BRAZIL MACRO

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DATA ANALYSIS – LABOR MARKET

A STILL HOT JOB MARKET

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- According to the IBGE's National Household Survey (PNAD), the unemployment rate stood at 8.0% in the three months through June (consensus: 8.2%; Santander: 8.0%), implying a 1.3 p.p. drop from the year-ago level (9.3%). We calculate that the seasonally adjusted unemployment rate stood at 8.0% during the period, stable from the May level (8.0%).
- Despite the stability in the seasonally adjusted unemployment rate, June posted variations of 0.2% MoM-sa in the employed population and 0.1% MoM-sa for the labor force. The labor market participation rate was 61.8% (sa), above May's level (61.7%). If the participation rate were fixed at 63% (pre-pandemic historical average), we calculate that the seasonally adjusted unemployment rate would be at 9.8%.
- All PNAD data is based on a three-month moving average. Our monthly unemployment rate estimate stood at 7.9% (sa) in June, below the 8.0% (sa) in May. This result followed 0.2% MoM-sa and 0.1% MoM-sa variations in the employed population and the labor force, respectively.
- The effective real average income posted a 0.1% MoM-sa variation in May (data lagged one month relative to other PNAD series), while usual real average income posted a 0.3% MoM-sa variation in June. Despite the positive monthly figures, the overall picture remains of relative stable real income after a strong recovery in 2H22.
- According to the June 2023 CAGED survey, net formal job creation stood at 157k, (versus consensus 163k, Santander estimate 154k), above the historical average for the month (+122k) but below that observed in June 2022 (+278k). After our seasonal adjustment, net formal job creation decelerated to 97k, from 131k in May. The number of hirings had a -0.3% MoM-sa variation, while layoffs had a 1.5% MoM-sa variation. The three-month (sa) average now points to a payroll expansion of 124k jobs, a deceleration compared to May. We estimate that the 3mma of CAGED's gap to the unemployment-neutral level (~90k) fell to +36k (+104k in May).
- In our view, June labor market surveys came in line with our expectations, and continued to show a likely overheated job market, with signs of stabilization at the margin. We see the CAGED data still indicating results compatible with a decreasing unemployment rate, though losing steam at the margin. The PNAD survey continues to show flattish overall behavior, considering unemployment and participation rates, as well as real wages. We still believe that the unemployment rate remains low due more to a reduction in the participation rate rather than to employment growth. We expect the unemployment rate to increase in 2H23, but the continuity of a low participation rate could limit this trend.

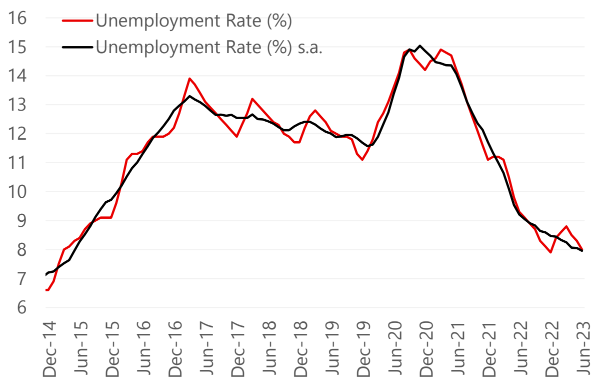
Figure 1 – PNAD Breakdown

	s.a.			% MoM-sa*			% YoY*		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Unemployment rate (%)	**8.1**	**8.0**	**8.0**	**-0.2**	**0.0**	**-0.1**	**-2.0**	**-1.5**	**-1.3**
Participation rate (%)	**61.7**	**61.7**	**61.8**	**-0.1**	**0.1**	**0.0**	**-1.0**	**-1.0**	**-1.0**
Labor force (millions)	**107.5**	**107.7**	**107.8**	**-0.1**	**0.2**	**0.1**	**-0.7**	**-0.7**	**-0.7**
Employment	98.9	99.0	99.2	0.1	0.2	0.2	1.6	0.9	0.7
Unemployment	8.7	8.7	8.6	-2.3	0.0	-1.1	-19.9	-15.9	-14.2
Formalization Rate (%)	**57.9**	**57.8**	**57.6**	**0.0**	**-0.1**	**-0.1**	**0.9**	**0.8**	**0.4**
Formal Workers (millions)	57.2	57.2	57.2	0.1	0.1	-0.1	3.2	2.2	1.4
Informal Workers (millions)	41.6	41.8	42.0	0.1	0.5	0.5	-0.6	-0.9	-0.4
Average usual earnings (BRL)**	**2,923**	**2,918**	**2,927**	**0.1**	**-0.2**	**0.3**	**7.5**	**6.6**	**6.2**
Average effective earnings (BRL)**	**3,025**	**3,027**	**-**	**-0.4**	**0.1**	**-**	**6.7**	**5.8**	**-**
Usual wage bill (BRL bn)**	**283.9**	**284.0**	**285.8**	**0.2**	**0.0**	**0.6**	**9.6**	**7.9**	**7.2**
Effective wage bill (BRL bn)**	**294.4**	**295.1**	**-**	**0.0**	**0.2**	**-**	**8.1**	**6.7**	**-**

* For rates, change is in percentage points.
** In real terms

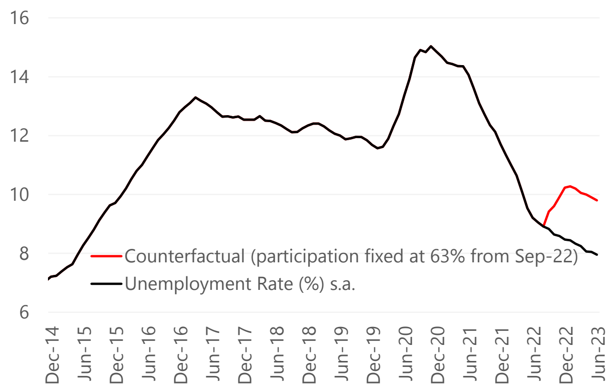
Sources: IBGE, Santander.

Figure 2. Unemployment Rate



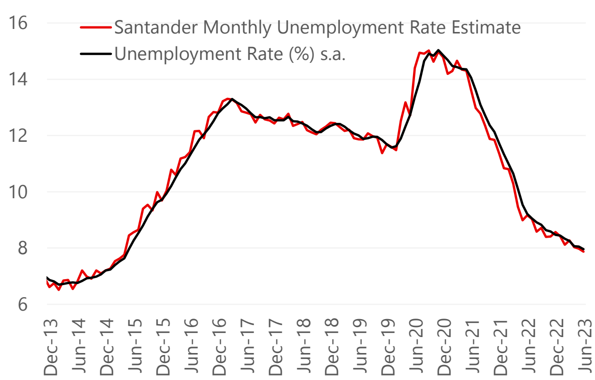
Sources: IBGE, Santander.

Figure 3. Unemployment Rate and Counterfactual (sa)



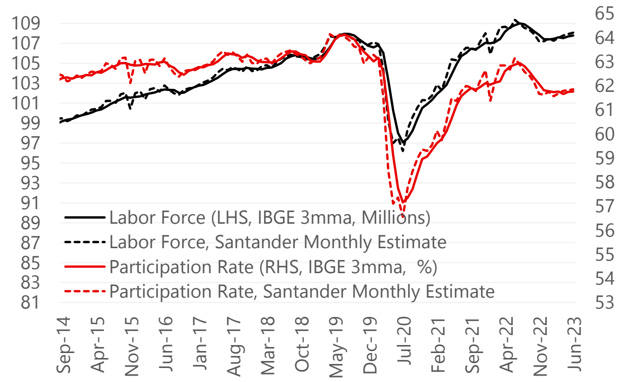
Sources: IBGE, Santander.

Figure 4. Monthly Unemployment Rate (sa)



Sources: IBGE, Santander.

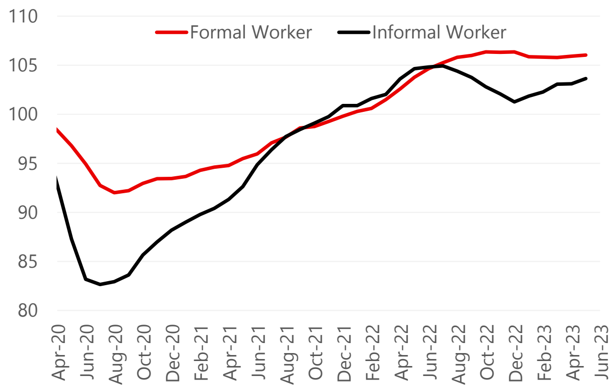
Figure 5. Participation Rate and Employment (sa)



Sources: IBGE, Santander.

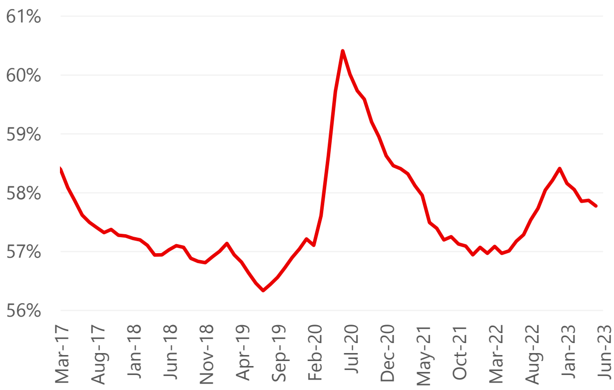
All PNAD data is constructed as 3-month moving averages. We estimate the monthly figures based on a Kalman Filter, according to BCB methodology.

Figure 6. Employed Population (sa, Jan-20=100)



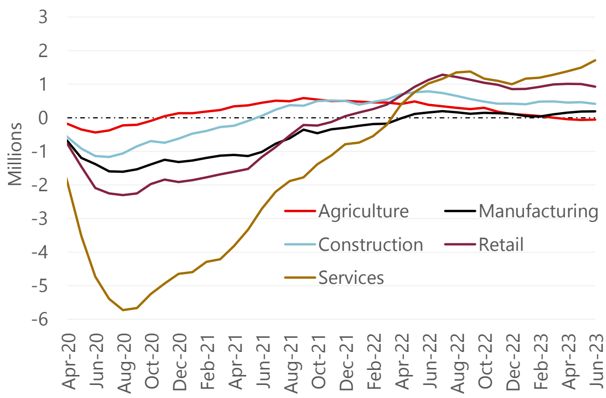
Sources: IBGE, Santander.

Figure 7. Formalization Rate (sa)



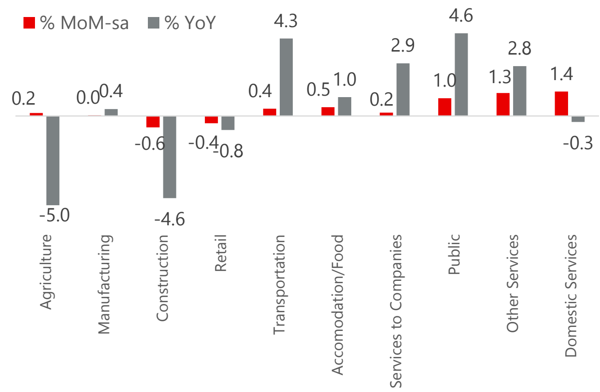
Sources: IBGE, Santander.

Figure 8. Post-Pandemic Accumulated Job Variation (sa)



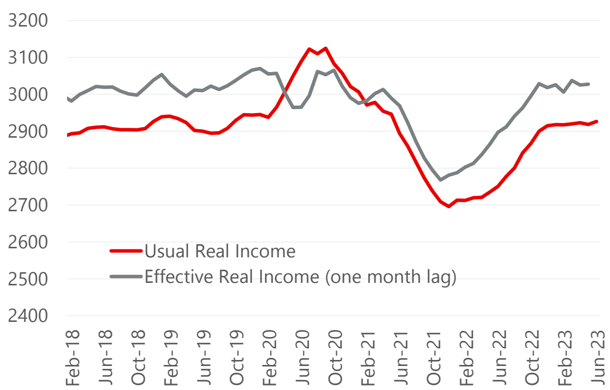
Sources: IBGE, Santander.

Figure 9. Employed Population Growth



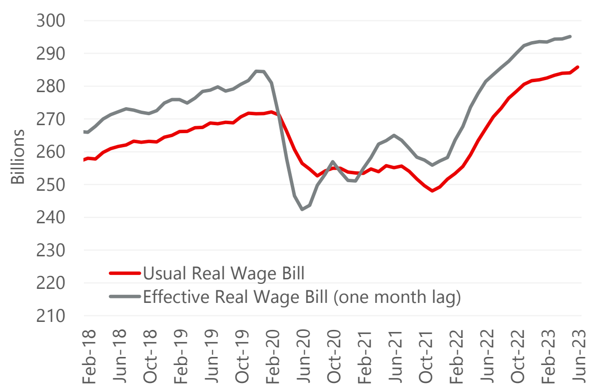
Sources: IBGE, Santander.

Figure 10. Average Real Income (BRL, sa)



Sources: IBGE, Santander.

Figure 11. Real Wage Bill (BRL, sa)



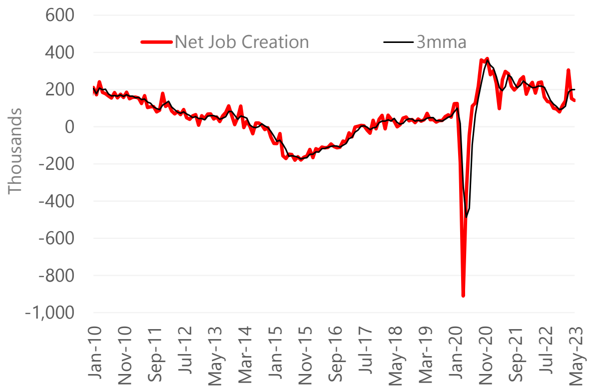
Sources: IBGE, Santander.

Figure 12 – CAGED Breakdown (thousands)

	Headline			Headline (s.a.)		
	Apr-23	May-23	Jun-23	Apr-23	May-23	Jun-23
Net Creation	180	155	157	144	131	97
Creation	1,865	2,000	1,914	1,918	1,931	1,925
Destruction	1,685	1,845	1,757	1,774	1,800	1,828
Mining	2.5	2.6	1.8	1.7	2.1	1.3
Construction	26.9	28.0	21.0	23.0	18.5	9.8
Manufacturing	14.2	5.8	9.7	16.6	10.0	10.8
Utilities	2.1	0.0	0.6	1.4	-0.4	0.3
Retail	27.6	15.4	20.6	20.8	18.9	17.0
Agriculture	2.9	19.6	27.2	4.1	-5.0	-5.9
Services	103.9	83.9	76.4	76.3	86.7	63.9

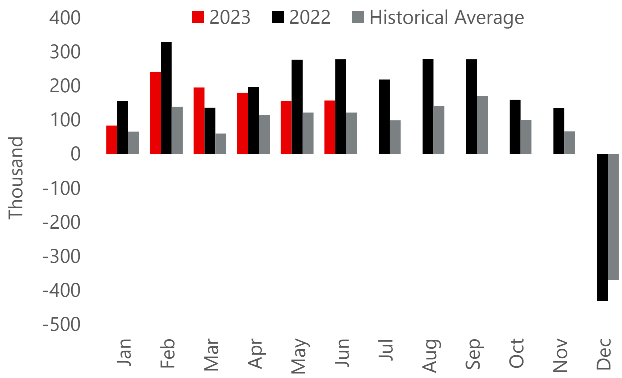
Sources: Ministry of Labor, Santander.

Figure 13. Net Formal Job Creation (sa)



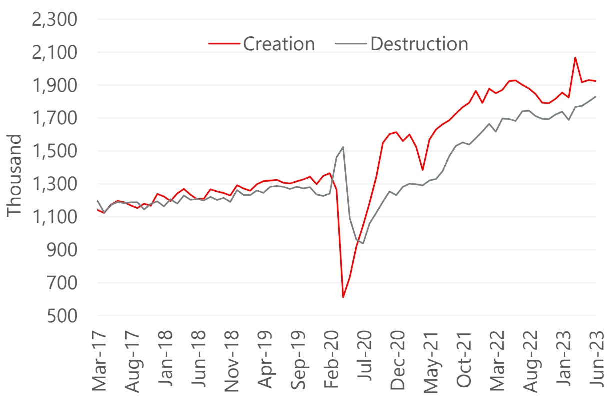
Sources: Ministry of Labor, Santander.

Figure 14. Net Formal Job Creation



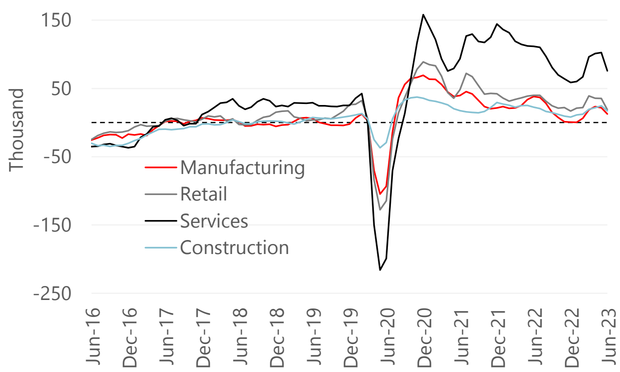
Sources: Ministry of Labor, Santander.

Figure 15. Job Creation and Destruction (sa)



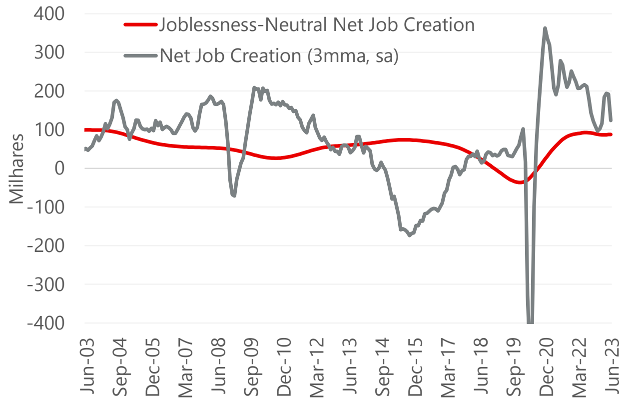
Sources: Ministry of Labor, Santander.

Figure 16. Net Formal Job Creation (3mma, sa)



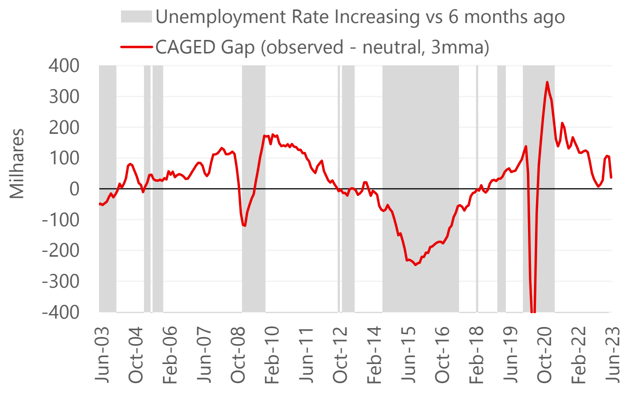
Sources: Ministry of Labor, Santander.

Figure 17. Observed CAGED vs. Neutral



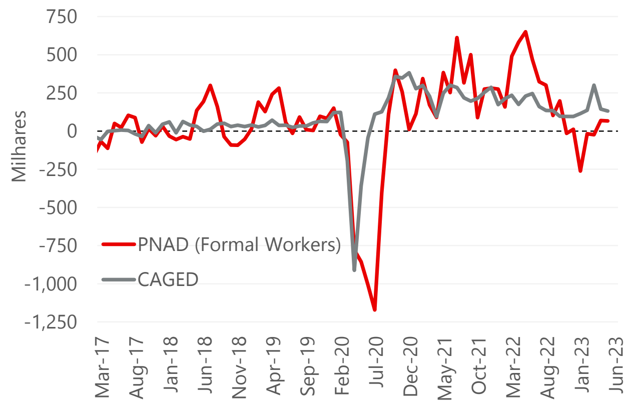
Sources: Ministry of Labor, Santander.

Figure 18. Net Formal Job Creation Gap (sa)



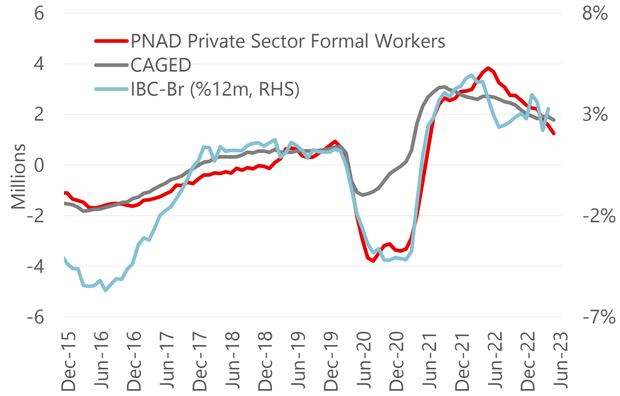
Sources: IBGE, Ministry of Labor, Santander.

Figure 19. CAGED vs. PNAD Net Formal Job Creation (sa)



Sources: IBGE, Ministry of Labor, Santander.

Figure 20. Net Job Creation and IBC-Br (12m)



Sources: IBGE, Ministry of Labor, BCB, Santander.

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