

Monthly Unemployment Rate Estimate Back to Single-Digit Territory

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- According to the IBGE's National Household Survey (PNAD), the unemployment rate stood at 10.5% in the three months to April. The result was well below our estimate (11.0%) and the market consensus (10.9%), implying a 4.3 p.p drop from the year-ago level (14.8%). We calculate that the seasonally adjusted jobless rate stood at 10.1%, a decrease compared to the March level (10.7%).
- The decrease in the seasonally adjusted unemployment rate stemmed from a 1.8% increase in the employed population, while the labor force increased 1.2% MoM-sa. The labor market participation rate stood at 62.6% (sa), an increase compared to the March level (62.0%), and 0.5 p.p. below the pre-crisis mark (February 2020). Formal employment has posted a +1.1% MoM-sa variation, while informal employment had a +1.9% MoM-sa variation. This result led the formalization rate to 56.9% (sa), below the March level (57.1%).
- All PNAD data is based on a three-month moving average. We estimate that the monthly unemployment rate figure stood at 9.4% (sa) in April, compared to 10.3% in March. This result followed +1.4% and +0.4% MoM-sa variations in the employed population and the labor force, respectively. Even after fully recovering the impact from the Omicron variant outbreak, the labor market continues to show strong figures at the margin.
- The effective real wage bill posted a +1.8% MoM sa variation in March (data lagged one month relative to other PNAD series), while the usual real wage bill had a +1.2% MoM sa variation in April. The series are 4.7% and 5.3% below the pre-crisis mark, respectively.
- The April PNAD result shows that labor market has continued to expand at a strong pace, even after fully recovering from the Omicron variant of COVID-19 outbreak. Furthermore, the monthly data indicates that both the employed population and the labor force have posted strong results at the margin, corroborating the positive results of economic activity indicators. Our monthly estimate of the unemployment rate has returned to single-digit territory for the first time since December 2015. It is important to note that the labor market participation rate is almost at pre-crisis levels again. The strength of employment in the recent months post a downside risk to our unemployment rate forecasts, but we still expect some deceleration in the labor market in 2H22 once the effects of a tighter monetary policy start to kick in.
- The release of the April CAGED formal job survey, originally scheduled for May 26, has been postponed twice by the Ministry of Labor and currently has no publishing date.

According to the IBGE National Household Survey (PNAD), the unemployment rate was 10.5% in the three months to April, well below our estimate (11.0%) and market consensus (10.9%), implying a 4.3 p.p. drop from the year-ago rate of 14.8%. We estimate that the seasonally adjusted unemployment rate fell to 10.1% from the March level of 10.7%. The performance of the seasonally adjusted unemployment rate stemmed from 1.8% and 1.2% MoM-sa increases in the employed population and the labor force, respectively.



Figure 1 – PNAD Breakdown

	s.a.			% YoY			% Feb-20*		
	Feb-22	Mar-22	Apr-22	Feb-22	Mar-22	Apr-22	Feb-22	Mar-22	Apr-22
Unemployment rate (%)	11.1	10.7	10.1	-3.4	-3.8	-4.3	-0.5	-1.0	-1.5
Participation rate (%)	62.0	62.0	62.6	2.4	2.3	2.4	-1.1	-1.1	-0.5
Labor force (millions)	106.9	107.1	108.3	4.9	4.8	5.1	0.1	0.3	1.6
Employment	95.0	95.6	97.3	9.1	9.4	10.3	0.7	1.4	3.2
Unemployment	11.9	11.4	11.0	-19.5	-21.7	-25.3	-4.6	-8.4	-12.0
Formalization Rate (%)	57.1	57.1	56.9	-1.4	-1.3	-1.2	-0.1	-0.1	-0.3
Formal Workers (millions)	54.1	54.6	55.3	6.4	7.1	8.1	0.4	1.3	2.5
Informal Workers (millions)	40.7	41.0	41.8	12.9	12.7	13.5	1.0	1.7	3.7
Average usual earnings (BRL)**	2,580	2,576	2,568	-8.7	-8.7	-7.9	-7.6	-7.8	-8.0
Average effective earnings (BRL)**	2,647	2,651	-	-6.2	-6.3	-	-8.5	-8.4	-
Usual wage bill (BRL bn)**	239.0	240.7	243.6	-0.2	0.2	1.9	-7.1	-6.5	-5.3
Effective wage bill (BRL bn)**	247.5	251.9	-	2.9	3.7	-	-6.3	-4.7	-

* Seasonally adjusted variation relative to February 2020 (pre-pandemic) reading. For rates, change is in percentage points.

** In real terms

Sources: IBGE, Santander.

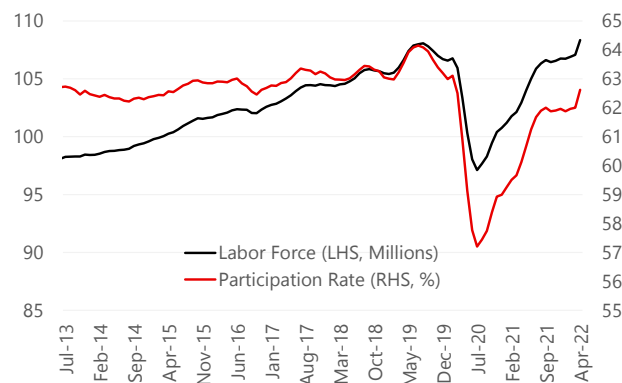
The labor market participation rate stood at 62.6% (sa), an increase from the March level (62.0%), and 0.5 p.p. below the pre-crisis mark. In our view, even after fully recovering from the Omicron outbreak that hit Brazil in January, the labor market has continued to indicate a strong pace. Moreover, most variables have already surpassed pre-pandemic levels.

Figure 2. Unemployment Rate



Sources: IBGE, Santander.

Figure 3. Labor Force and Participation Rate

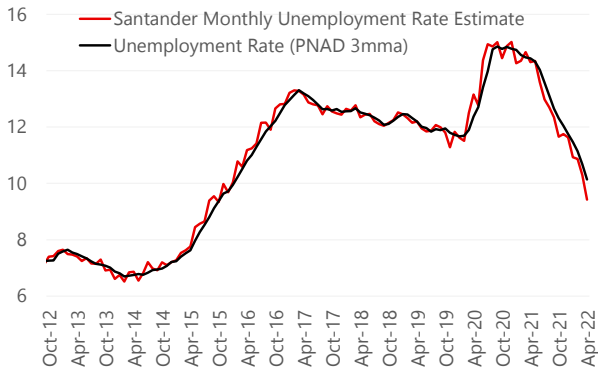


Sources: IBGE, Santander.

All PNAD data is based on three-month moving averages. We estimate that the monthly unemployment rate stood at 9.4% (sa) in March, compared to 10.3% in March. This result followed +1.4% and +0.4% MoM-sa variations in the employed population and the labor force, respectively. We estimate that, since December, the monthly unemployment rate has dropped 2.2 p.p., and reached the lowest level since October 2015. It is also the first time since December 2015 that the unemployment rate reaches single-digit territory.



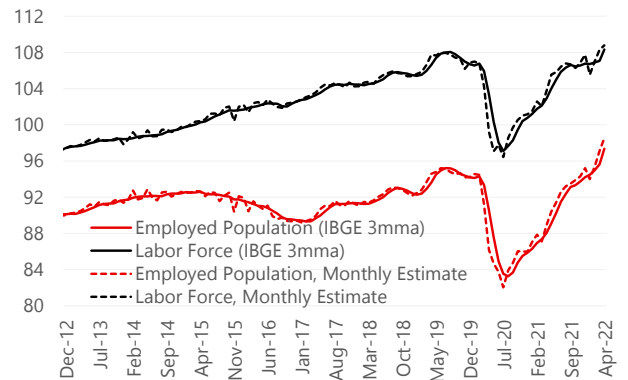
Figure 4. Monthly Unemployment Rate (sa)



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's methodology.

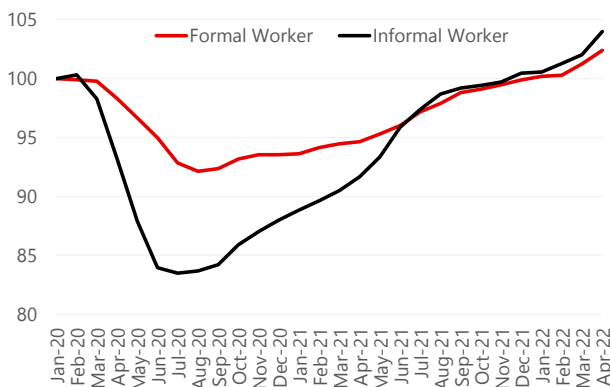
Figure 5. Employment and Labor Force (sa)



Sources: IBGE, Santander.

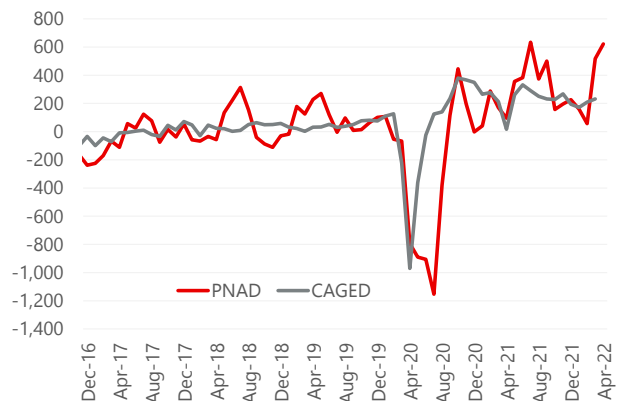
Formal employment posted a +1.1% MoM-sa variation, while informal employment showed a 1.9% MoM-sa increase, possibly still a consequence of the decrease in COVID-19 infections. This result led the formalization rate to 56.9% (sa), a reduction from the March level (57.1%).

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



Sources: IBGE, Santander.

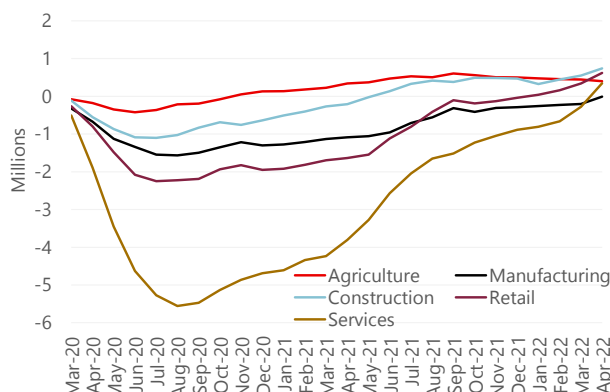
Figure 7. Net Formal Job Creation (thousands, sa)



Sources: IBGE, Ministry of Labor, Santander.

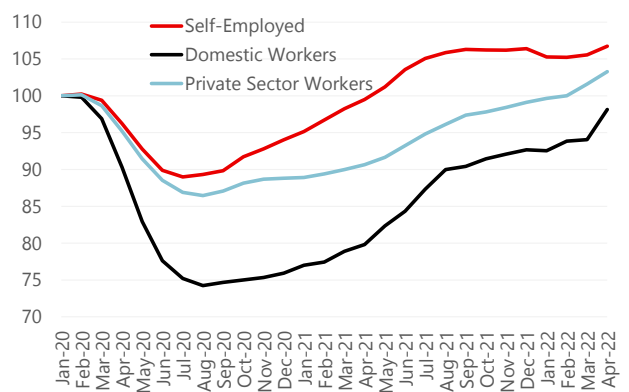
Once again, the services sector has been the highlight of employment growth among the main segments, and has now fully recovered the jobs lost during the pandemic. Still, most sectors have indicated increases in employment in April. Another highlight in April's employment growth was domestic workers. This category, which is very dependent on social interaction, continues to benefit from the easing of the pandemic in recent months. This is also the case for most of the informal workers.

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



Sources: IBGE, Santander.

Figure 9. Employment by Position (sa, Jan-20=100)

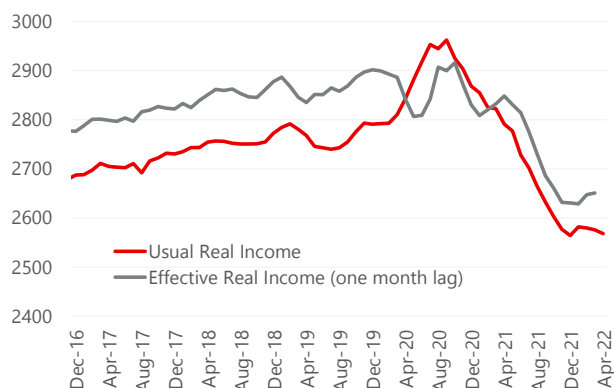


Sources: IBGE, Santander.



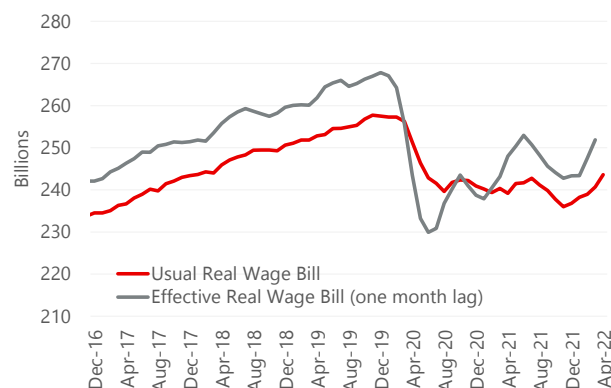
As for the average real income indicators, the picture is still of stagnation at the margin, especially due to the high inflation. The real wage bill, on the other hand, is benefitting from employment growth. The effective real wage bill posted a +1.8% MoM-sa variation in March (data lagged one month relative to other PNAD series), while the usual real wage bill increased 1.2% MoM-sa in April. The two series are 4.7% and 5.3% below their pre-crisis marks, respectively. We expect real income to gradually recover as inflation slowly decelerates.

Figure 10. Average Real Income (sa)



Sources: IBGE, Santander.

Figure 11. Real Wage Bill (sa)



Sources: IBGE, Santander.

The April PNAD result shows that labor market has continued to expand at a strong pace, even after fully recovering from the Omicron variant of Covid-19 outbreak. Furthermore, the monthly data indicates that both the employed population and the labor force have posted strong results at the margin, corroborating the positive results of economic activity indicators. Our monthly estimate of the unemployment rate has returned to single-digit territory for the first time since December 2015. It is important to note that the labor market participation rate is almost at pre-crisis levels again. The strength of employment in the recent months post a downside risk to our unemployment rate forecasts, but we still expect some deceleration in the labor market in 2H22, once the effects of a tighter monetary policy start to kick in.

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