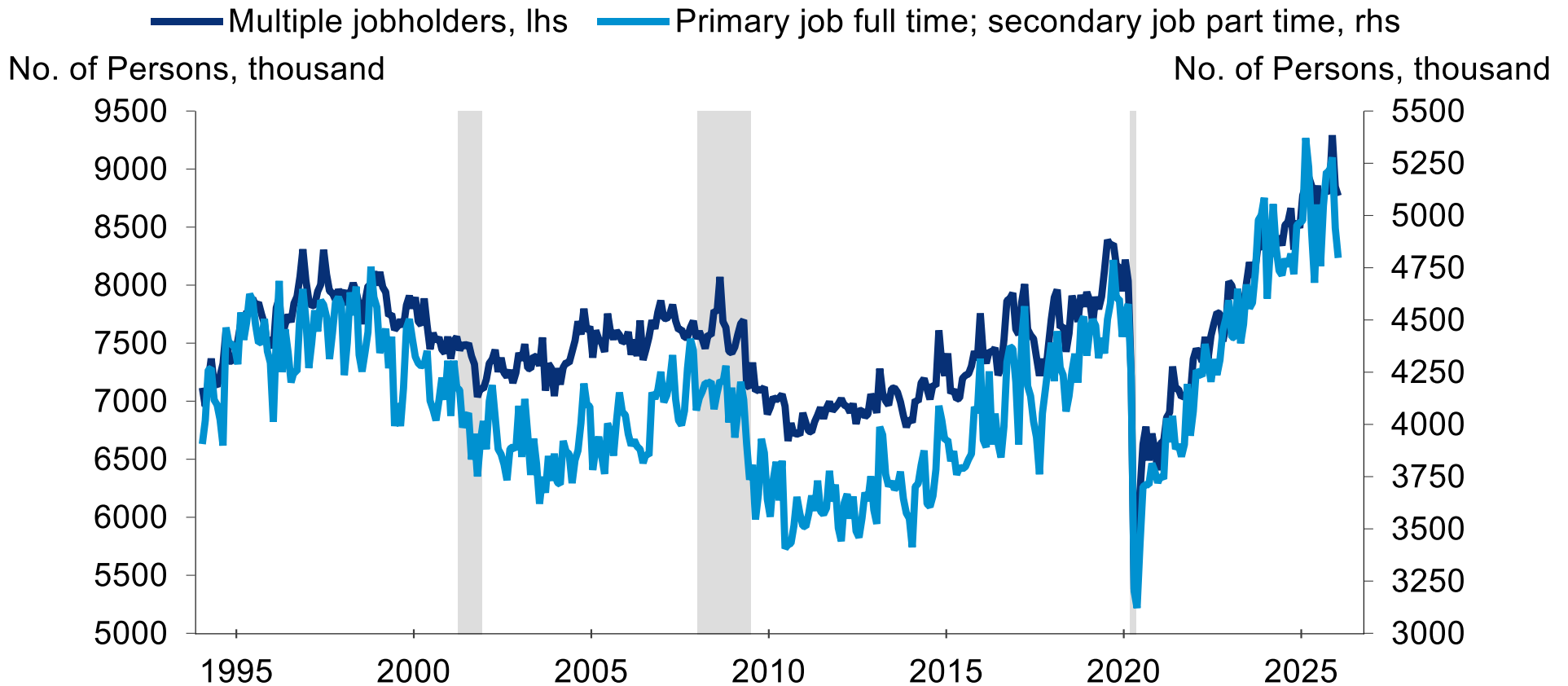


Source: BLS, Macrobond, Deutsche Bank

# Number of workers with multiple jobs above pre-pandemic levels



## Multiple jobholders

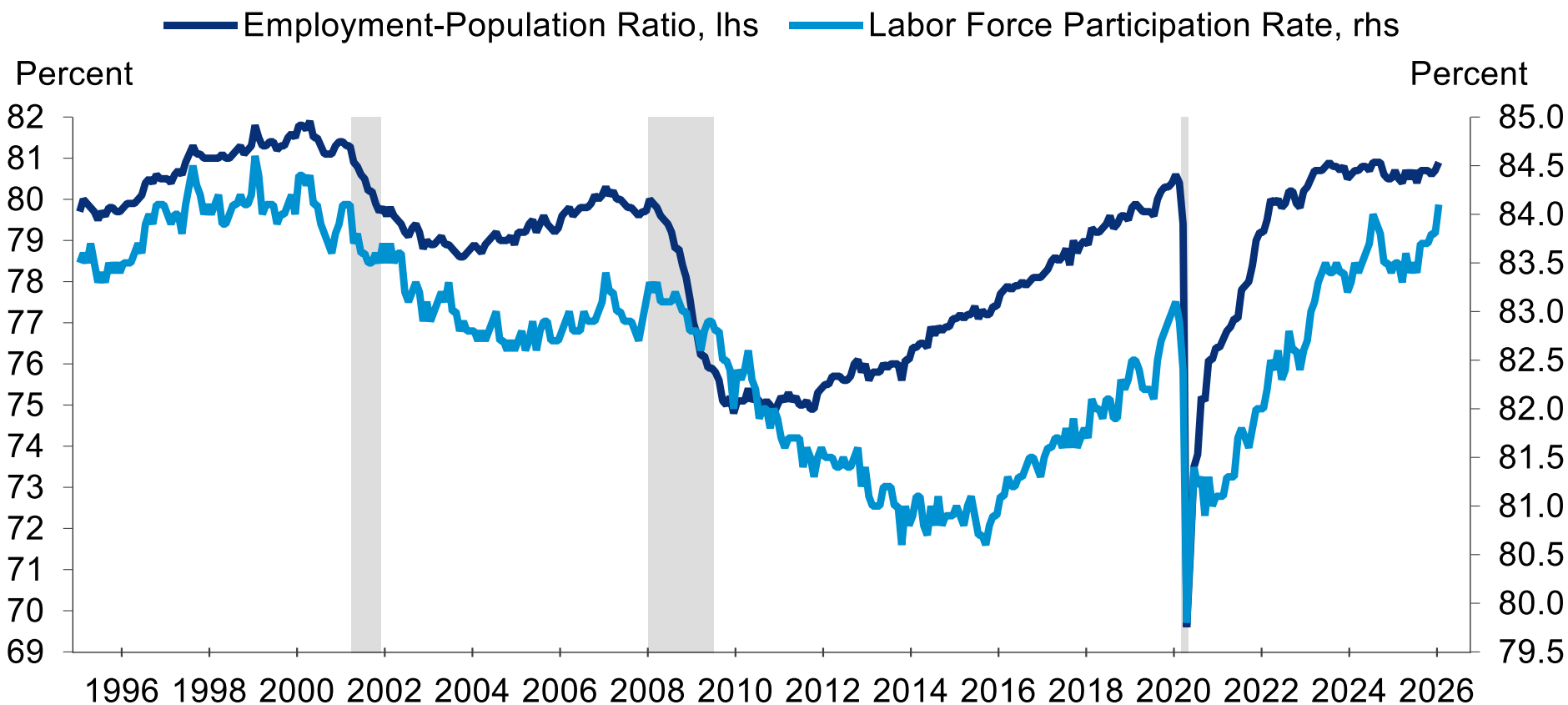


Source: BLS, Macrobond, Deutsche Bank

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



## Prime-age EPR and LFPR

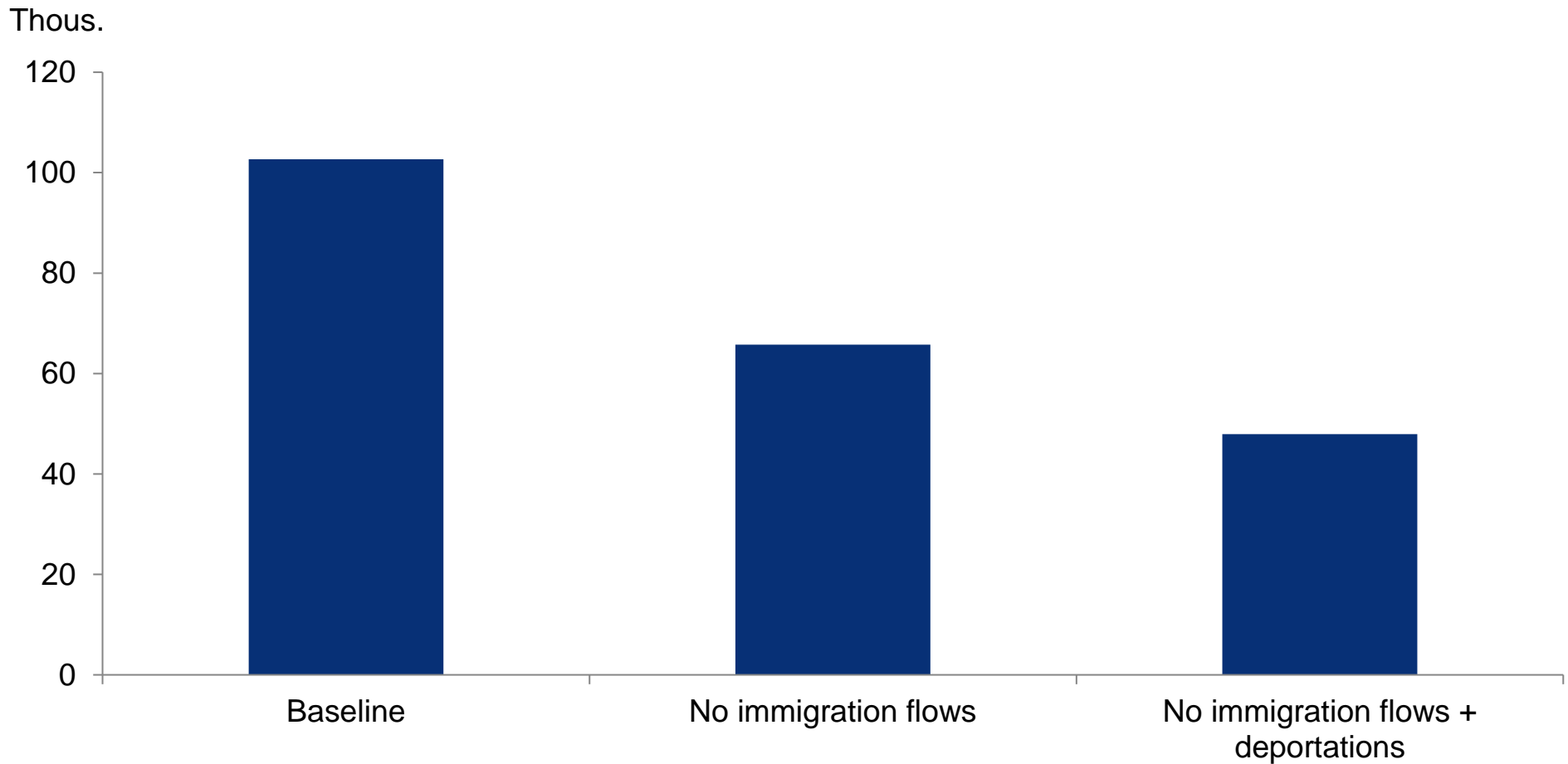


Source: BLS, Macrobond, Deutsche Bank

# Breakeven employment numbers likely in the 50k – 100k range



## Breakeven monthly payroll gains



Source: BLS, Haver Analytics, Deutsche Bank

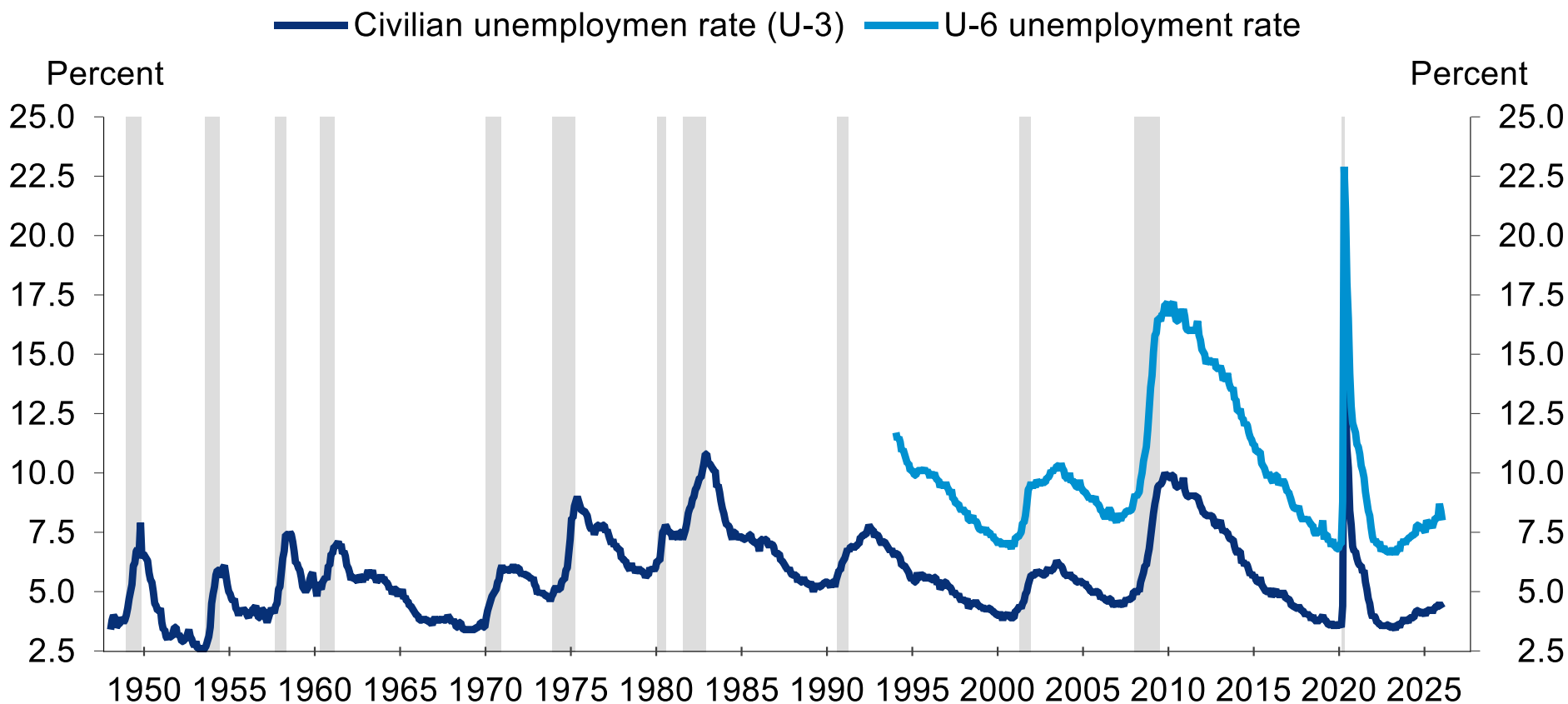


# Labor market slack

# 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

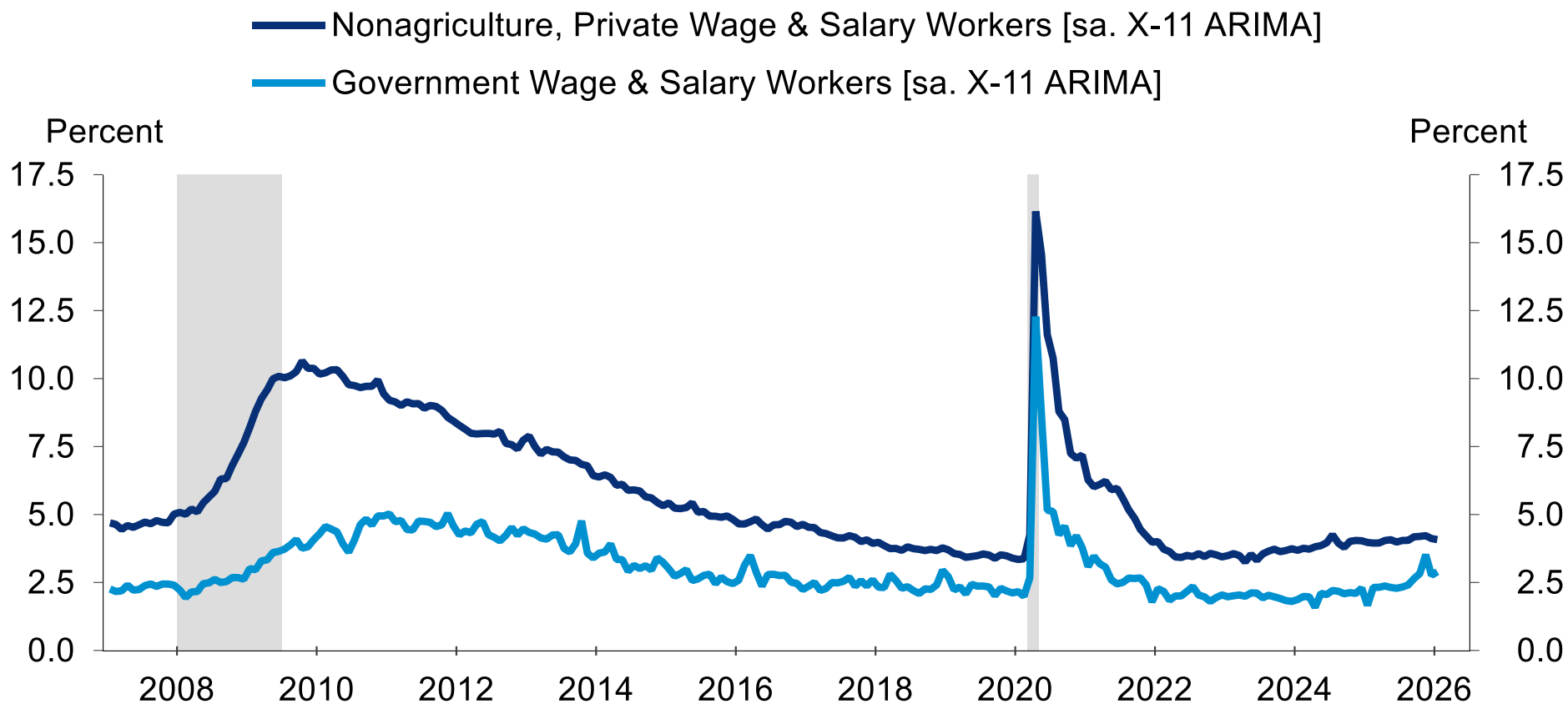


Source: BLS, Macrobond, Deutsche Bank

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



## Unemployment rate by industry



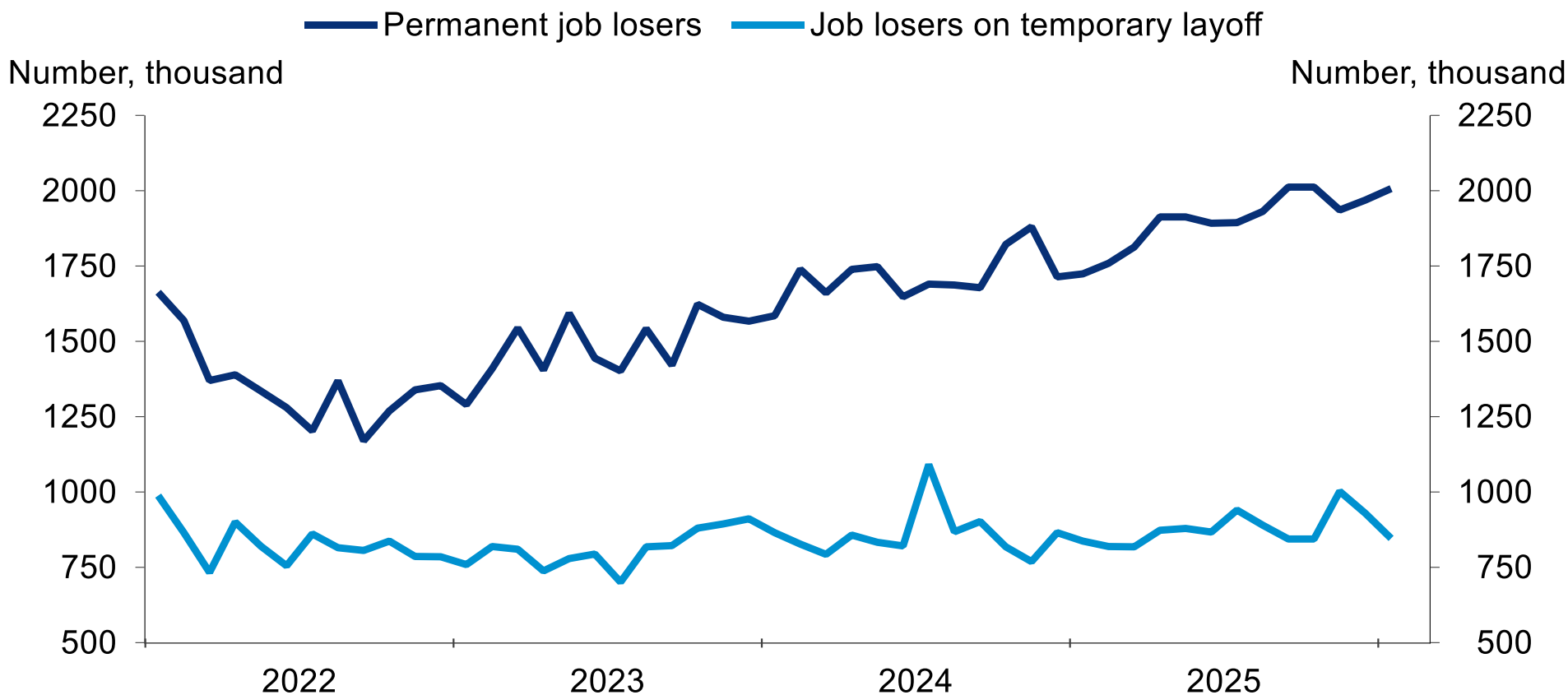
Source: BLS, Macrobond, Deutsche Bank





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

## Permanent job losers vs those on temporary layoff

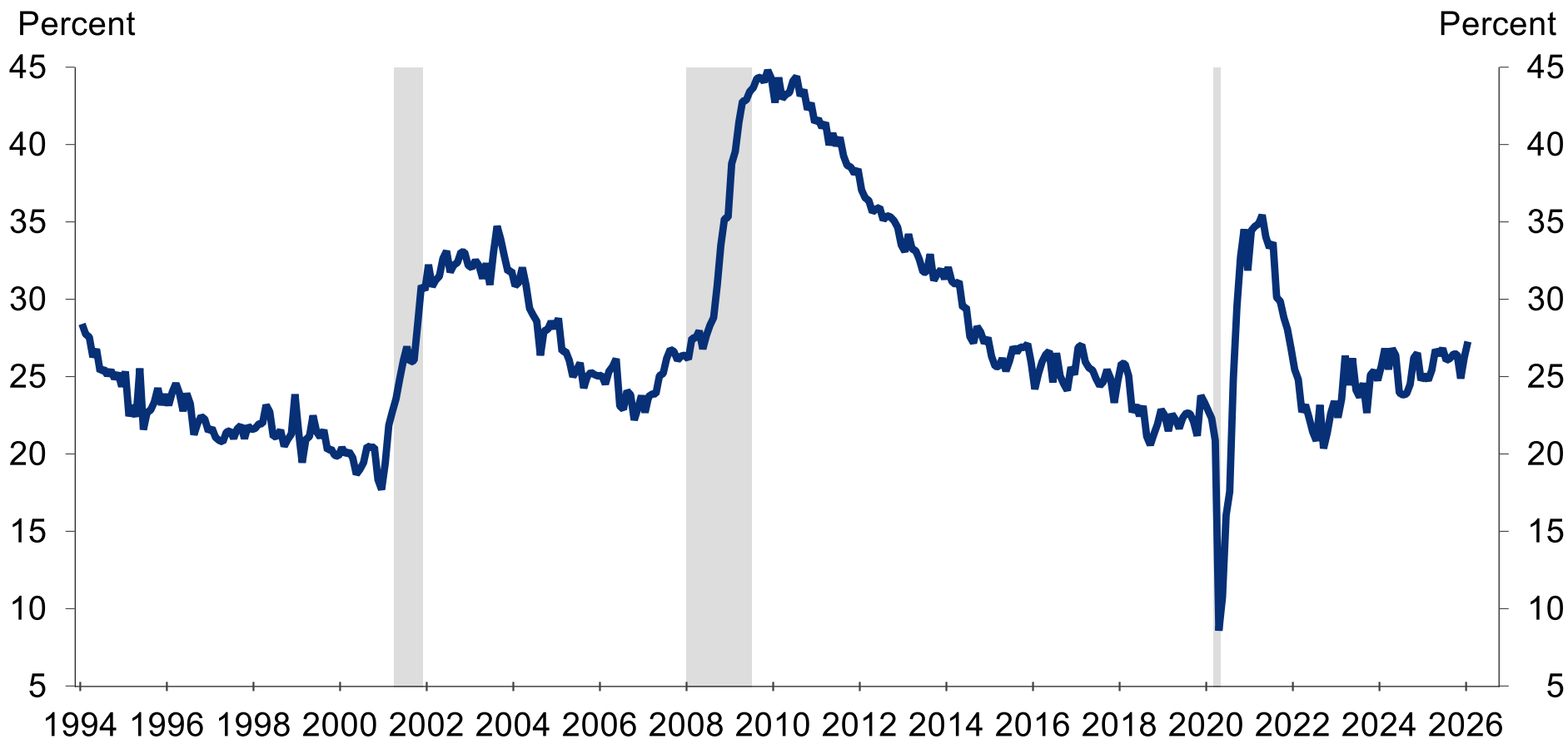


Source: BLS, Macrobond, Deutsche Bank



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

## Permanent job losers as % of total unemployed

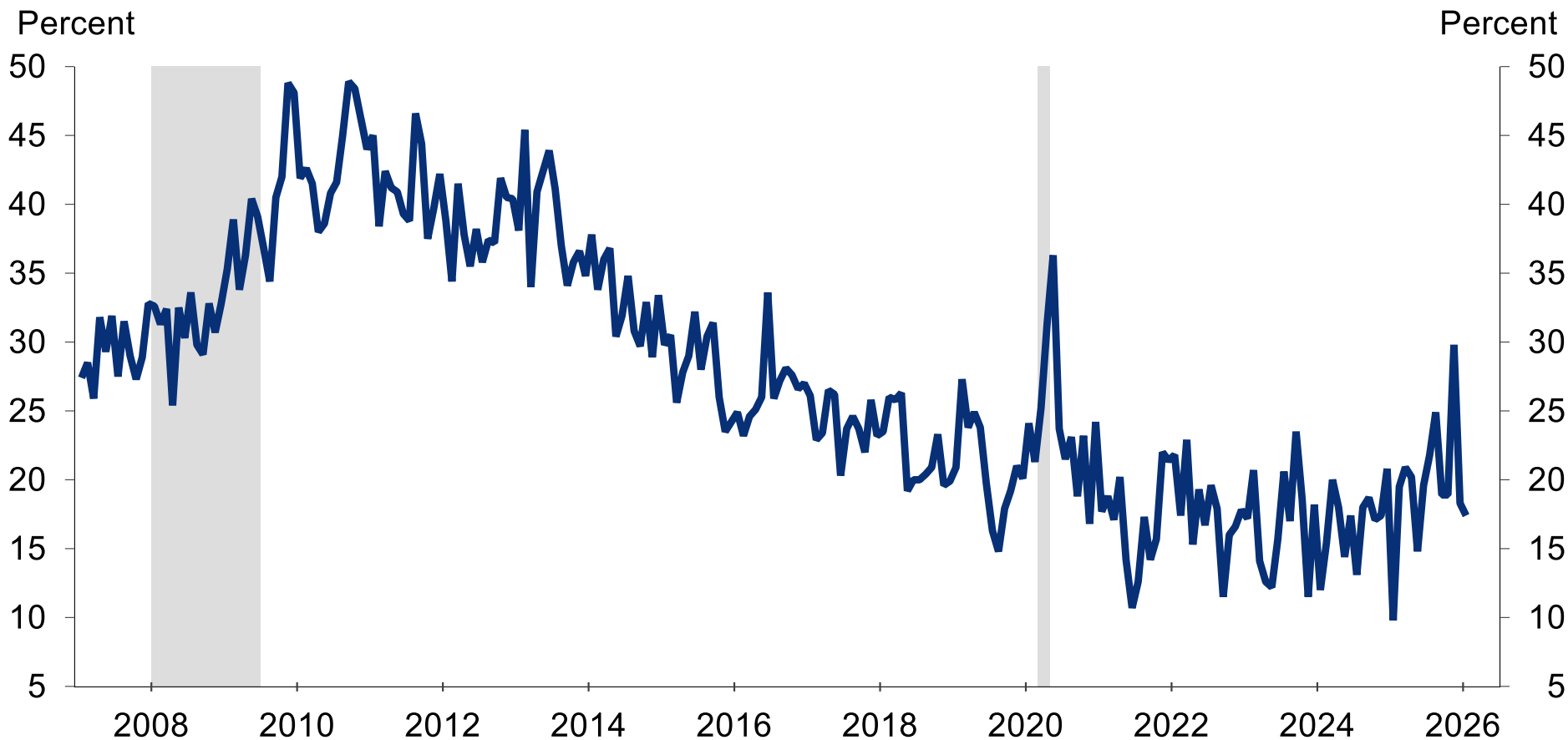


Source: BLS, Macrobond, Deutsche Bank

# 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

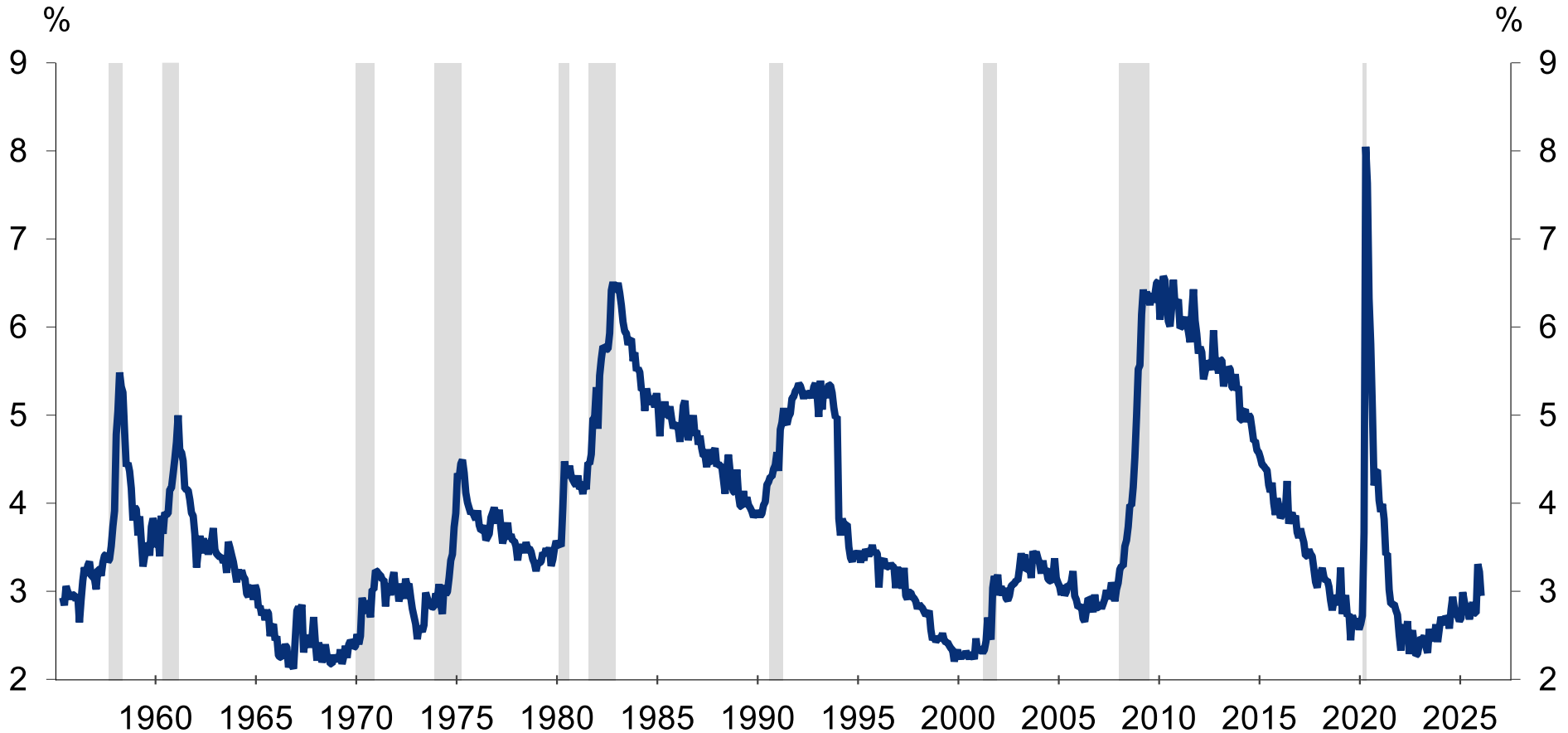


Source: BLS, Macrobond, Deutsche Bank

# 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

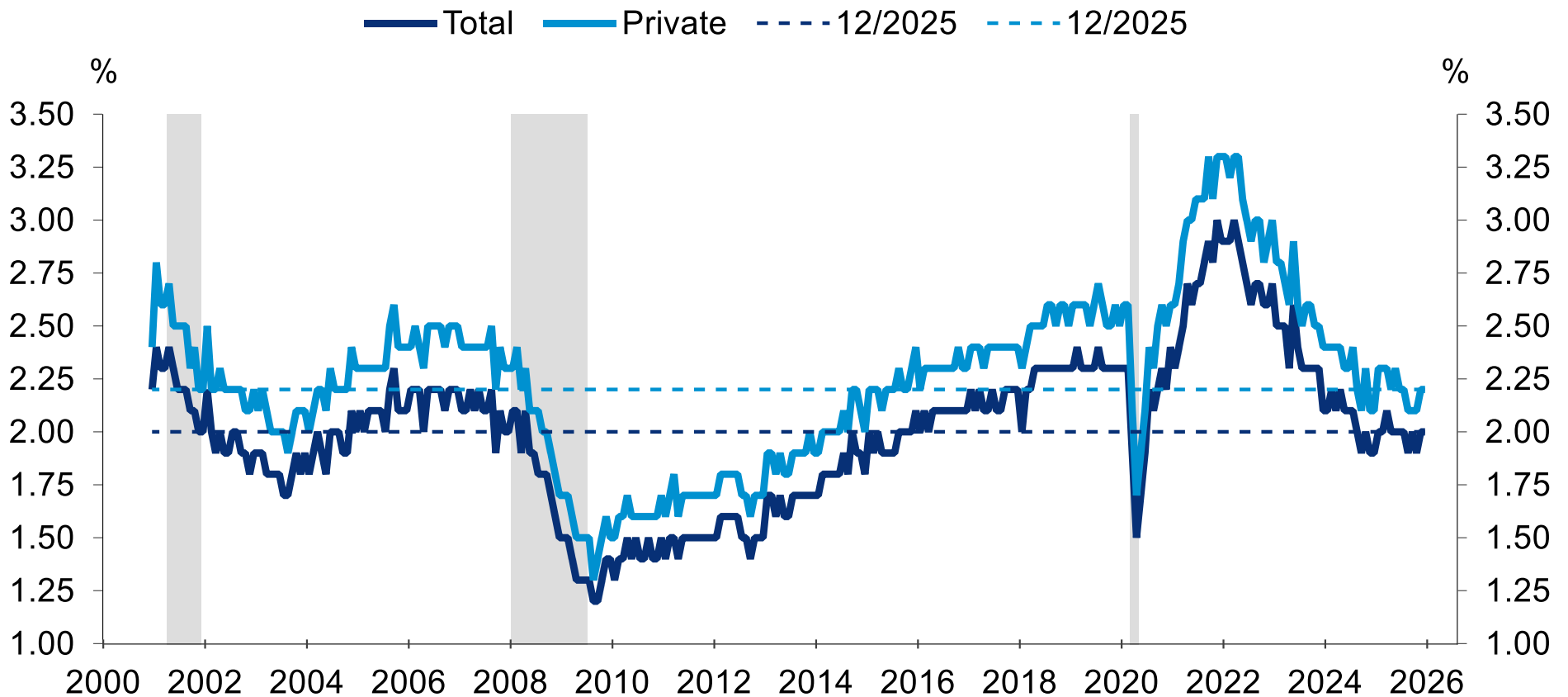


Source: BLS, Macrobond, Deutsche Bank

# Quits rate has stabilized at below 2019 levels



## Quits rate

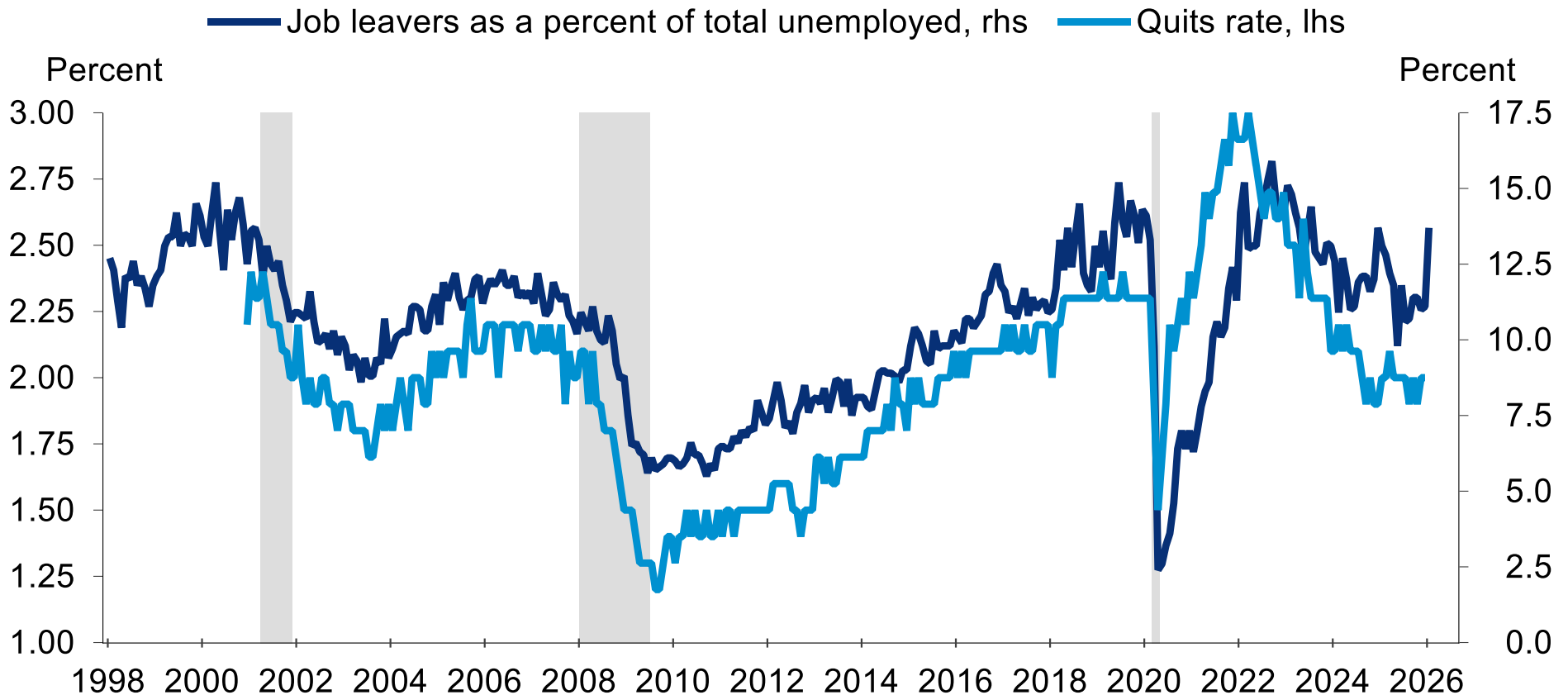


Source: BLS, Macrobond, Deutsche Bank



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

## Job leavers versus quits rate

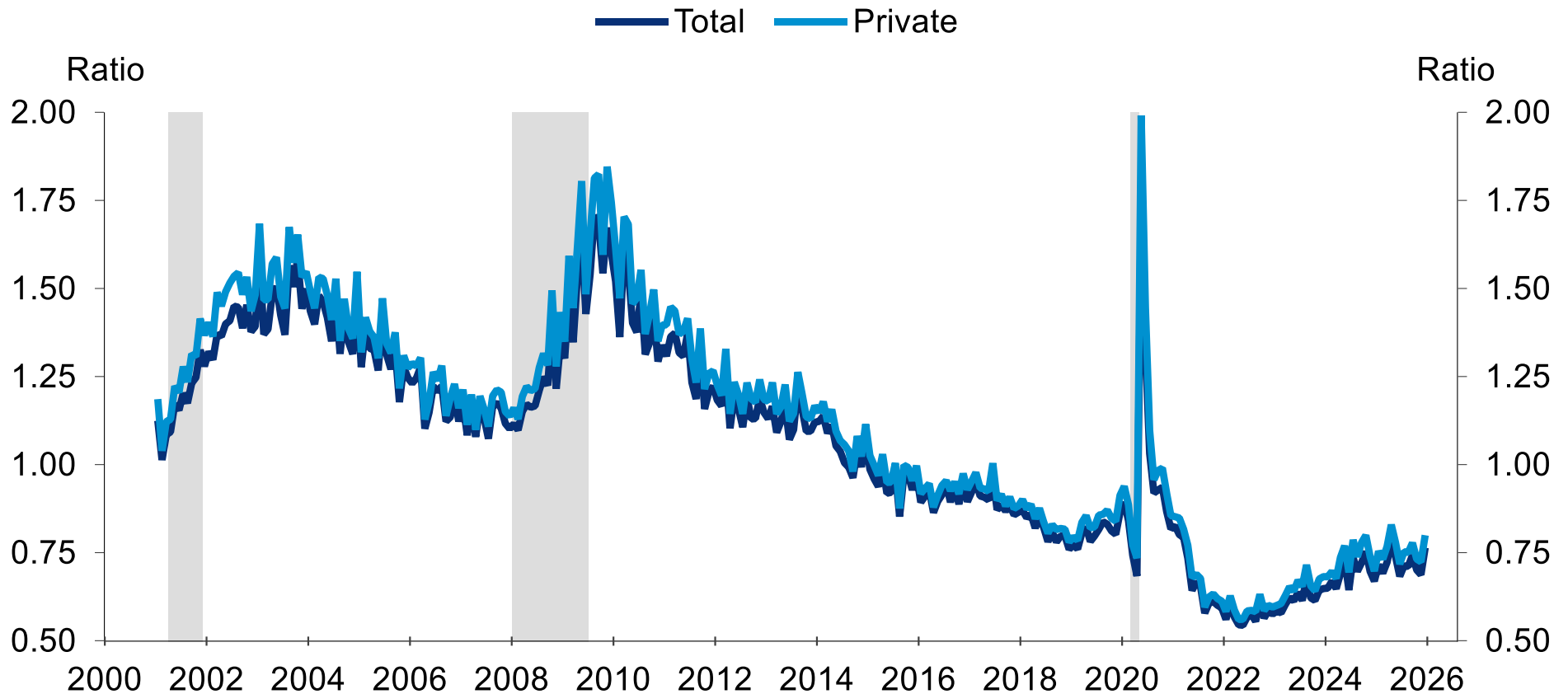


Source: BLS, Macrobond, Deutsche Bank



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

## Vacancy yield (hires / job openings)



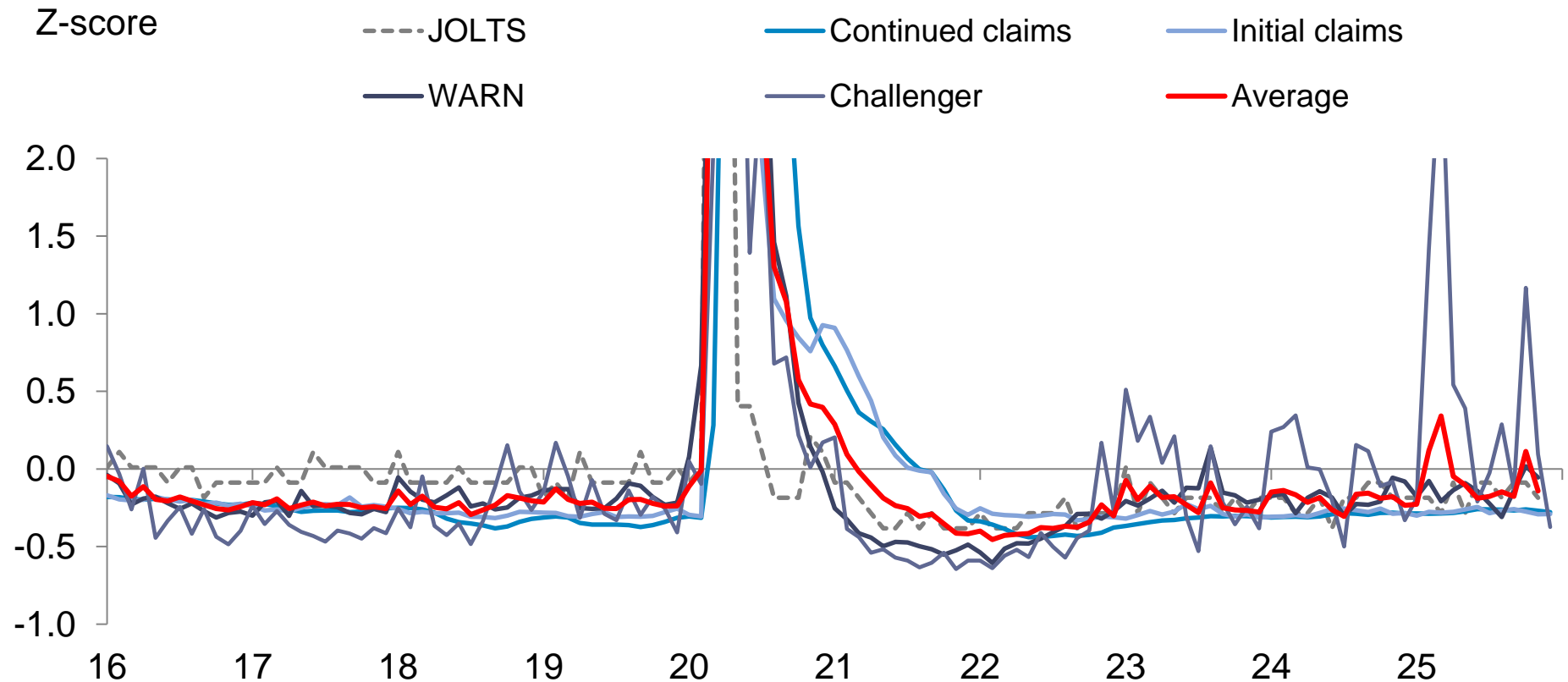
Source: BLS, Macrobond, Deutsche Bank



# Layoffs generally remain low



## Z-scores of layoff metrics

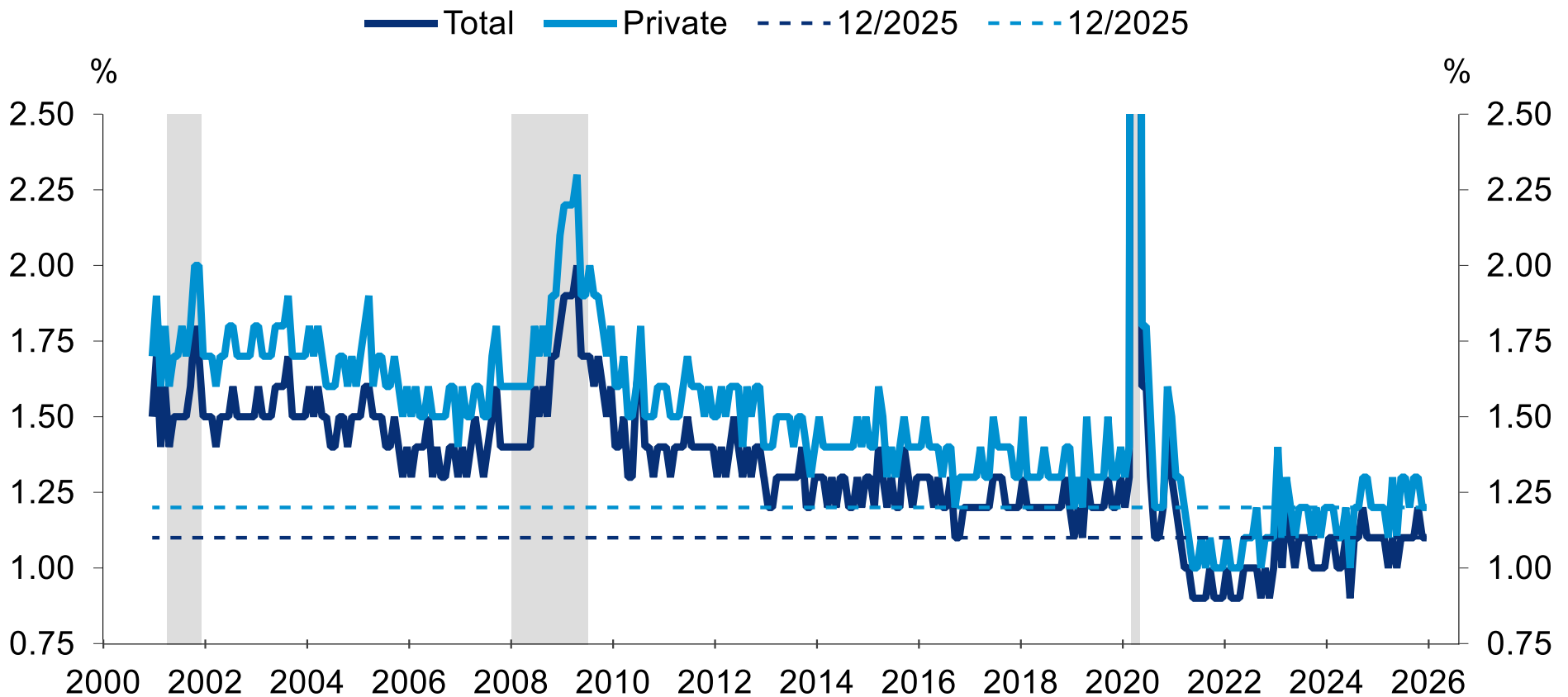


Source: Challenger, BLS, DoL, FRB Cleveland, Haver Analytics, Deutsche Bank

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



## Layoff rate

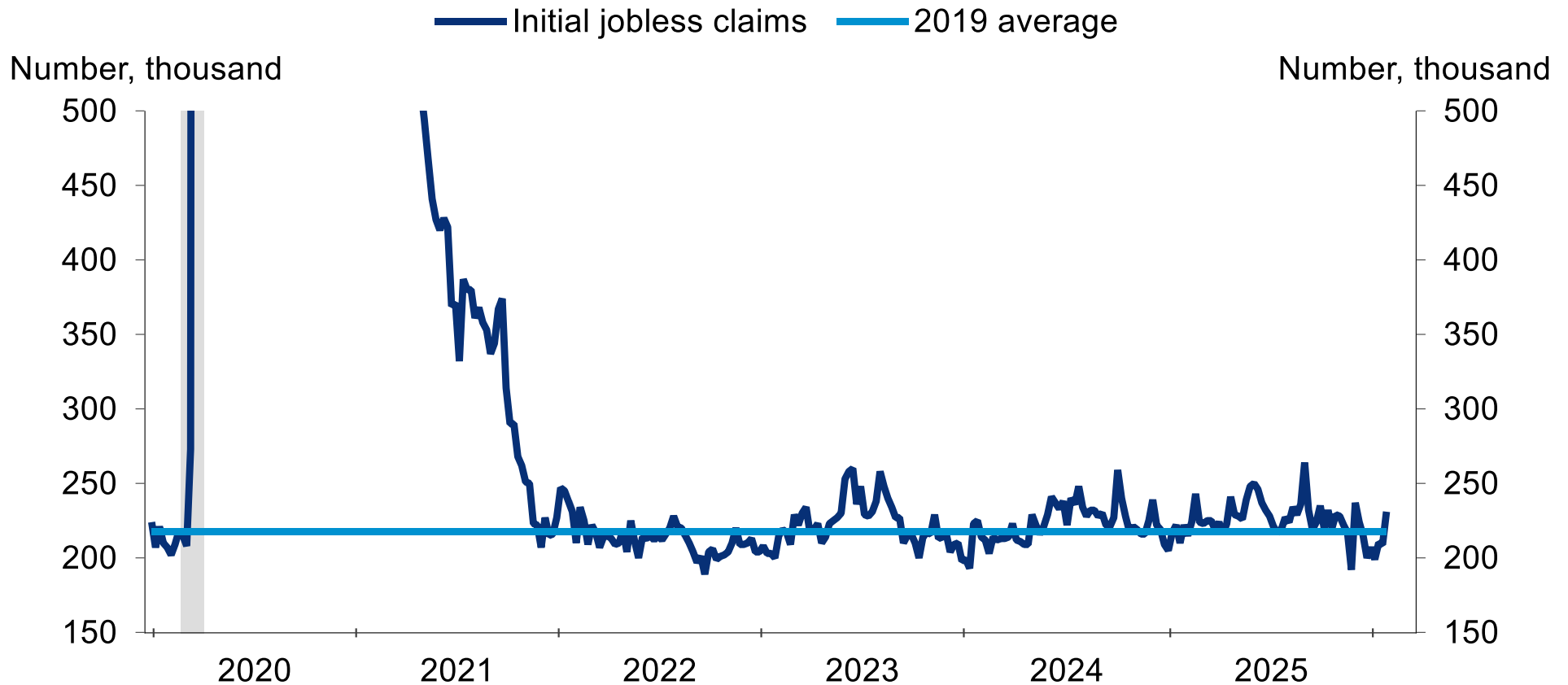


Source: BLS, Macrobond, Deutsche Bank



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

## Initial jobless claims

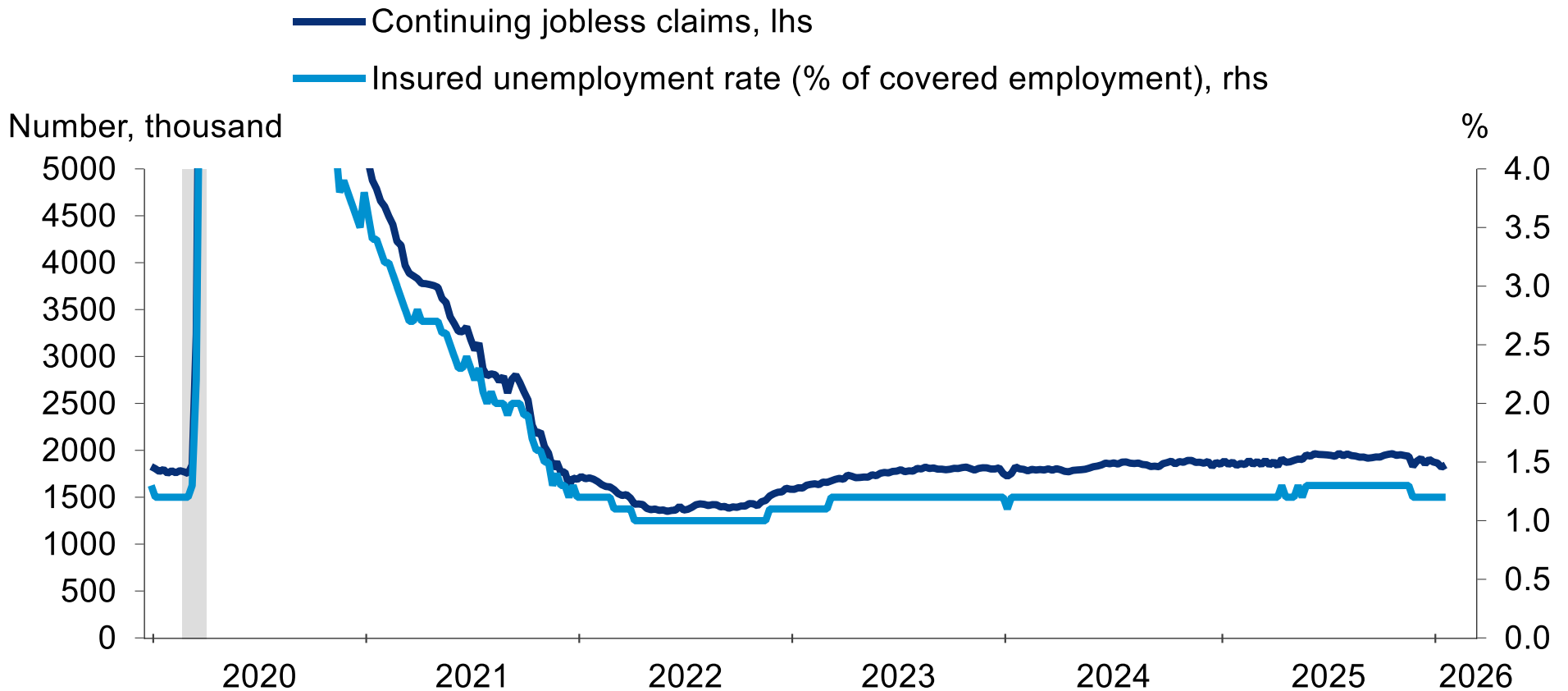


Source: DOL, Macrobond, Deutsche Bank

# Continuing claims stabilized after moving higher



## Continuing jobless claims

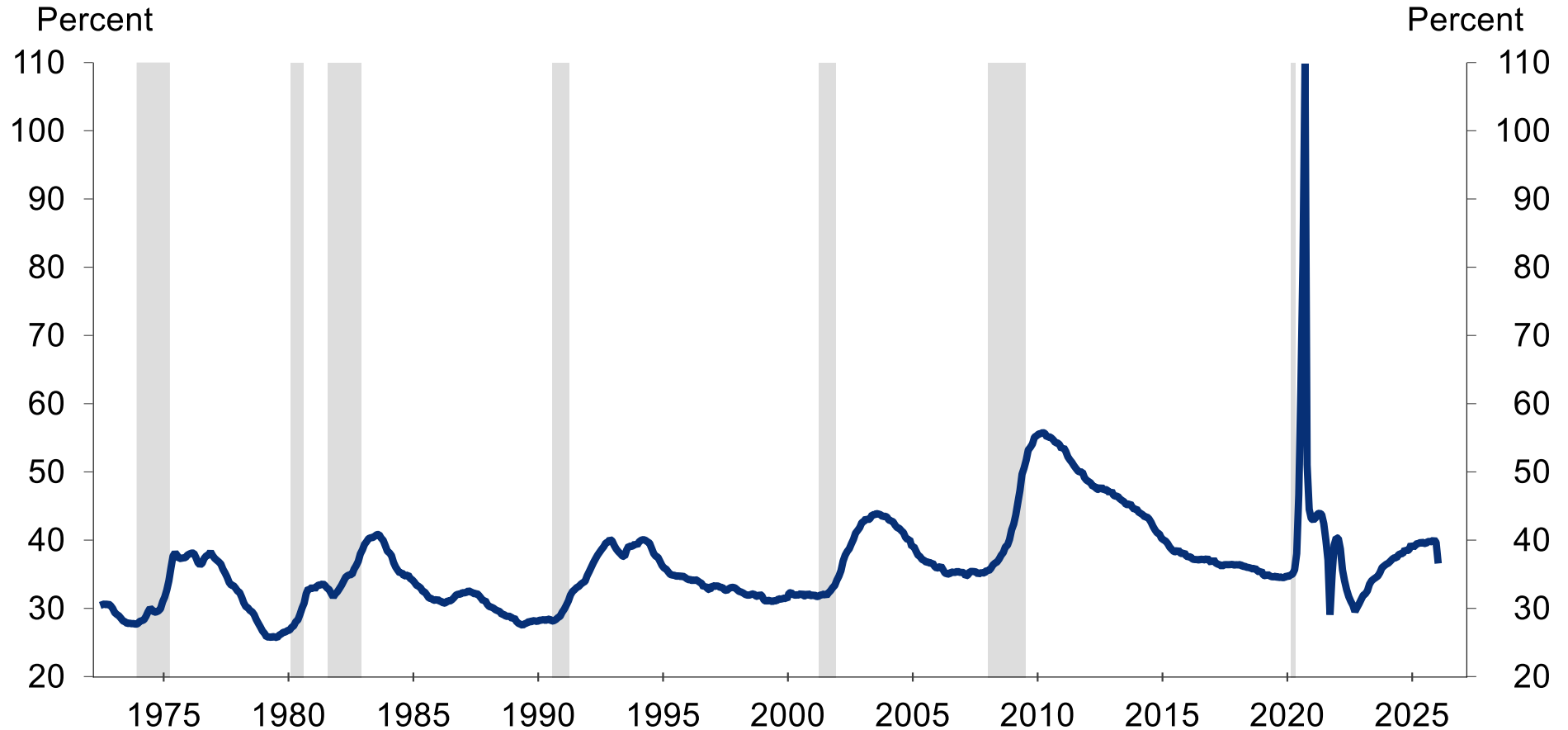


Source: DOL, Macrobond, Deutsche Bank

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



## Share of claimants who collect all of their UI benefits

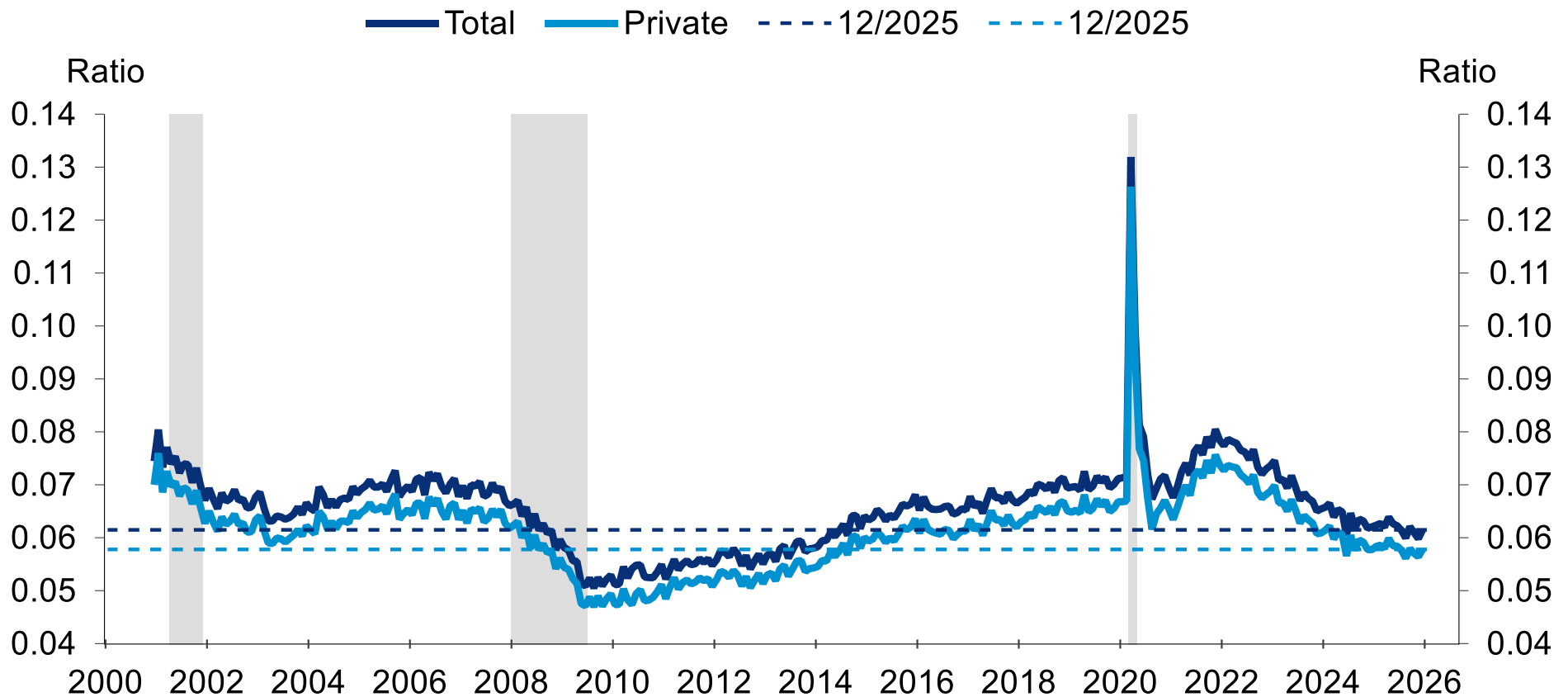


Source: DOL, Macrobond, Deutsche Bank

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



## Labor churn ratio

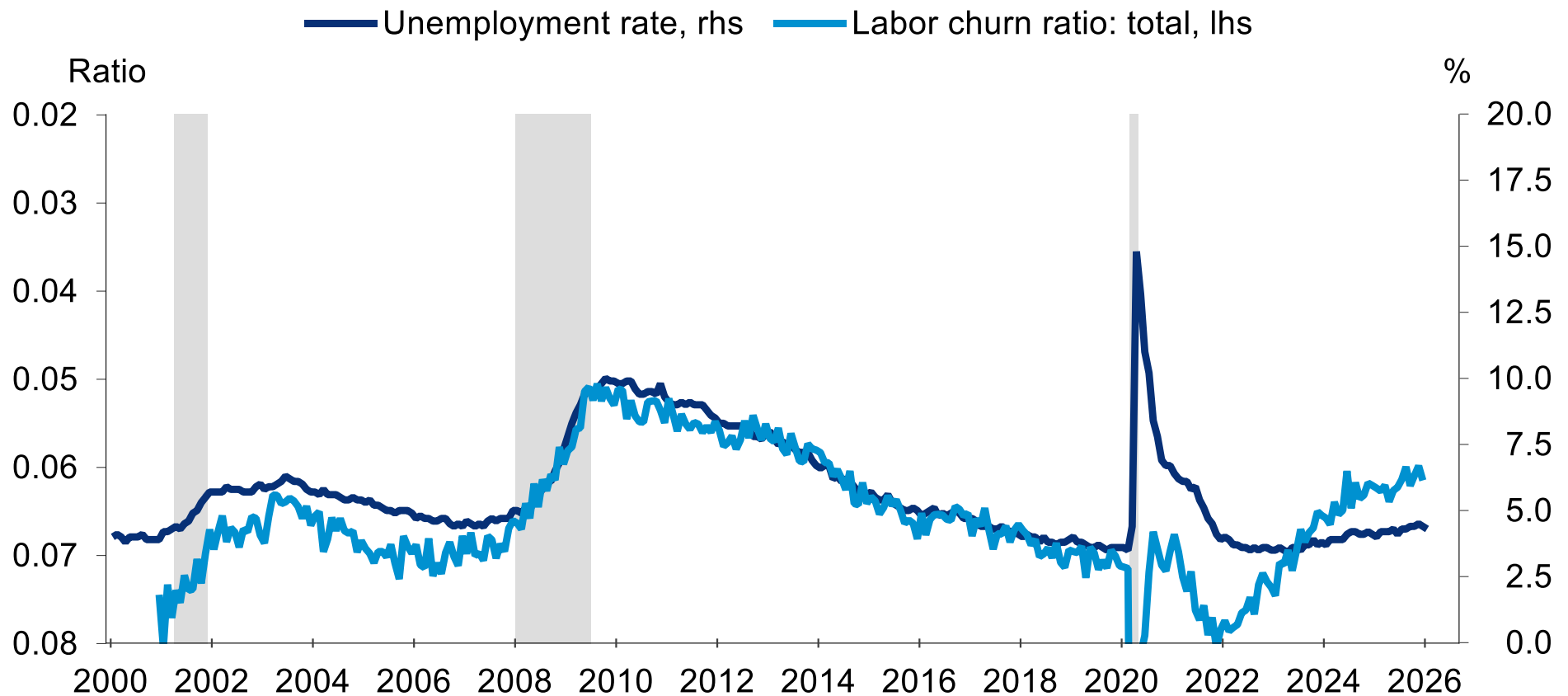


Source: BLS, Macrobond, Deutsche Bank



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

## Labor churn ratio vs. unemployment rate

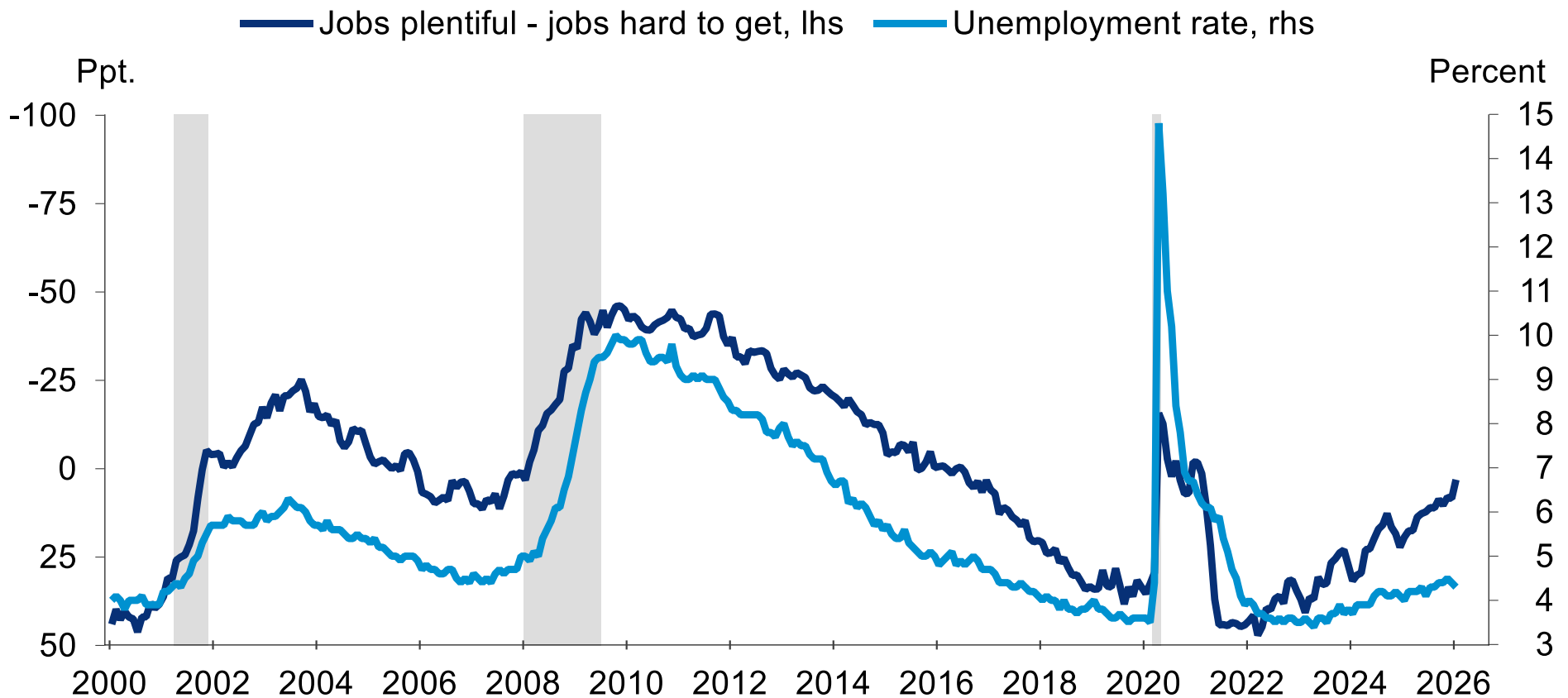


Source: BLS, Macrobond, Deutsche Bank

# Conference Board jobs differential consistent with a loosening labor market



## Conference Board jobs differential and the unemployment rate



Source: TCB, BLS, Macrobond, Deutsche Bank

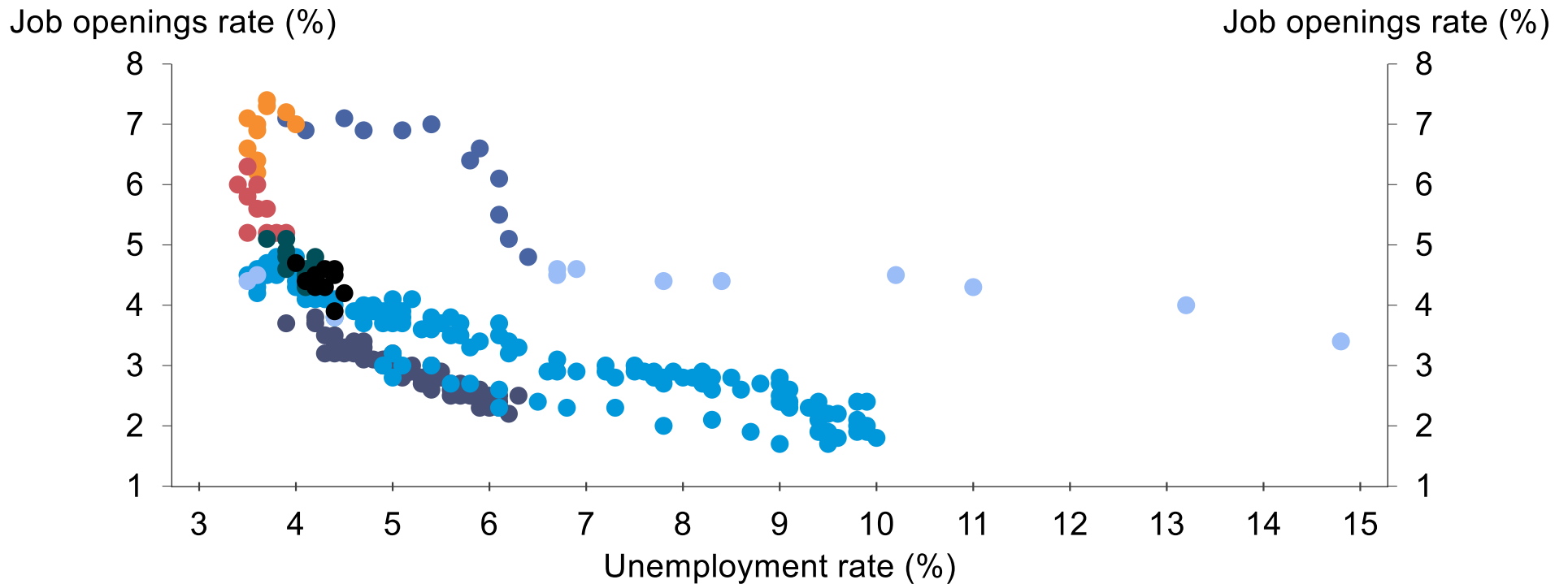




# Beveridge curve normalized initially via lower job openings but unemployment had also started to move up

## Beveridge curve

- 2000-2007
- 2008-2019
- 2020
- 2021
- 2022
- 2023
- 2024
- 2025



Source: BLS, Macrobond, Deutsche Bank

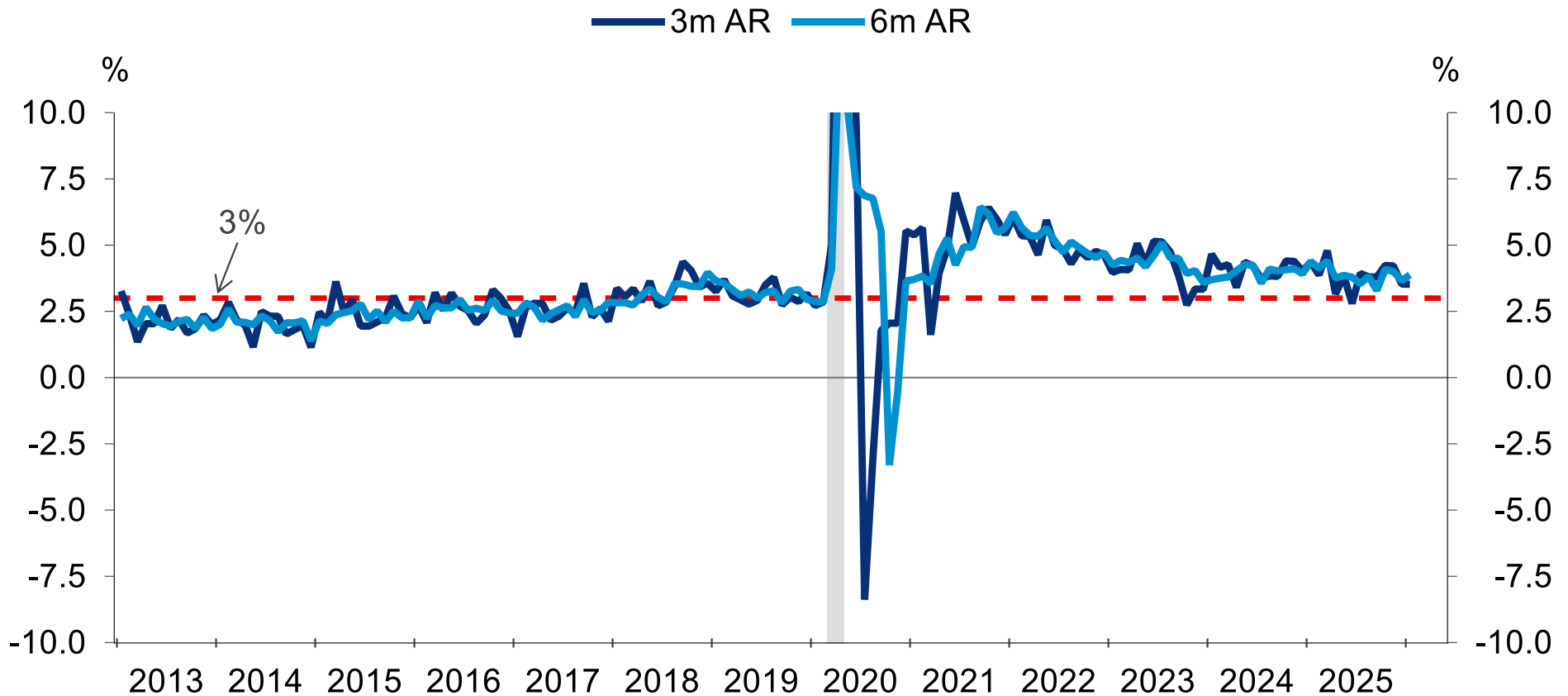


# Wages

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



## Private average hourly earnings growth for all employees

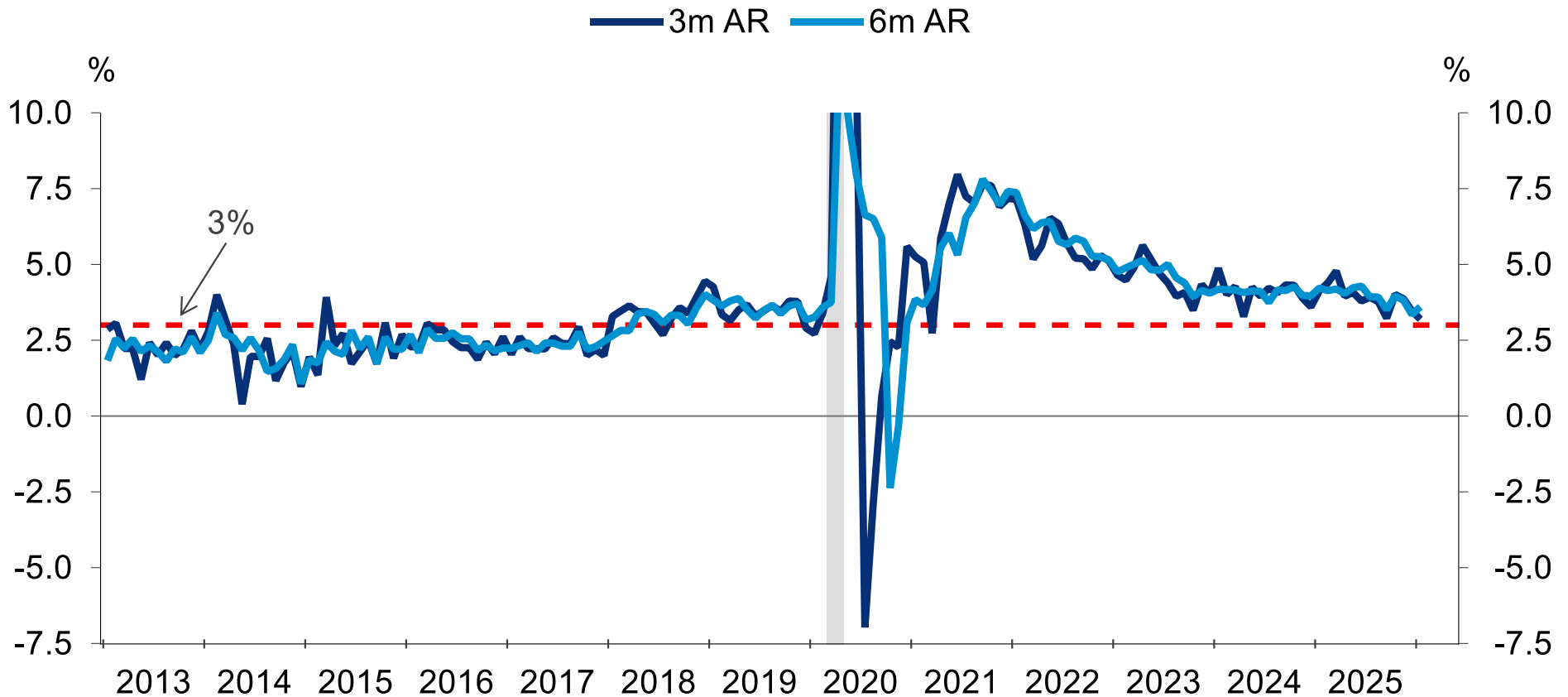


Source: BLS, Macrobond, Deutsche Bank

# AHEs of production & nonsupervisory workers slightly above



## Average hourly earnings growth for prod. & nonsup. employees

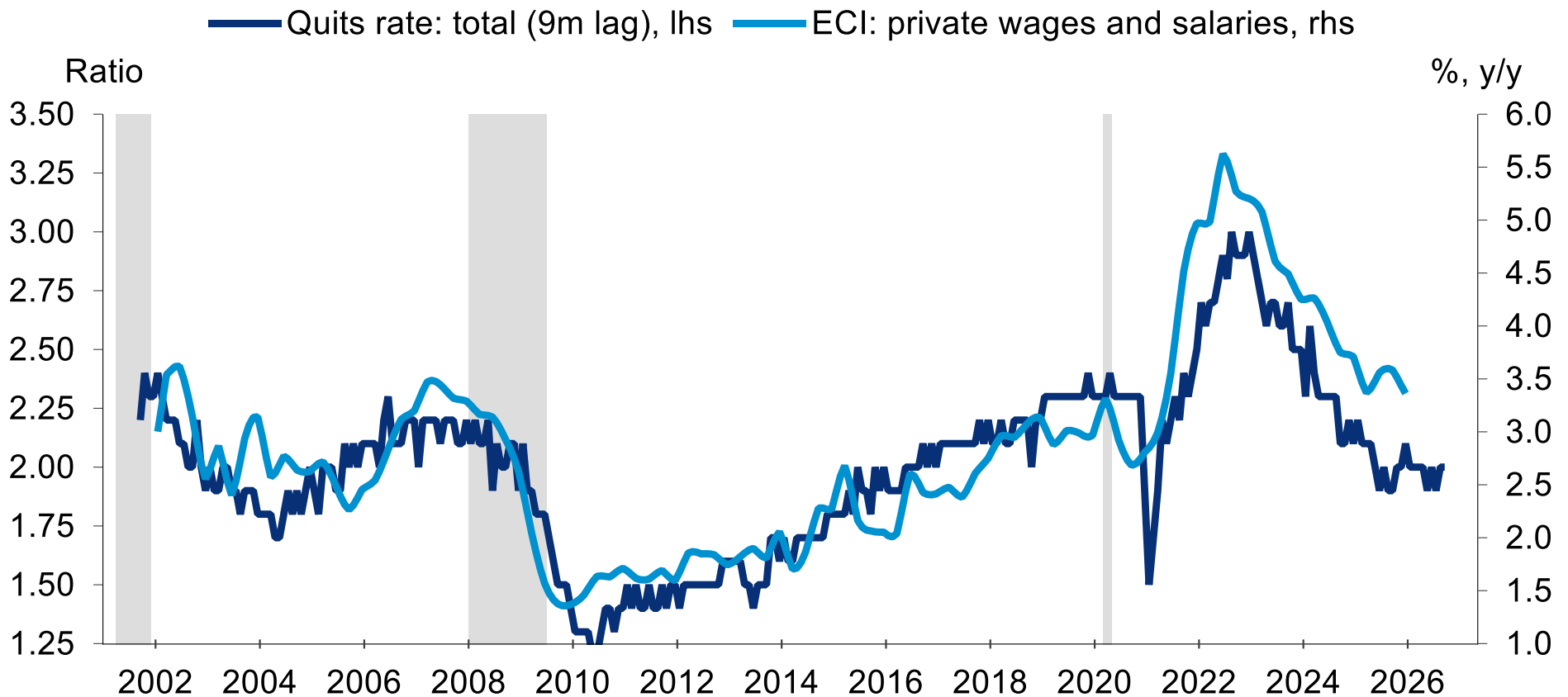


Source: BLS, Macrobond, Deutsche Bank



# Quits rate suggests wage growth should stabilize in coming quarters

## Quits rate and ECI wage growth

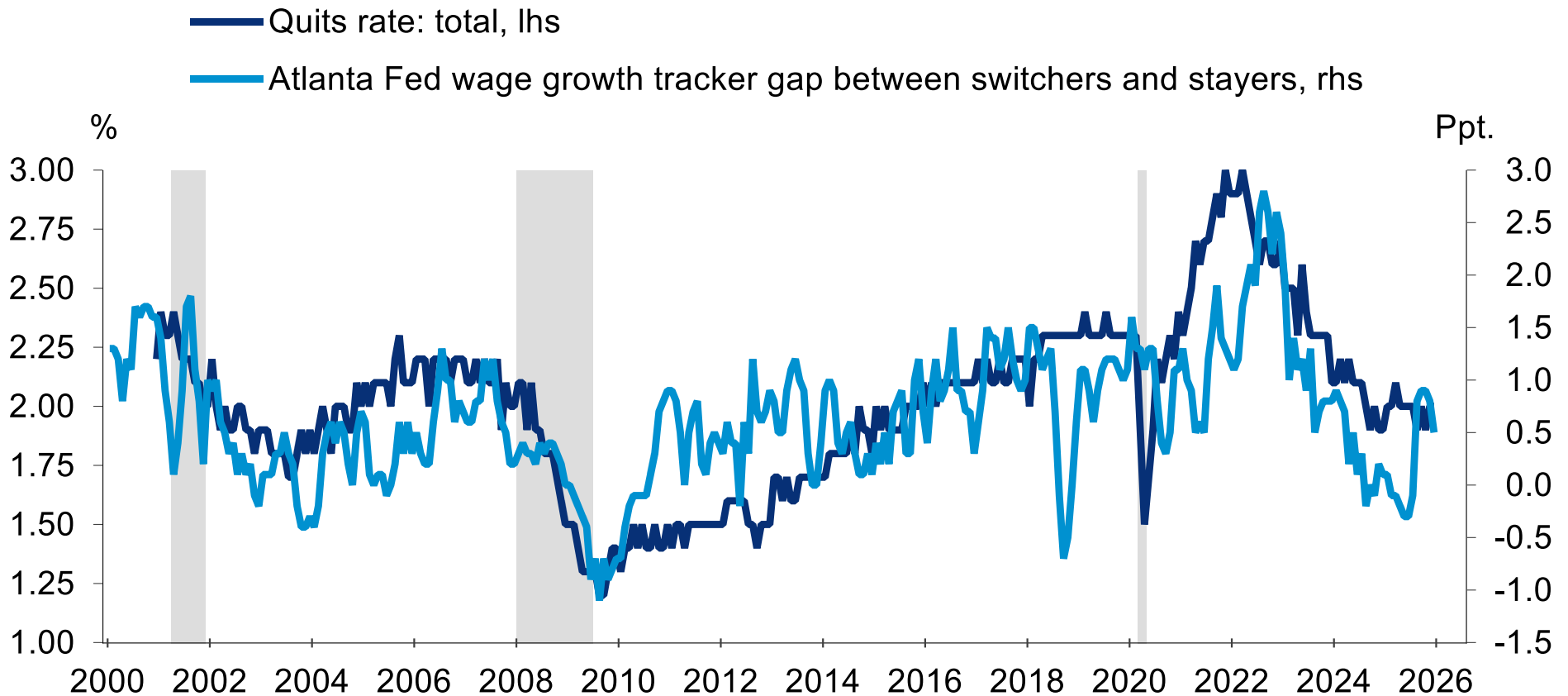


Source: BLS, Macrobond, Deutsche Bank

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



## Job switching premium

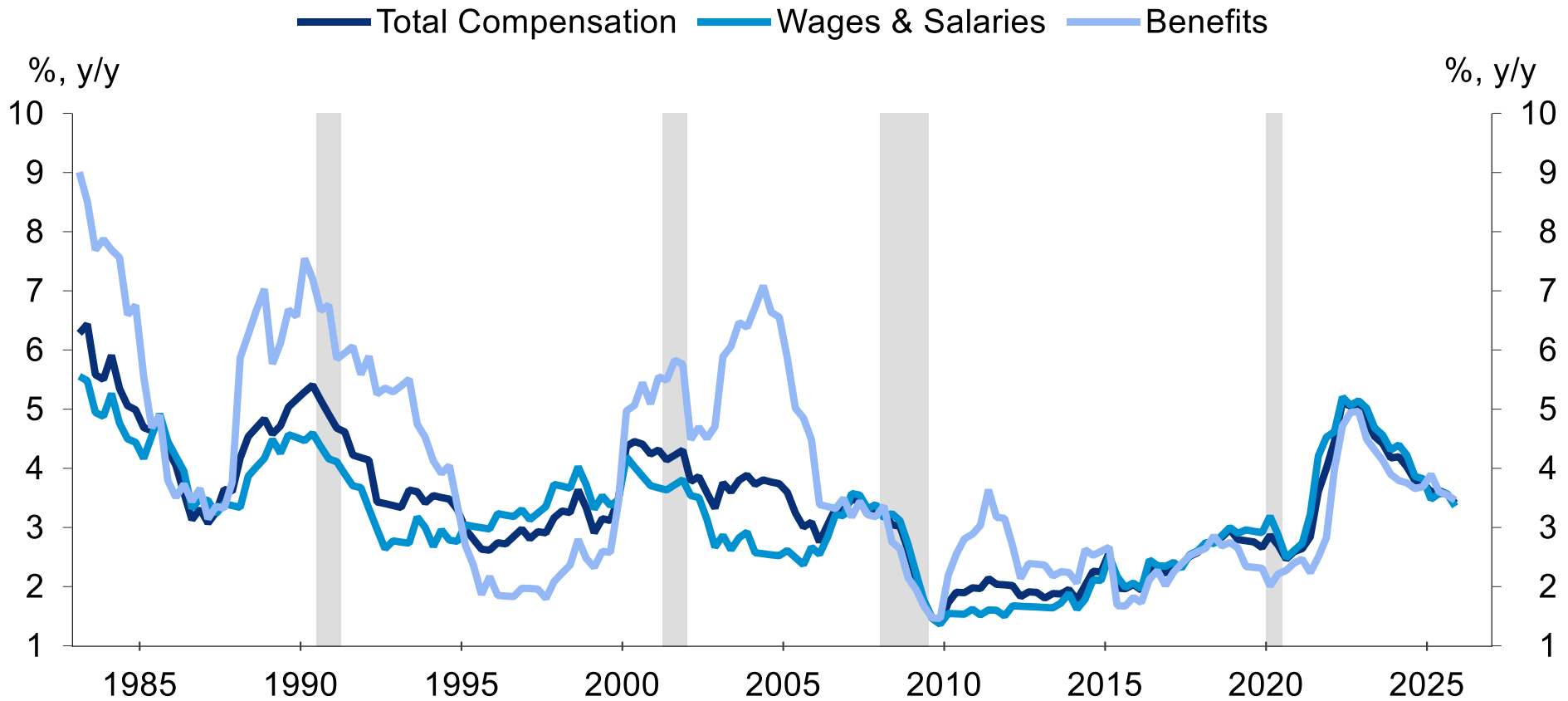


Source: BLS, Atlanta Fed, Macrobond, Deutsche Bank

# Employment cost index moderating but still elevated



## Employment Cost Index

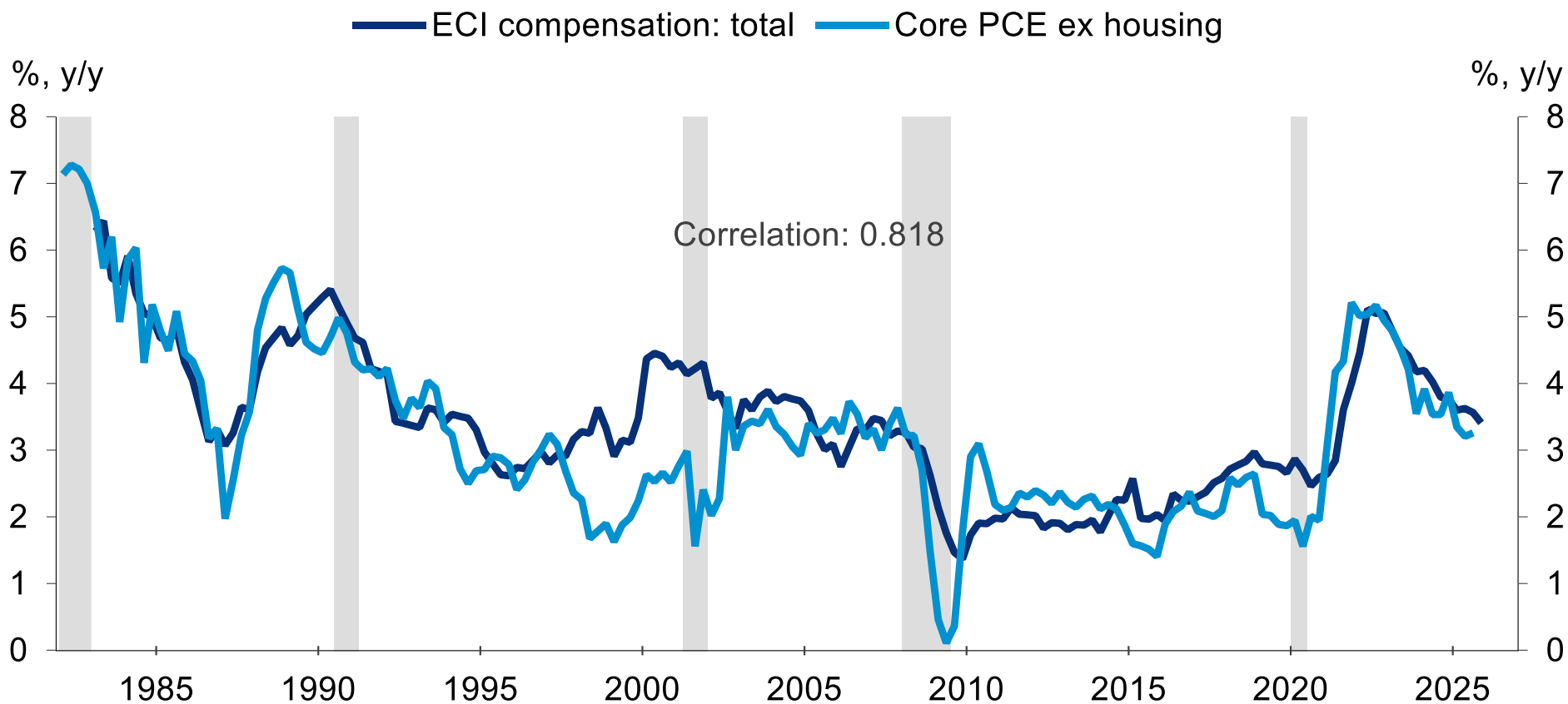


Source: BLS, Macrobond, Deutsche Bank



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

## ECI vs supercore PCE



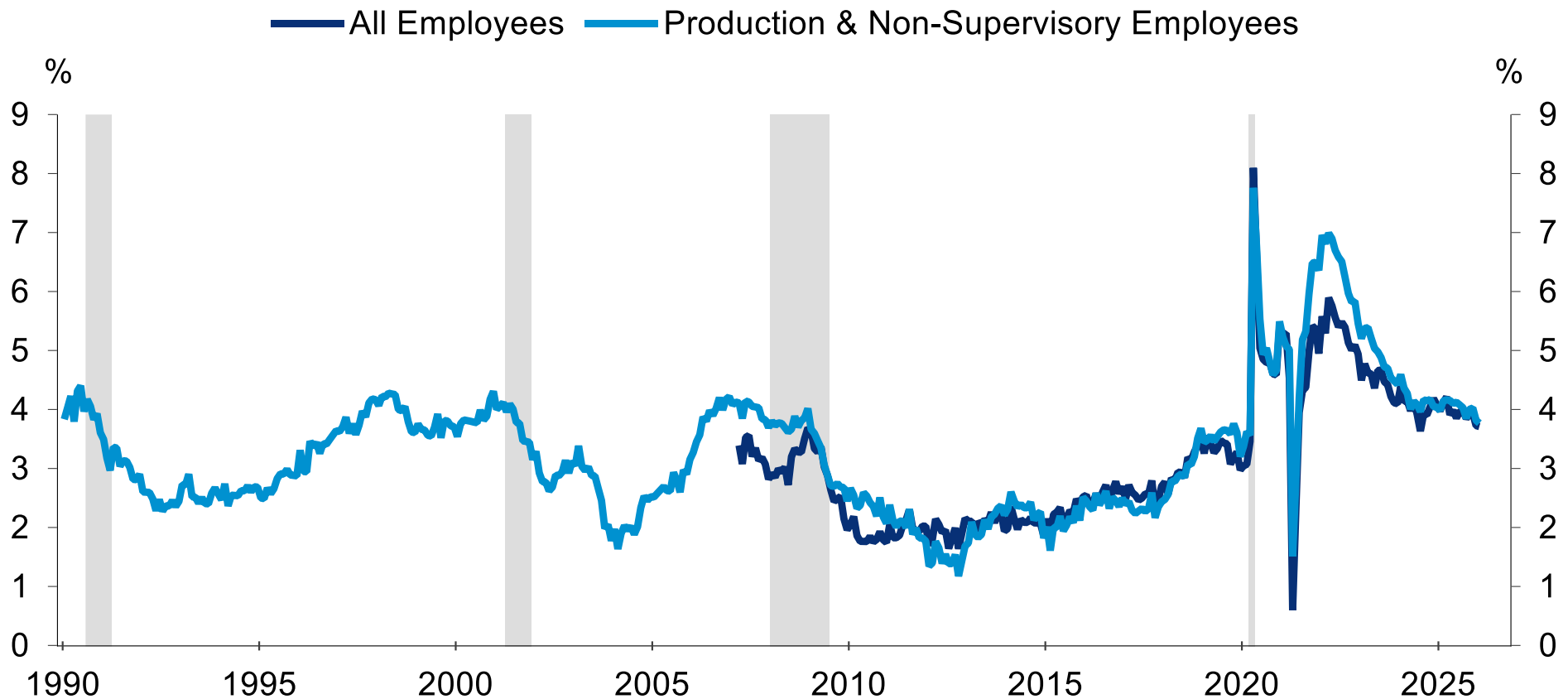
Source: BLS, BEA, Macrobond, Deutsche Bank



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



## Average hourly earnings

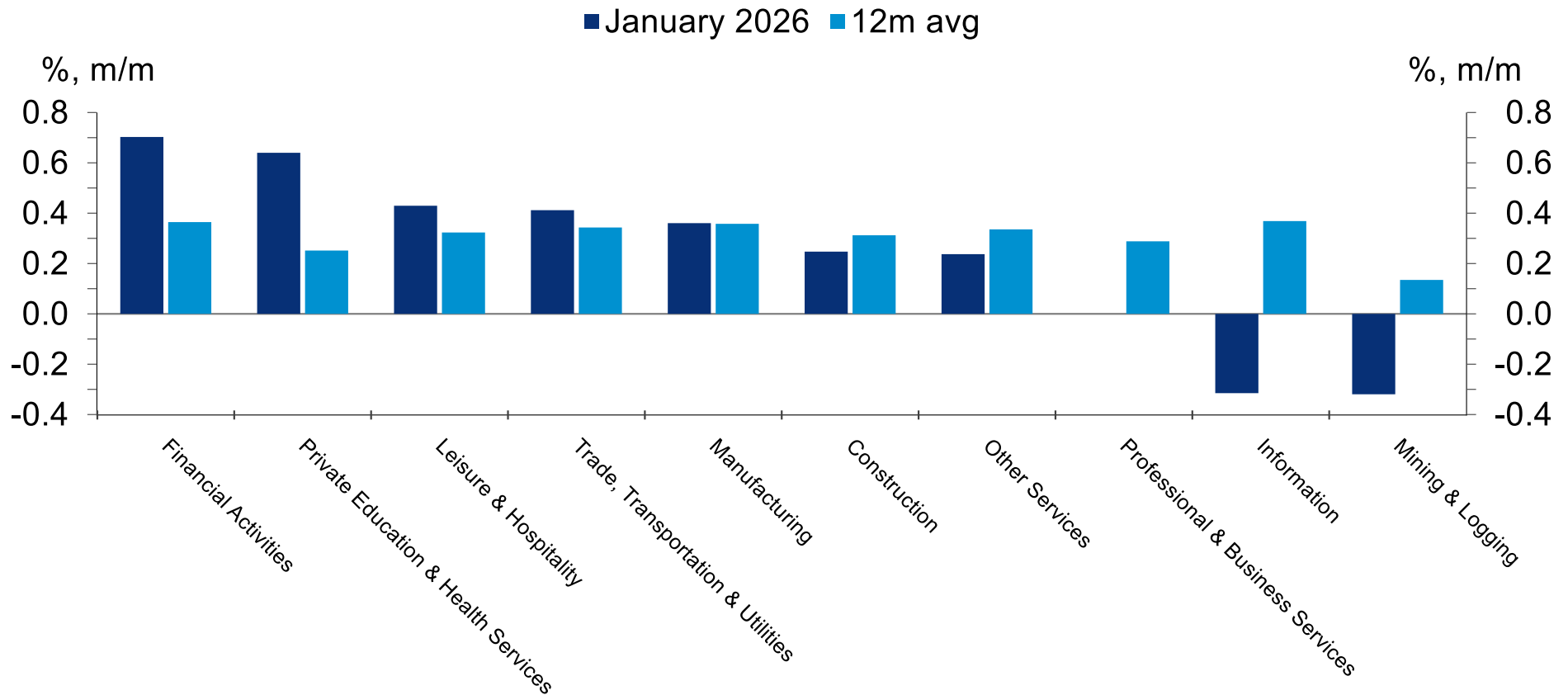


Source: BLS, Macrobond, Deutsche Bank

# Wage growth across sectors



## Average hourly earnings of employees in total private industries

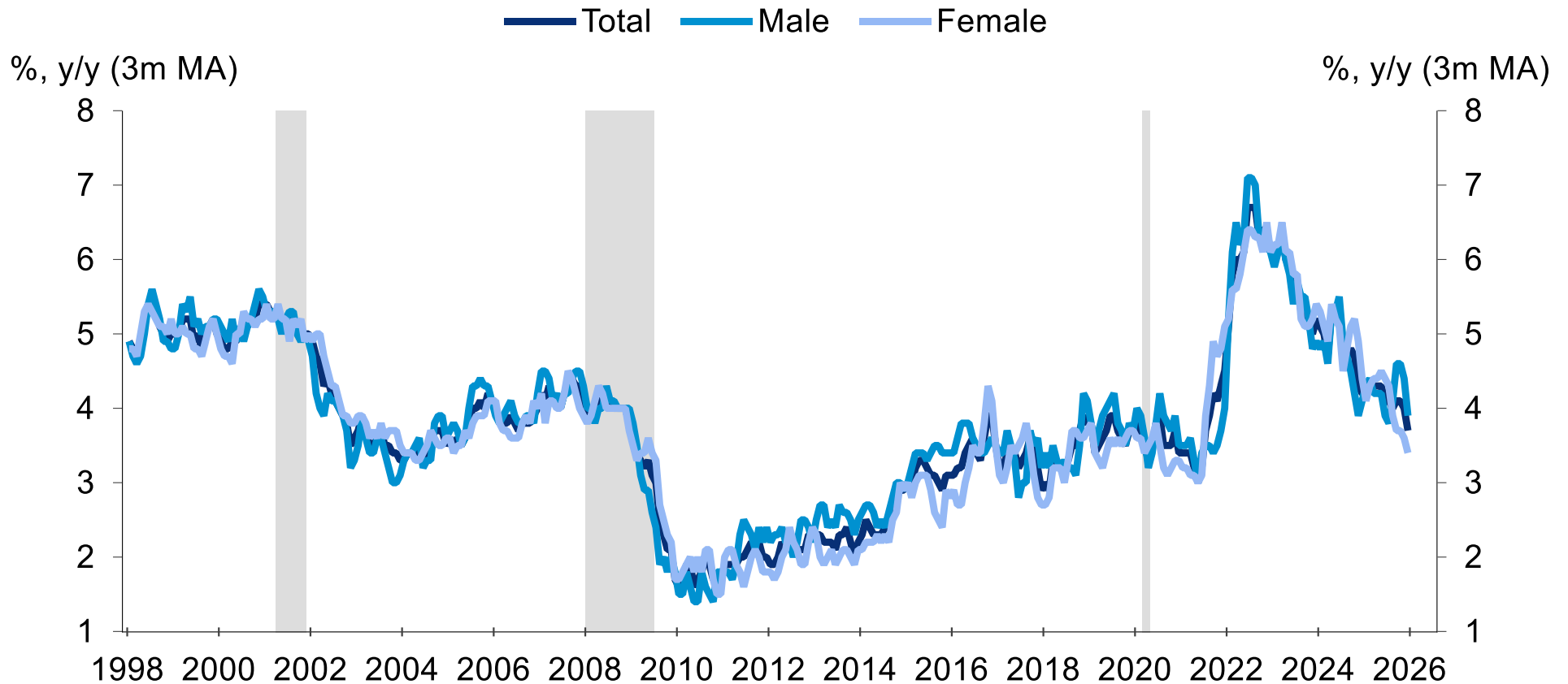


Source: BLS, Macrobond, Deutsche Bank

# Atlanta Fed wage tracker still decelerating



## Atlanta Fed wage tracker

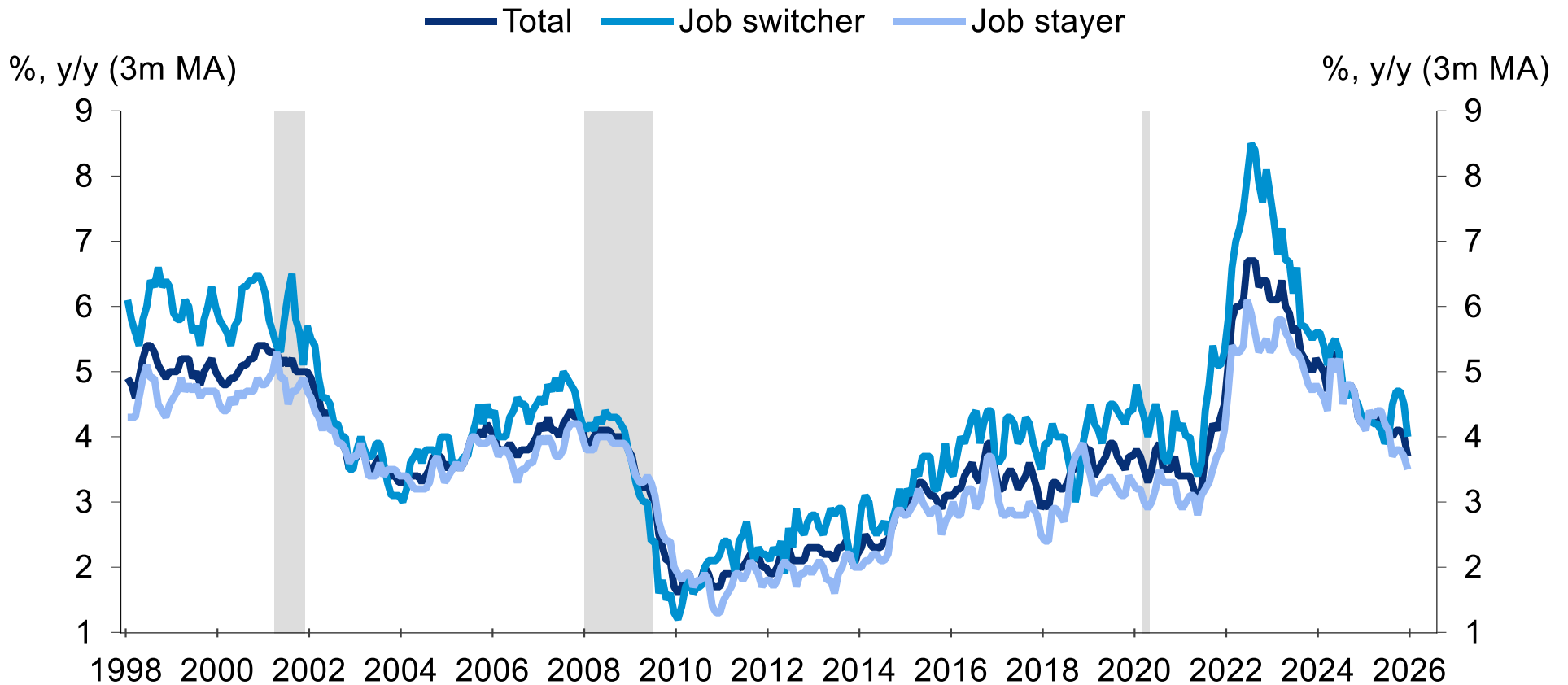


Source: Atlanta Fed, Macrobond, Deutsche Bank

# Wage gap has reopened between job switchers and stayers



## Atlanta Fed wage tracker

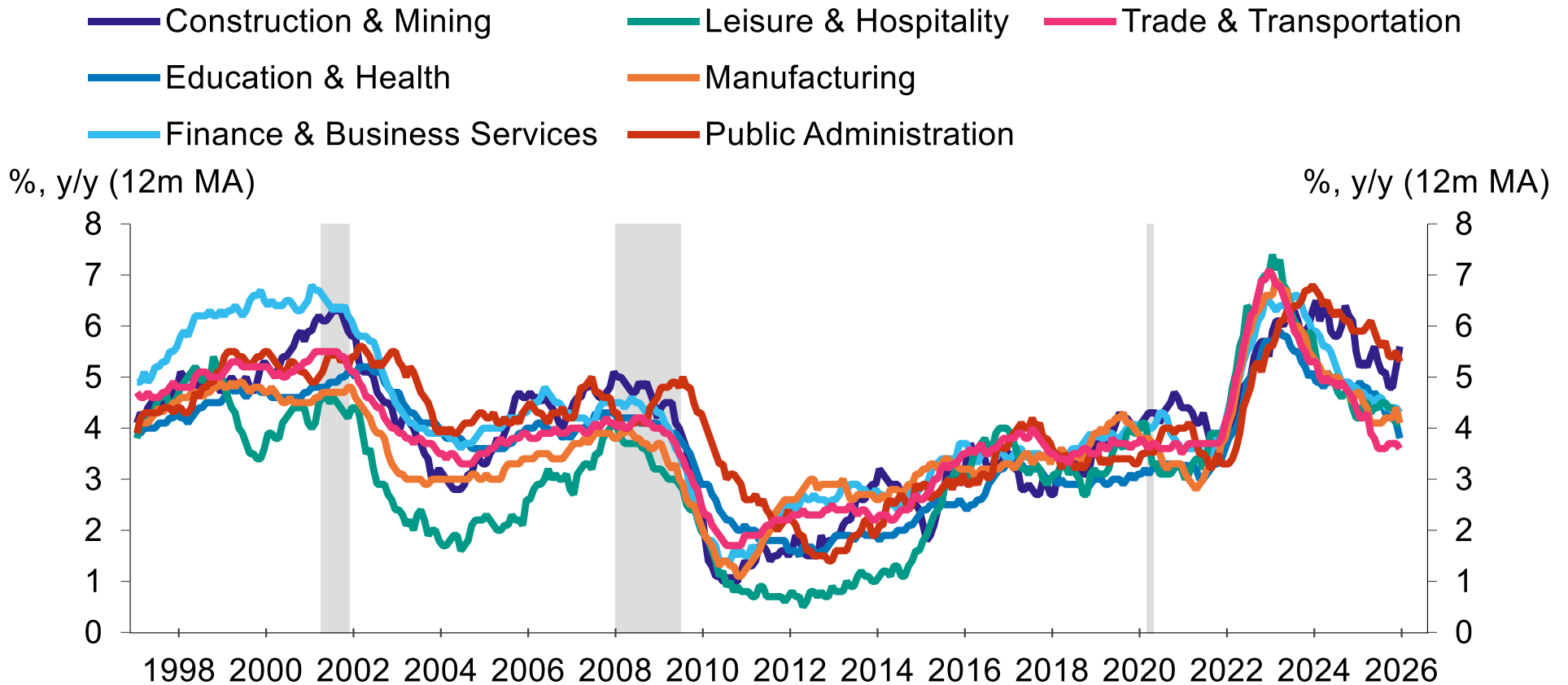


Source: Atlanta Fed, Macrobond, Deutsche Bank

# Wage growth across industries shows some divergence



## Atlanta Fed wage tracker

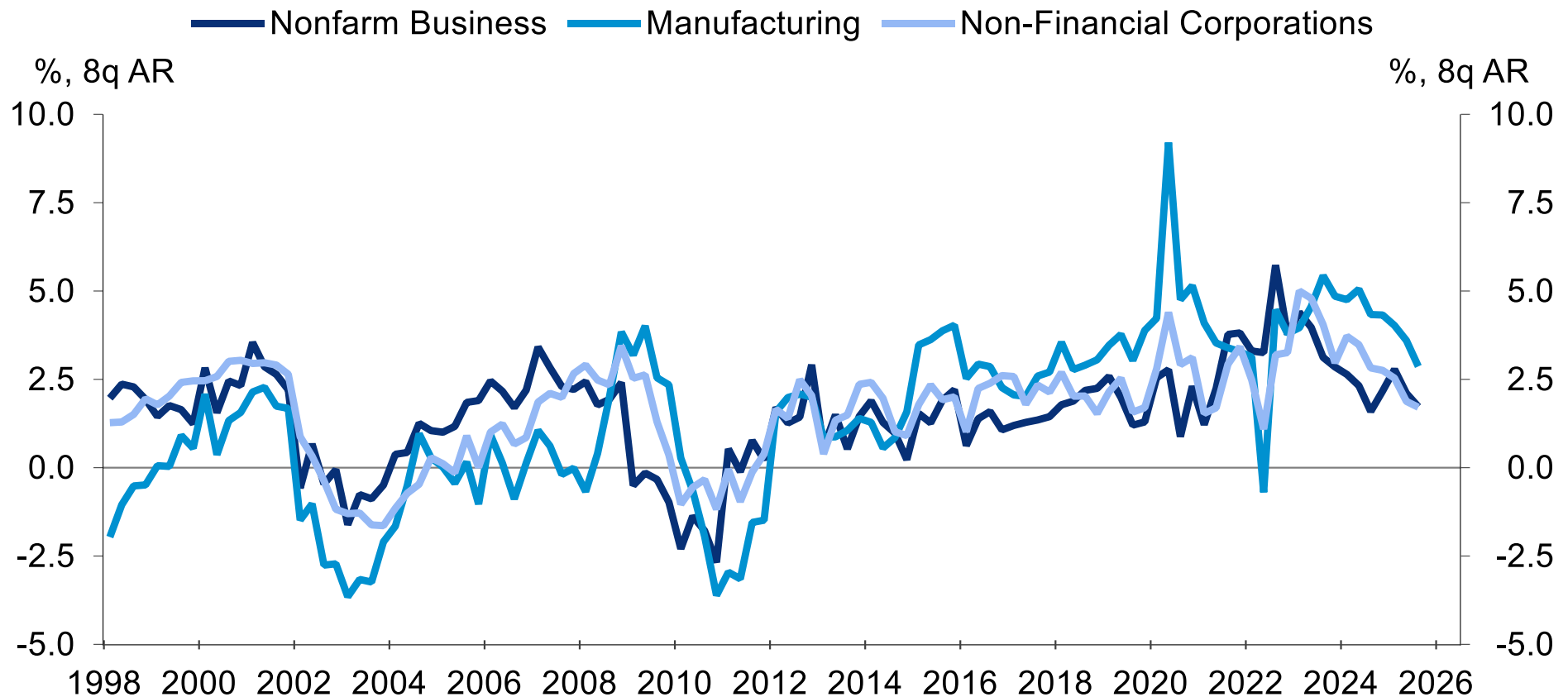


Source: Atlanta Fed, Macrobond, Deutsche Bank

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



## Unit labor costs

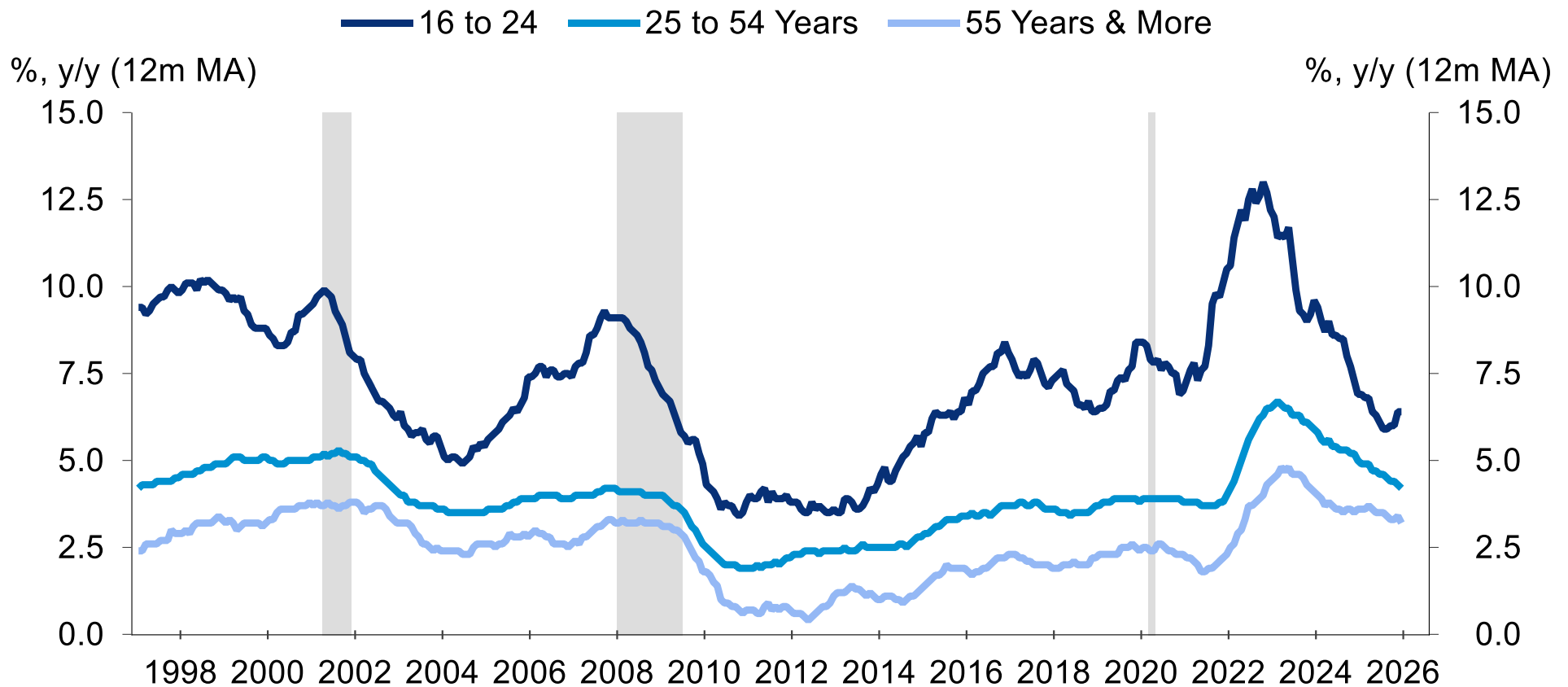


Source: BLS, Macrobond, Deutsche Bank

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



## Atlanta Fed wage tracker



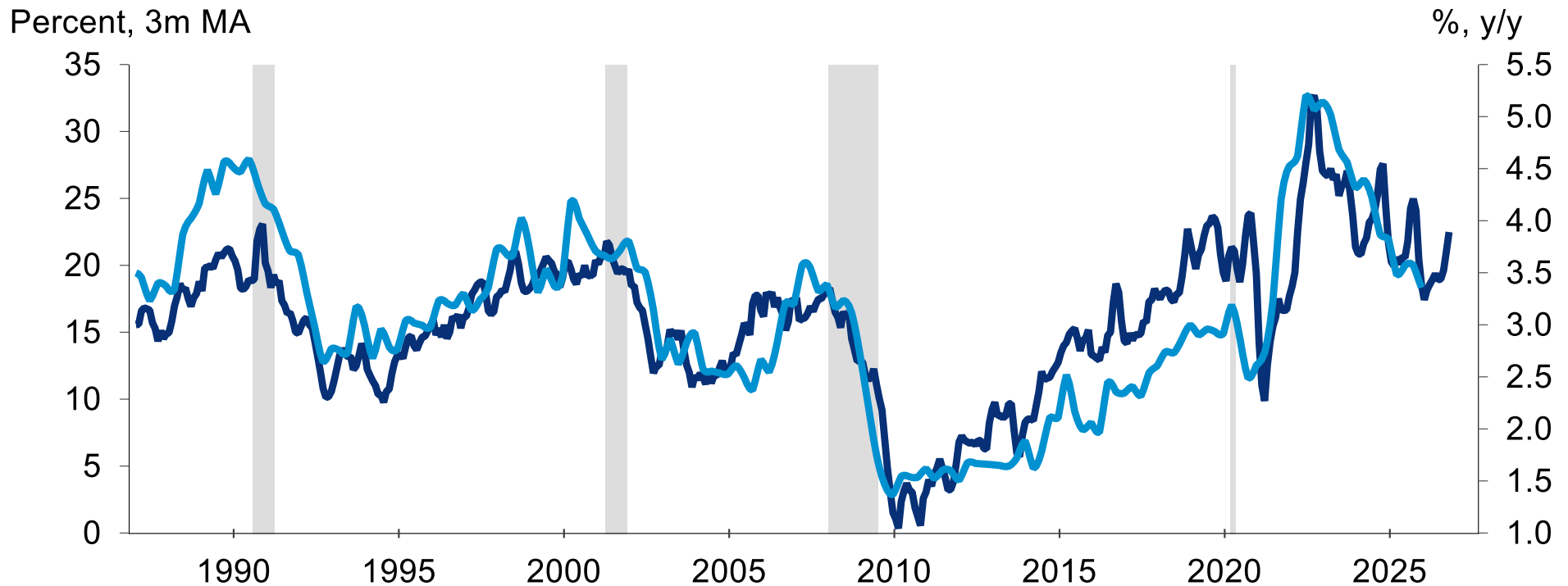
Source: Atlanta Fed, Macrobond, Deutsche Bank

# NFIB could signal a near-term stabilization of wage growth



## ECI wage growth and NFIB survey

- NFIB: companies planning to raise worker compensation (9m lag), lhs
- ECI wages & salaries: all workers, rhs



Source: NFIB, BLS, Macrobond, Deutsche Bank



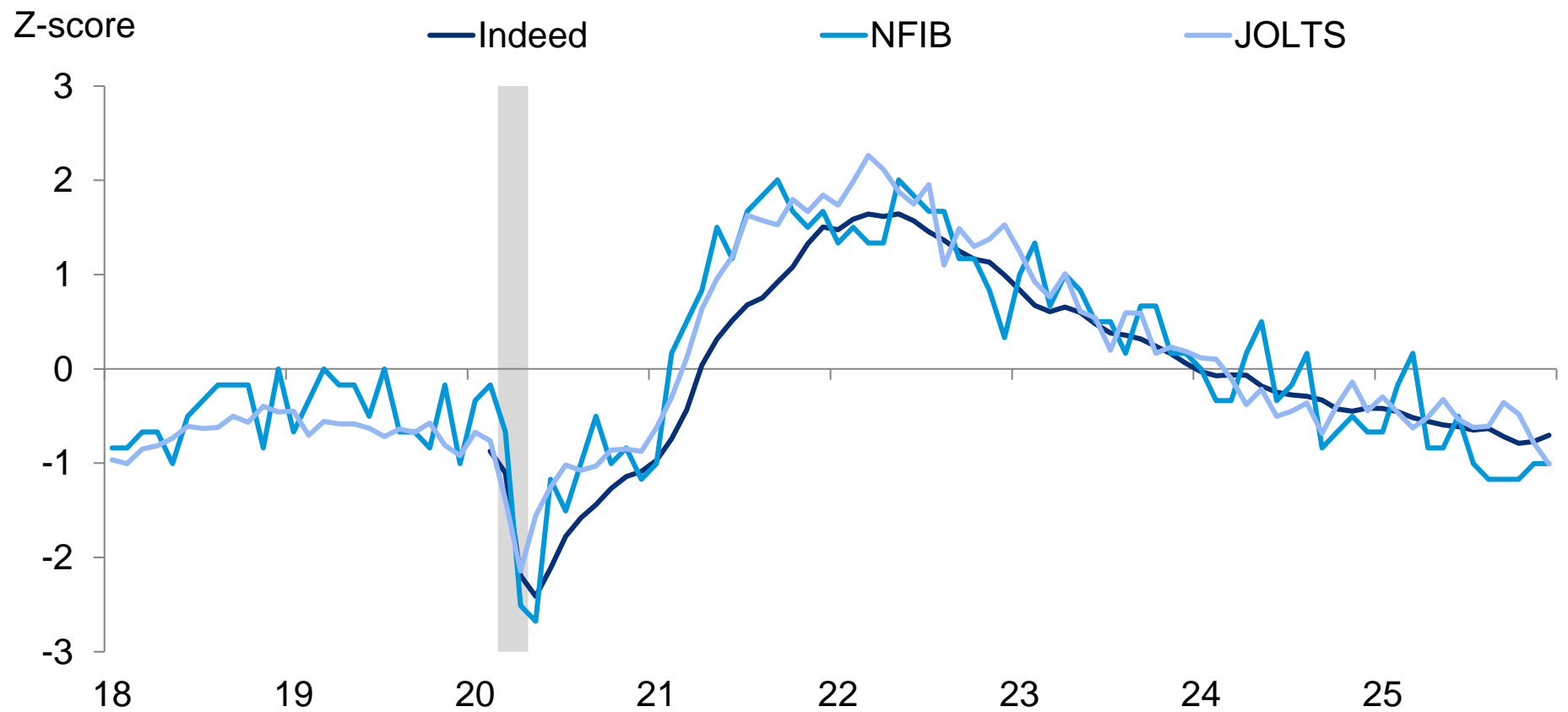


# Other indicators

# Alternative data sources consistent with modest further decline in job openings



## Job openings

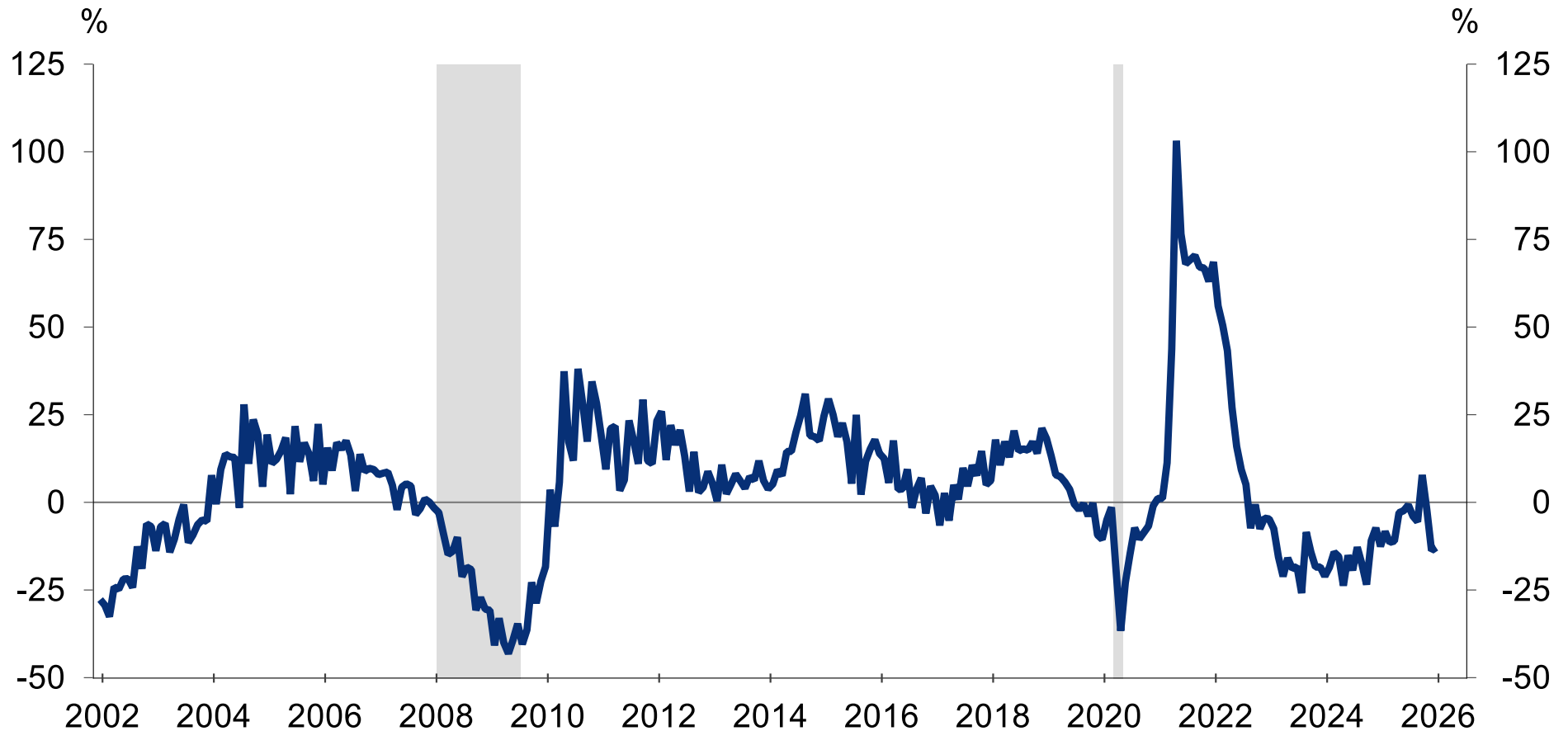


Source: Indeed, BLS, NFIB, Haver Analytics, Deutsche Bank

# Job openings have come down meaningfully



## Change in total job openings

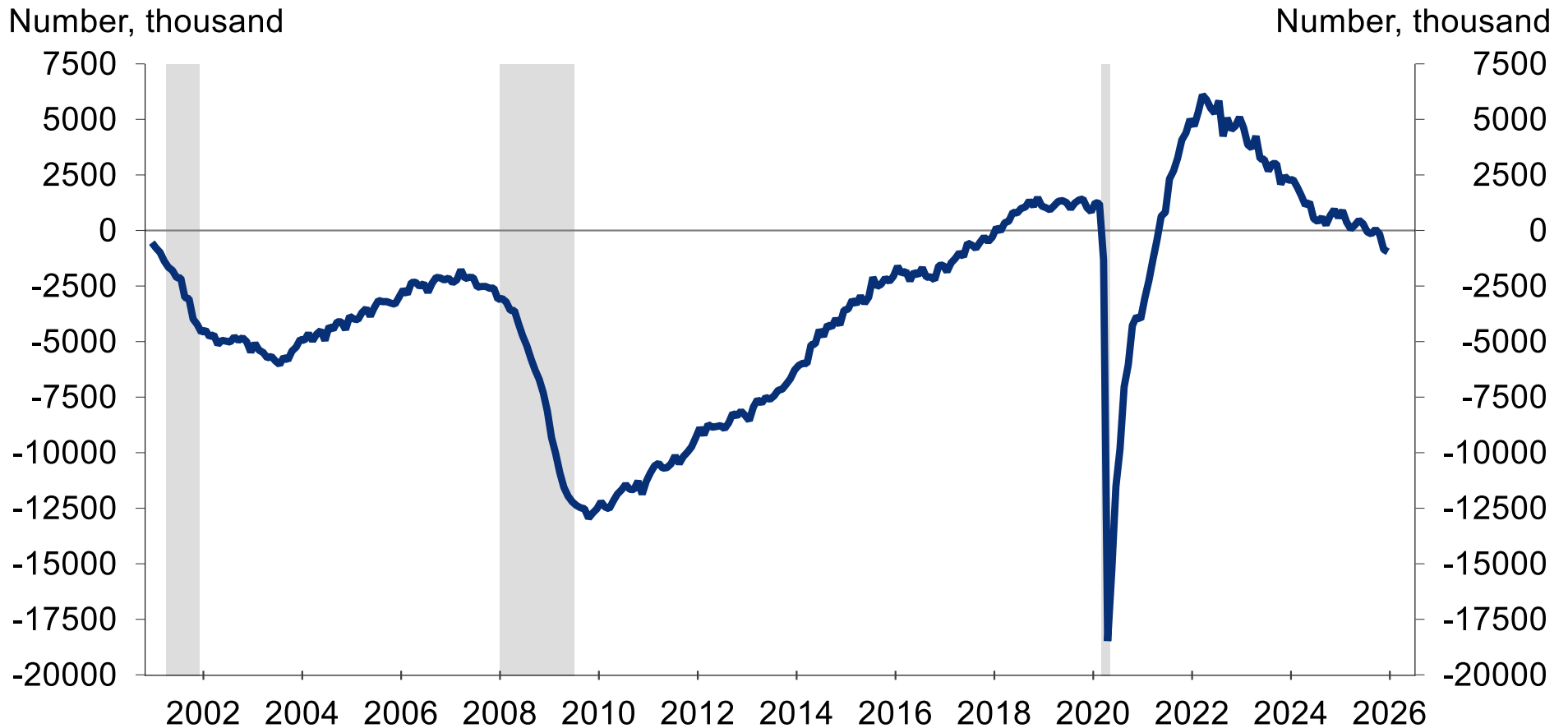


Source: BLS, Macrobond, Deutsche Bank

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



## Job openings less unemployed workers

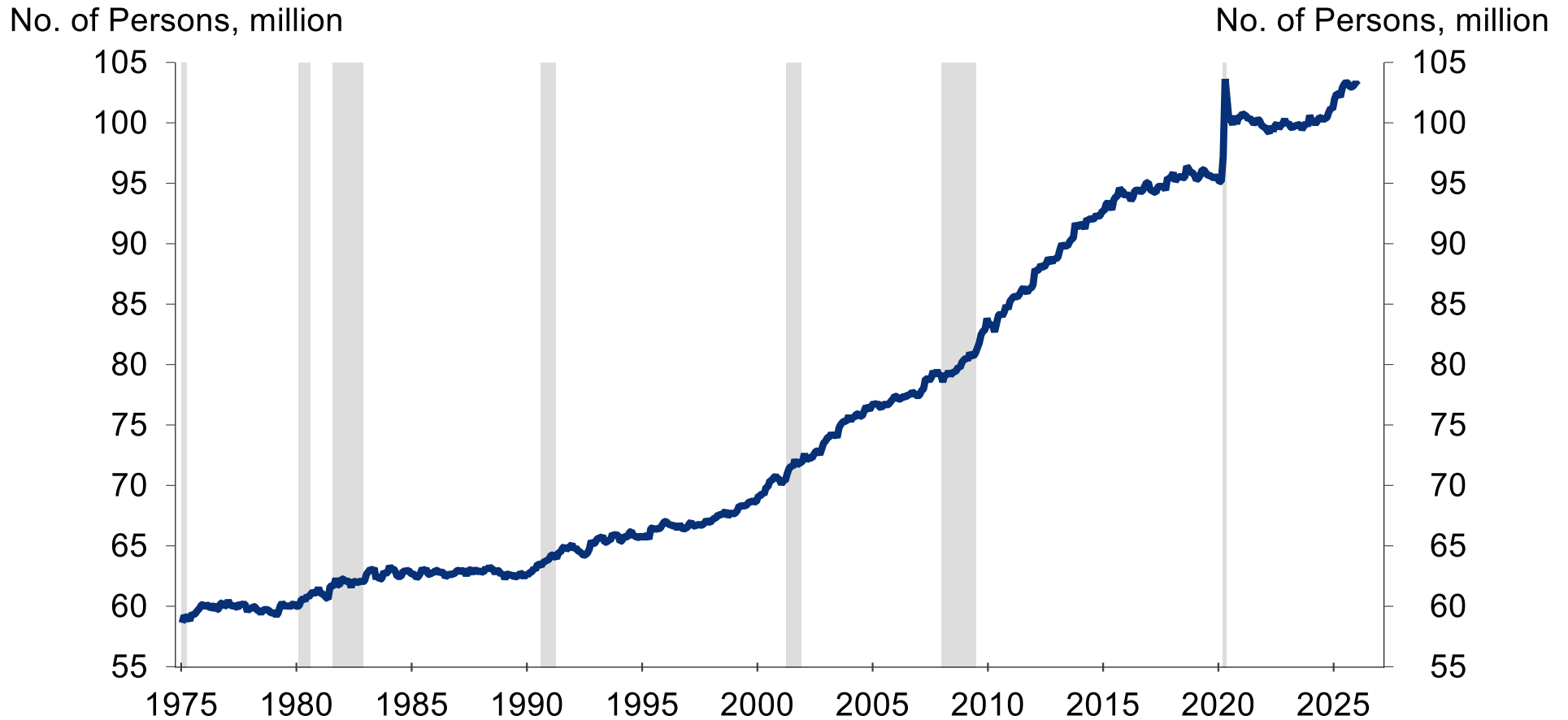


Source: BLS, Macrobond, Deutsche Bank



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

## Civilians not in labor force

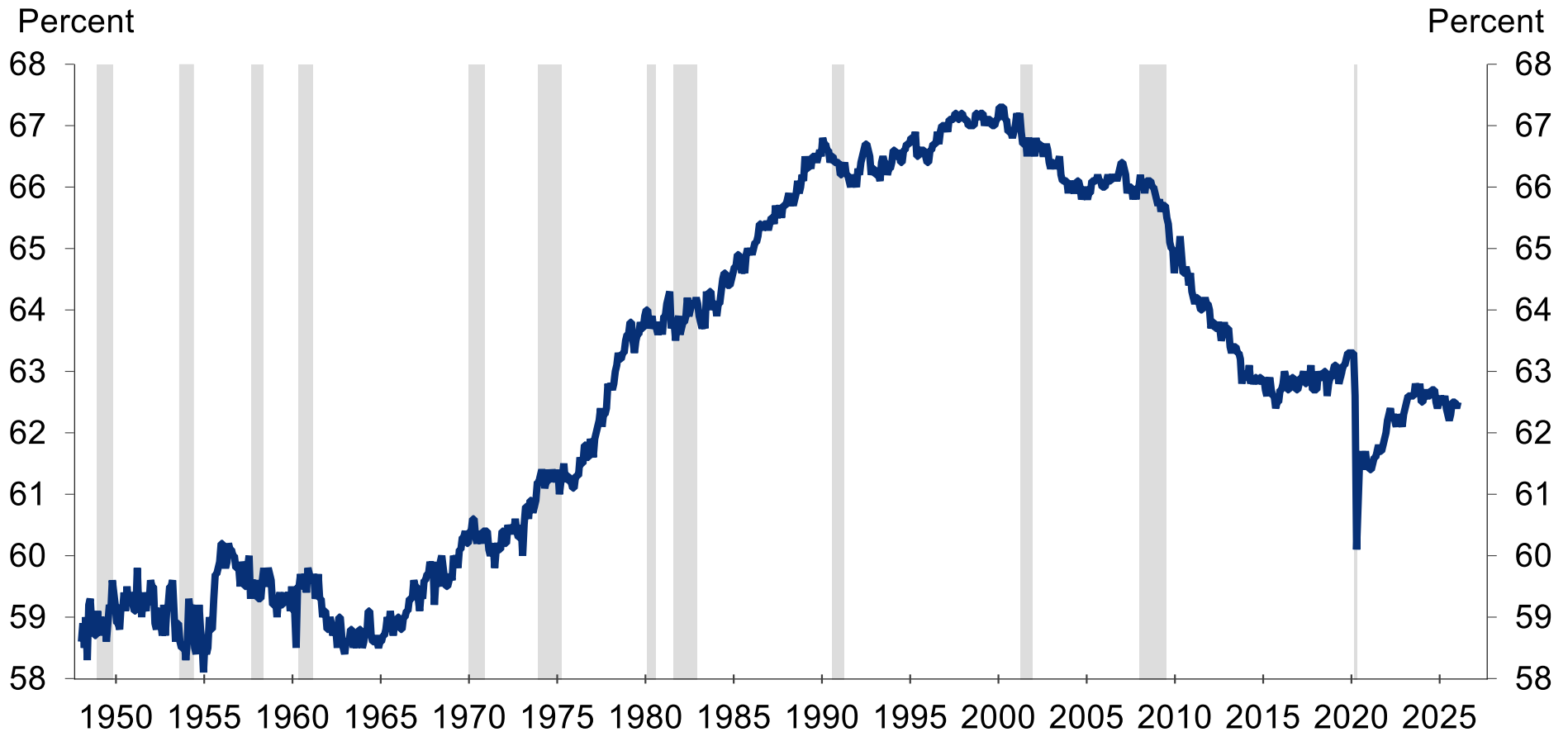


Source: BLS, Macrobond, Deutsche Bank



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

## Civilian labor force participation rate

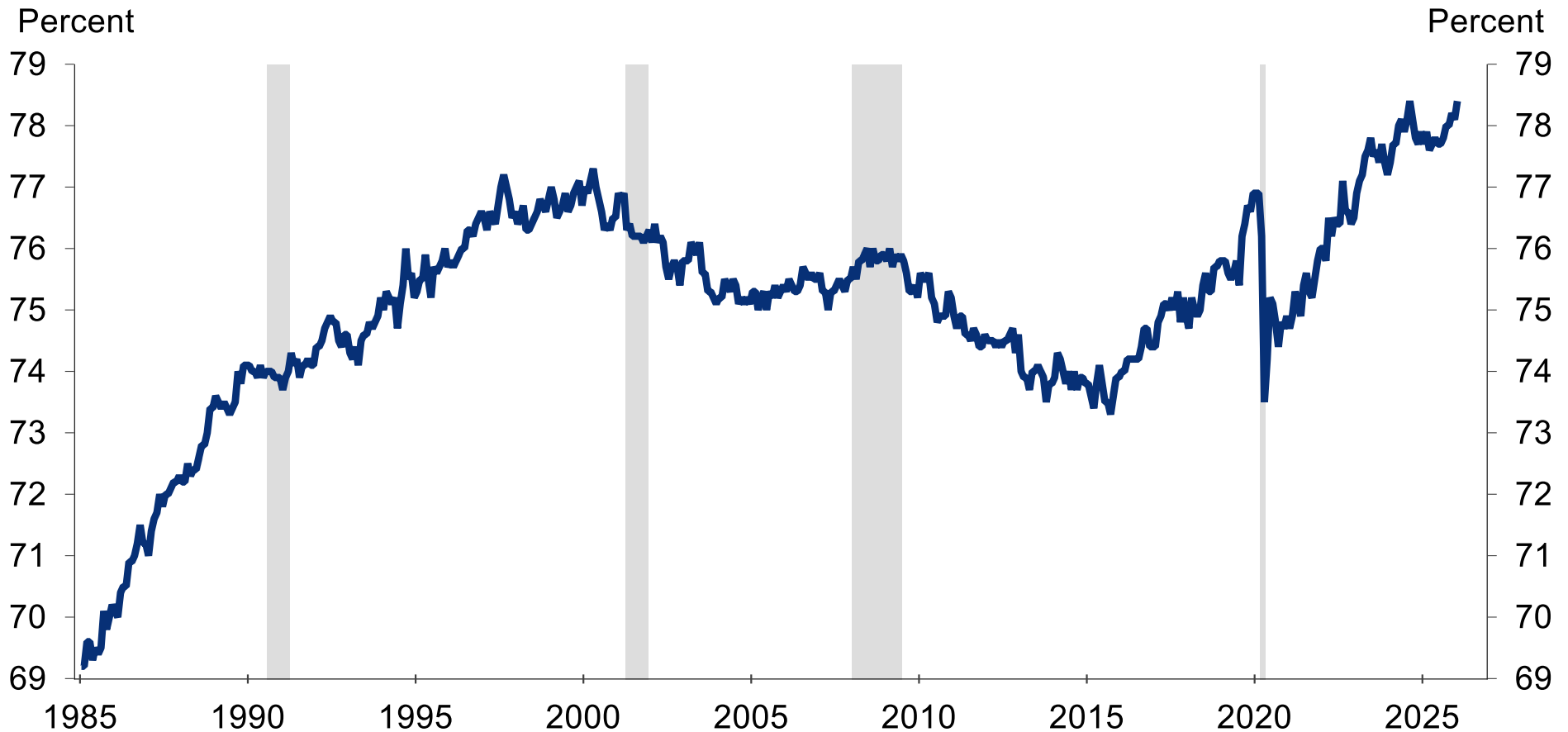


Source: BLS, Macrobond, Deutsche Bank

# Prime age labor force participation for women near all time highs



## Labor force participation rate: women (25-54)

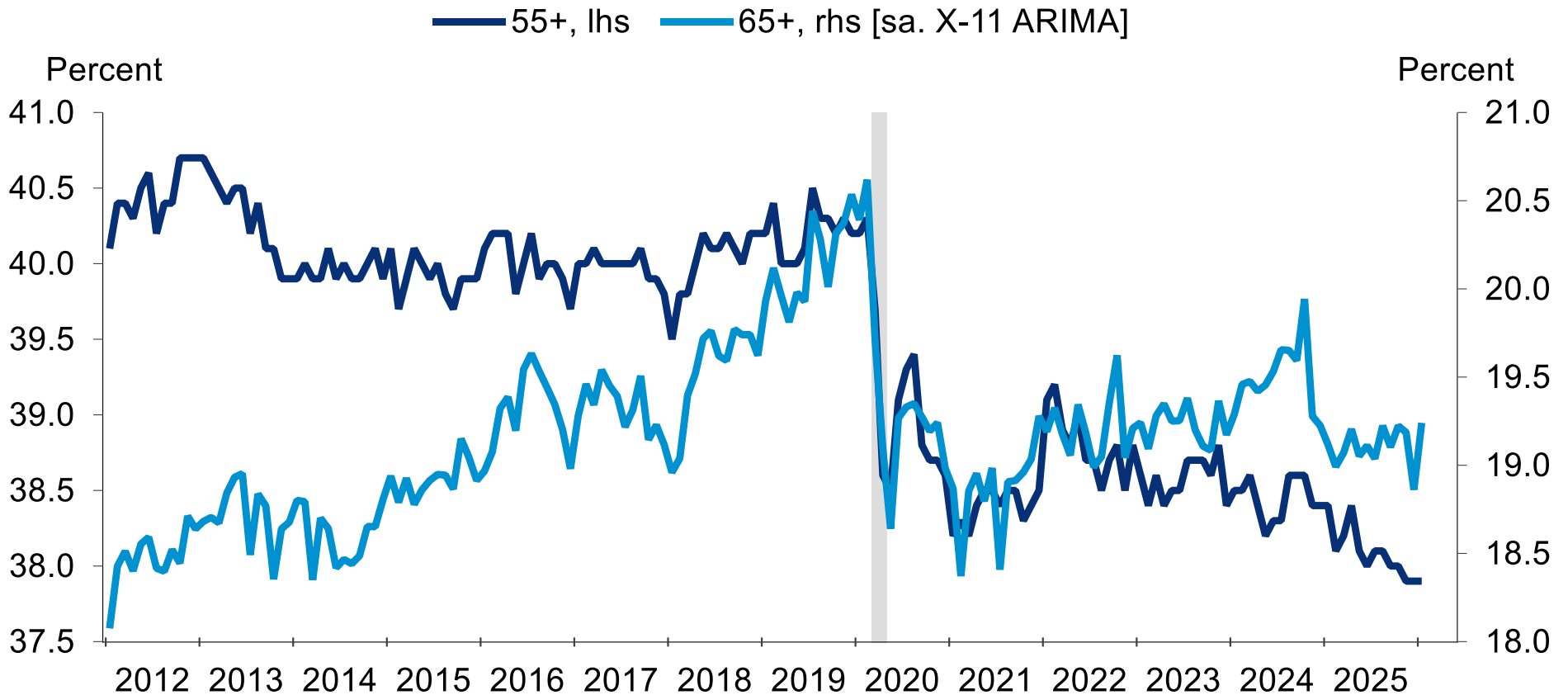


Source: BLS, Macrobond, Deutsche Bank

# The participation rate for the 55+ trending lower



## Labor force participation rate



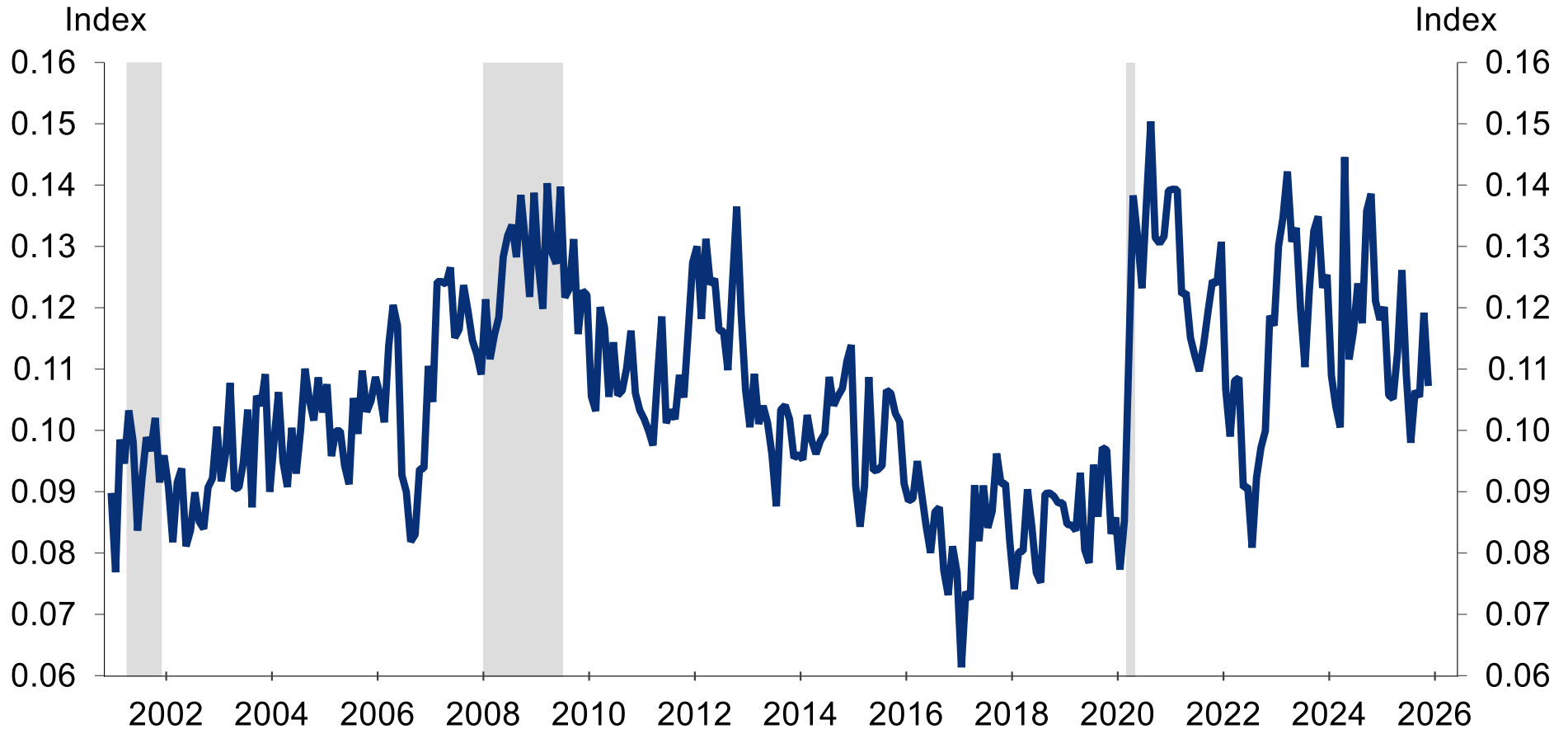
Source: BLS, Macrobond, Deutsche Bank



# Geographic labor market mismatch remains elevated relative to 2019



## Geographic mismatch index

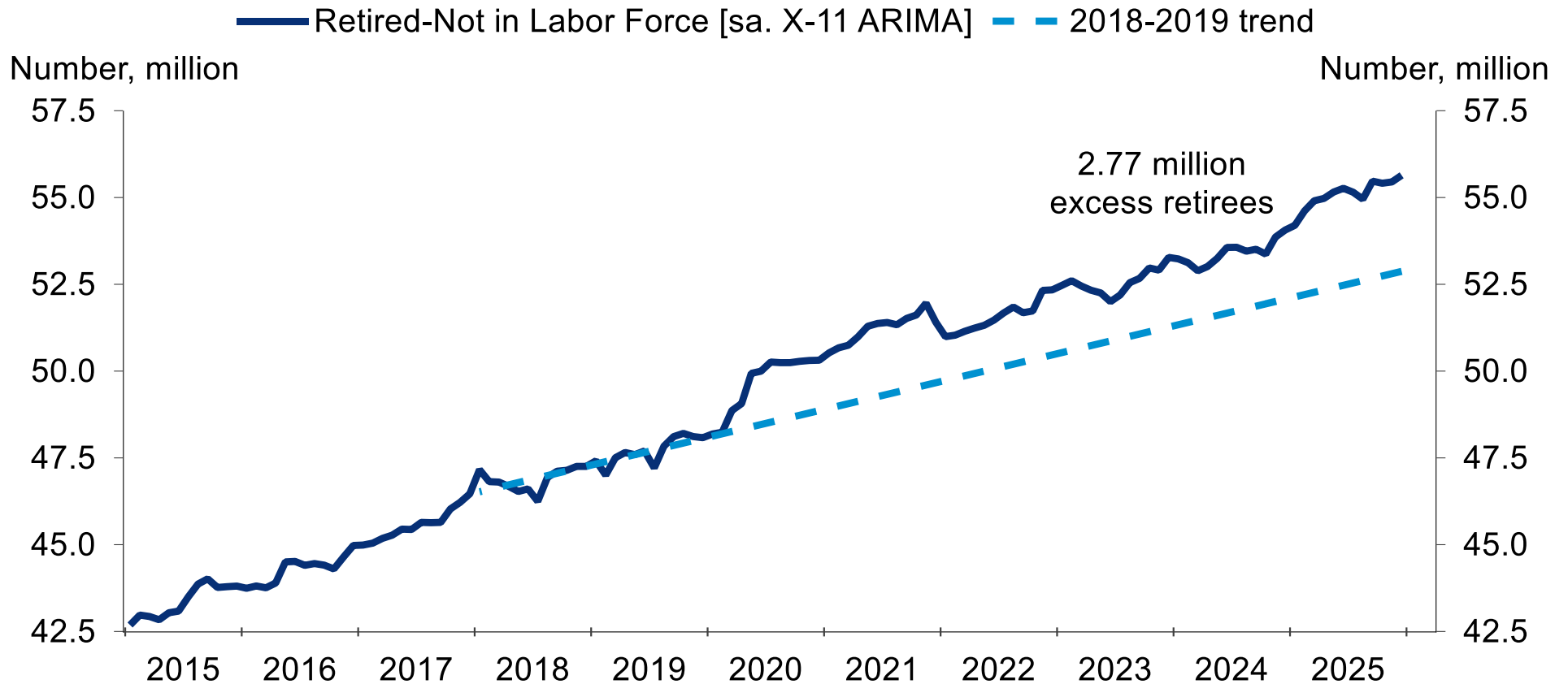


Source: BLS, Macrobond, Deutsche Bank

# Excess retirements remain elevated



## Excess retirements

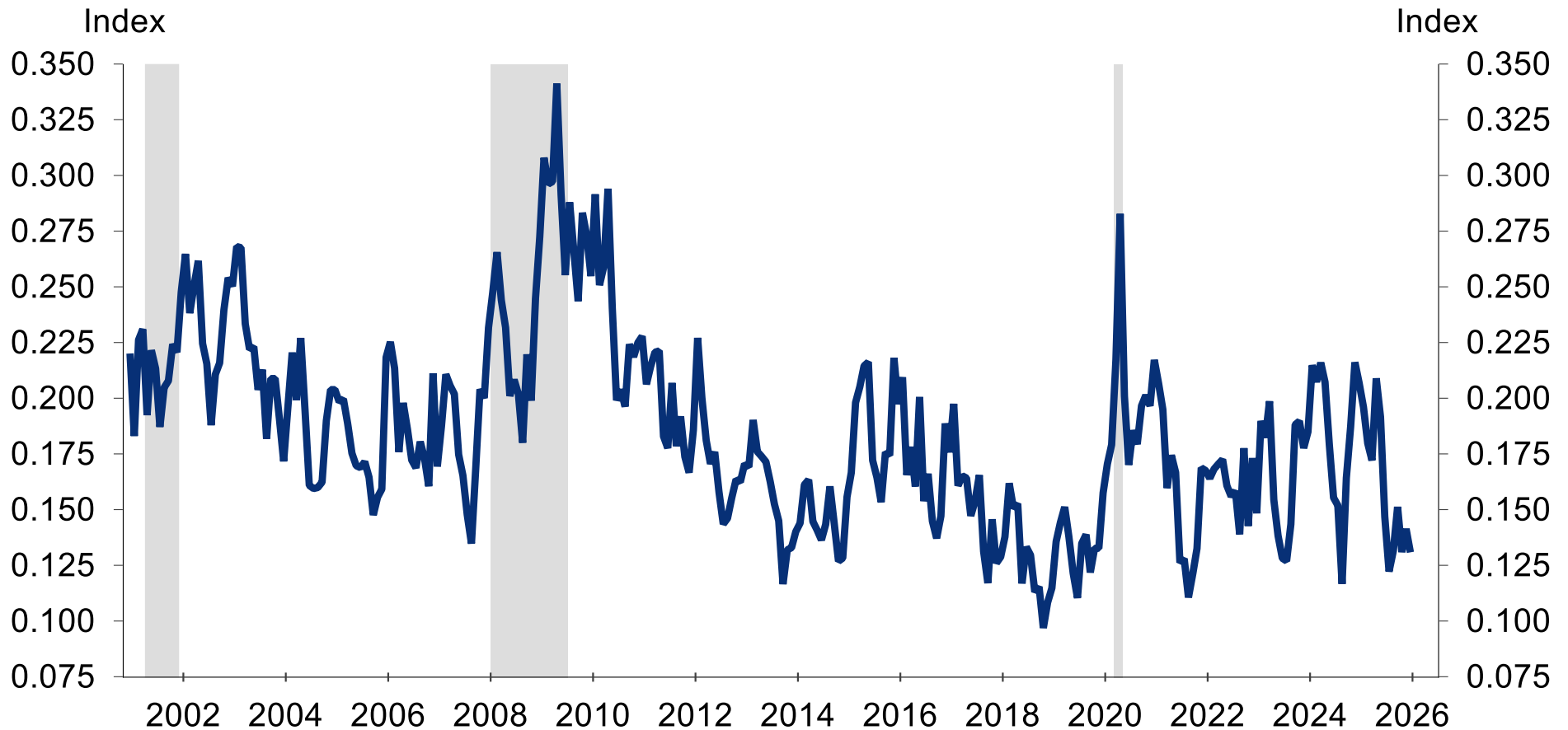


Source: USCB, Macrobond, Deutsche Bank

# Sectoral mismatch index recently at its lows



## Industry-level mismatch



Source: BLS, Macrobond, Deutsche Bank

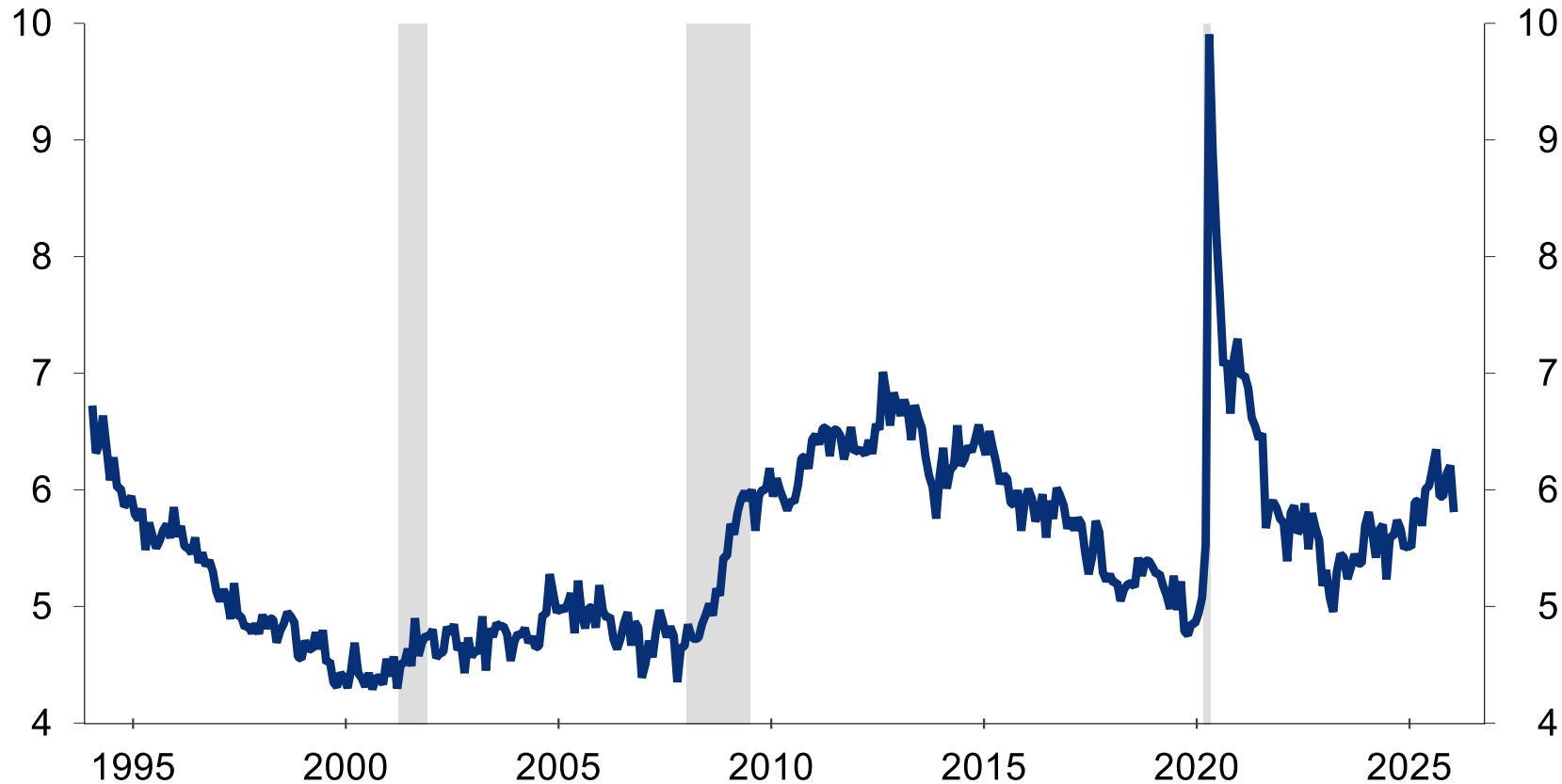
# About 6mn people outside the labor force want a job now



## Not in labor force but want a job now

No. of Persons, million

No. of Persons, million

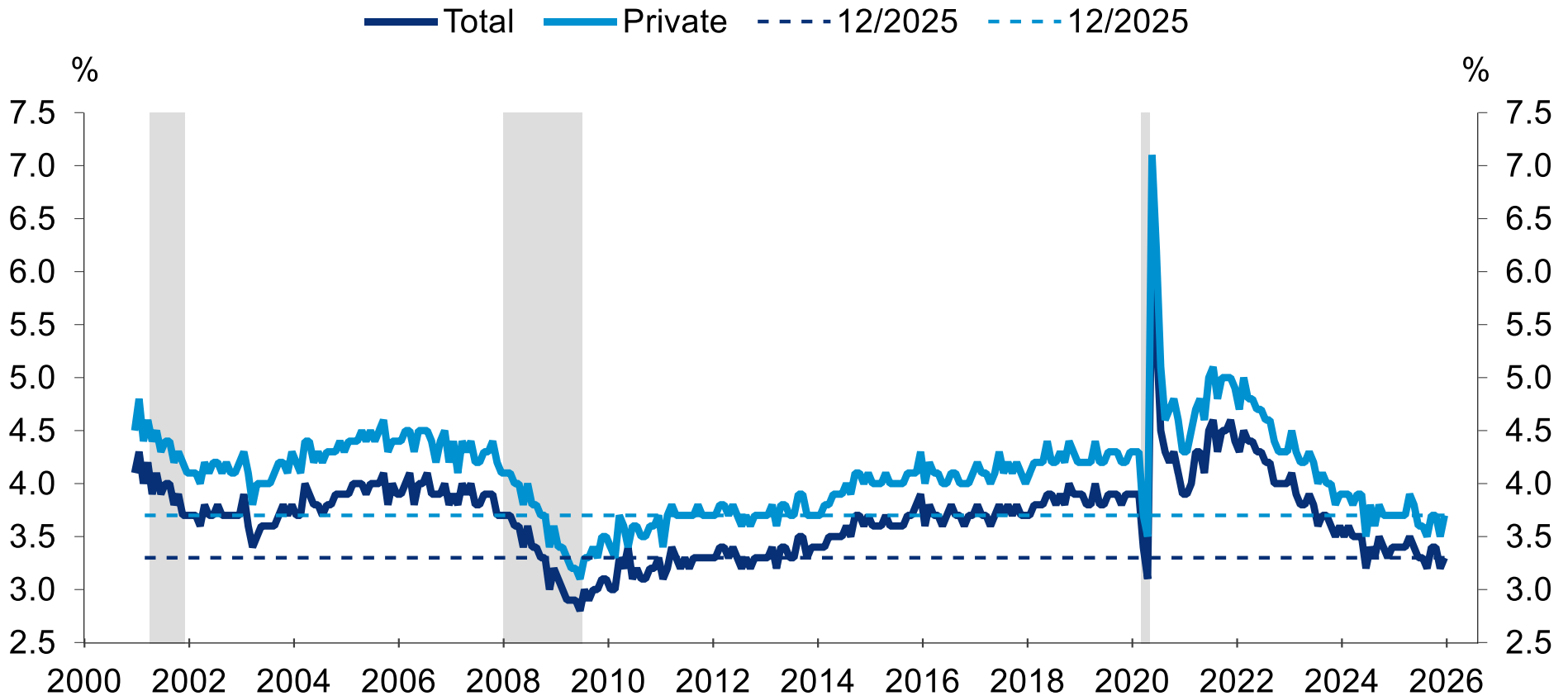


Source: BLS, Macrobond, Deutsche Bank

# 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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