BRAZIL MACRO

DATA ANALYSIS – LABOR MARKET

JULY WITH MIXED SIGNALS IN JOB MARKET

Felipe Kotinda*
felipe.kotinda@santander.com.br
+5511 3553-8487

- According to the IBGE's National Household Survey (PNAD), the unemployment rate stood at 7.9% in the three months through July (consensus: 7.9%; Santander: 7.9%), implying a 1.2 p.p. drop from the year-ago level (9.1%). According to our estimates, the seasonally adjusted unemployment rate stood at 7.9% during the period, below the June level (8.0%).
- The decrease in the seasonally adjusted unemployment rate stemmed from a variation of 0.2% MoM-sa in the employed population and a 0.1% MoM-sa the labor force. The labor market participation rate was 61.7% (sa), stable from June. If the participation rate was fixed at 63% (pre-pandemic historical average), we calculate that the seasonally adjusted unemployment rate would be at 9.7%.
- Formal employment has posted a 0.3% MoM-sa variation, while informal employment had a -0.1% MoM-sa variation. This result led the formalization rate to 57.8% (sa), above the June level (57.7%). After reaching a peak of 58.4% in December 2022, the formalization rate has stabilized at levels slightly below 58%.
- All PNAD data is based on a 3-month moving average. Our monthly unemployment rate estimate stood at 7.7 % (sa) in July, below compared to 7.9% (sa) in June.
- The effective real average income posted a 0.0% MoM-sa variation in June (data lagged one month relative to other PNAD series), while usual real average income posted a 0.1% MoM-sa variation in July. The overall picture remains of relative stability in real income after a strong recovery in 2H22.
- According to the July 2023 CAGED survey, net formal job creation stood at 143k, (consensus 144k; Santander 140k), above the historical average for the month (99k) and below the observed in July 2022 (219k). After our seasonal adjustment, net formal job creation decelerated to 56k, from 77k in June. The number of hirings had a -1.1% MoM-sa variation, while layoffs had a 0% MoM-sa variation. The three-month (sa) average now points to a payroll expansion of 83k jobs, a deceleration compared to 109k in June. We estimate that the 3mma of CAGED's gap to the joblessness-neutral level (~90k) stood below at +83k (+108k in June), the first time since August 2018.
- In our view, July labor market surveys had mixed signals. CAGED showed a decelerating formal job creation, while PNAD continued to show a likely overheated job market. We still believe that the unemployment rate remains low due more to a reduction in the participation rate (owing to an increase in government transfer to households in 2H22) 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.

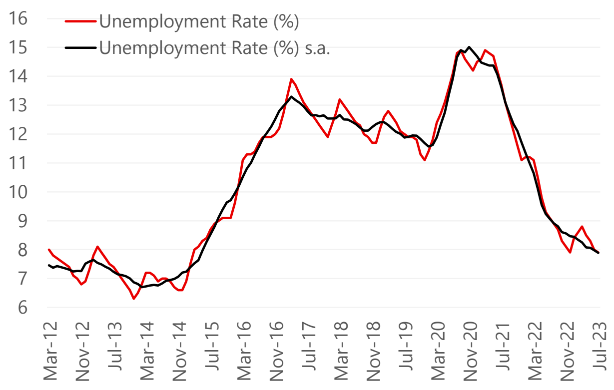
Figure 1 – PNAD Breakdown

	s.a.			% MoM-sa*			% YoY*		
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23
Unemployment rate (%)	**8.1**	**8.0**	**7.9**	**0.0**	**-0.1**	**-0.1**	**-1.5**	**-1.3**	**-1.2**
Participation rate (%)	**61.7**	**61.7**	**61.7**	**0.1**	**0.0**	**0.0**	**-1.0**	**-1.0**	**-1.0**
Labor force (millions)	**107.7**	**107.8**	**107.9**	**0.2**	**0.1**	**0.1**	**-0.7**	**-0.7**	**-0.6**
Employment	99.0	99.2	99.4	0.2	0.2	0.2	0.9	0.7	0.7
Unemployment	8.7	8.6	8.5	0.0	-0.9	-1.1	-15.9	-14.2	-13.8
Formalization Rate (%)	**57.8**	**57.7**	**57.8**	**-0.1**	**-0.1**	**0.1**	**0.8**	**0.4**	**0.4**
Formal Workers (millions)	57.3	57.4	57.6	0.2	0.0	0.3	2.2	1.4	1.4
Informal Workers (millions)	41.8	42.0	42.0	0.5	0.6	-0.1	-0.9	-0.4	-0.3
Average usual earnings (BRL)**	**2,920**	**2,929**	**2,930**	**-0.2**	**0.3**	**0.1**	**6.6**	**6.2**	**5.1**
Average effective earnings (BRL)**	**3,035**	**3,034**	**-**	**0.1**	**0.0**	**-**	**5.8**	**4.8**	**-**
Usual wage bill (BRL bn)**	**284.3**	**286.1**	**287.0**	**0.0**	**0.6**	**0.3**	**7.9**	**7.2**	**6.2**
Effective wage bill (BRL bn)**	**295.7**	**296.3**	**-**	**0.3**	**0.2**	**-**	**6.7**	**5.8**	**-**

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

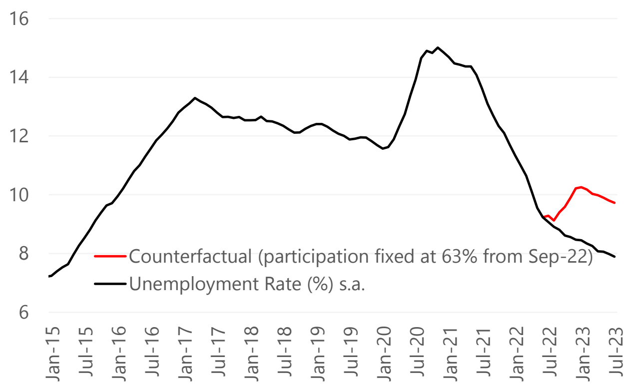
Sources: IBGE, Santander.

Figure 2. Unemployment Rate



Sources: IBGE, Santander.

Figure 3. Unemployment Rate and Counterfactual (sa)



Sources: IBGE, Santander.

Figure 4. Monthly Unemployment Rate (sa)

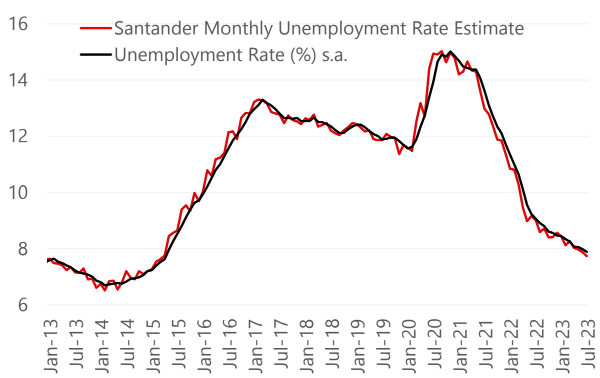
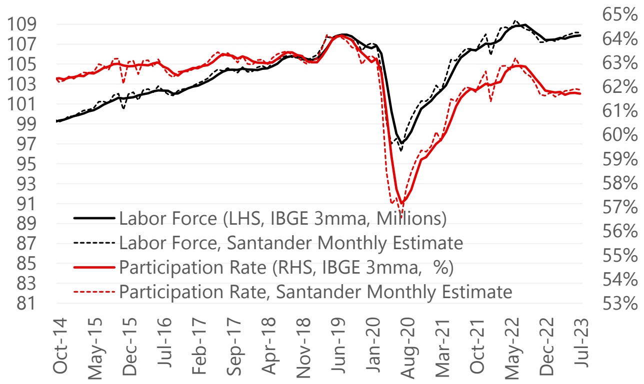


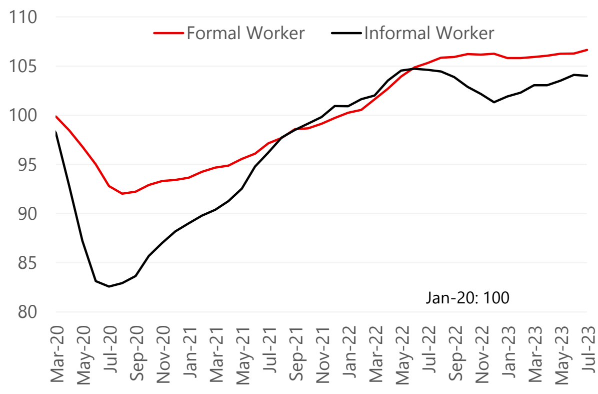
Figure 5. Participation Rate and Employment (sa)



Sources: IBGE, Santander.

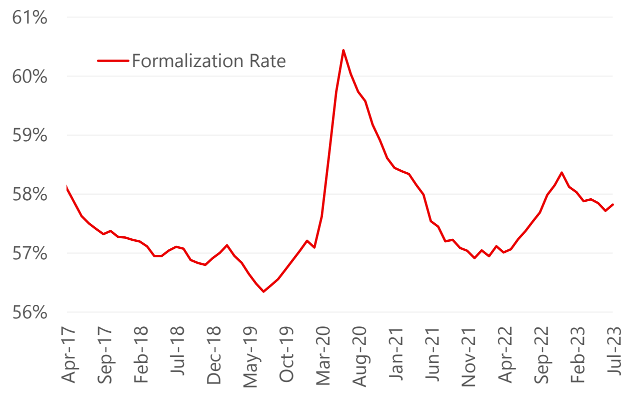
Sources: IBGE, Santander.
All PNAD data is constructed as 3-month moving averages. We estimate the monthly figures based on a Kalman Filter, according to BCB methodology.

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



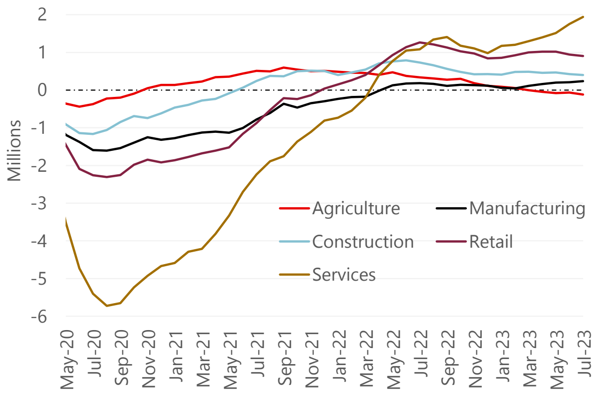
Sources: IBGE, Santander.

Figure 7. Formalization Rate (sa)



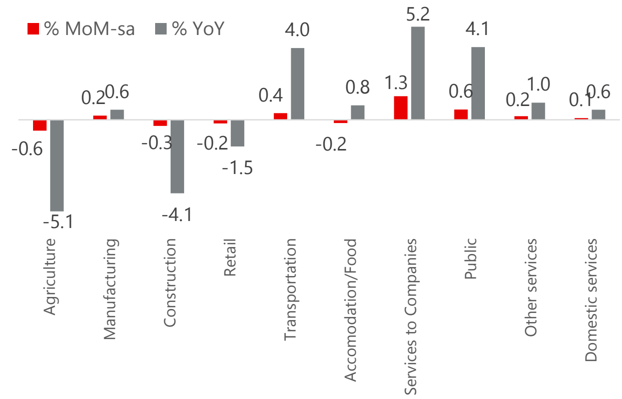
Sources: IBGE, Santander.

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



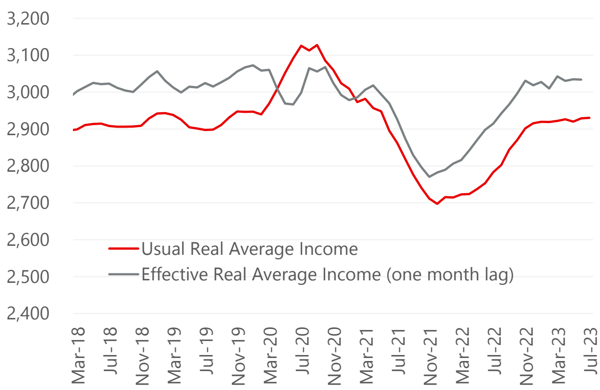
Sources: IBGE, Santander.

Figure 9. Employed Population Growth



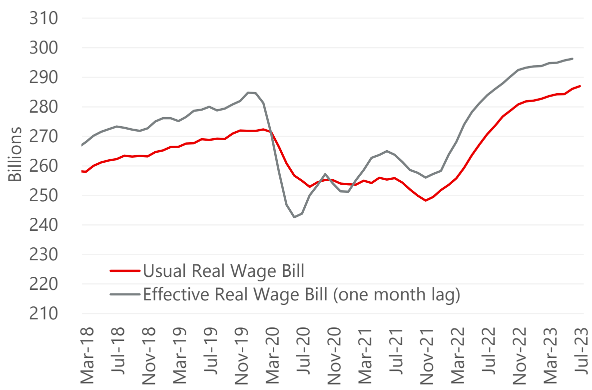
Sources: IBGE, Santander.

Figure 10. Average Real Income (BRL, sa)



Sources: IBGE, Santander.

Figure 11. Real Wage Bill (BRL, sa)



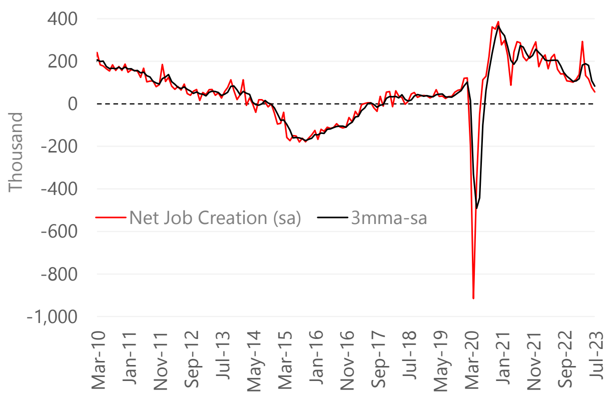
Sources: IBGE, Santander.

Figure 12 – CAGED Breakdown (thousands)

	Headline			Headline (s.a.)		
	May-23	Jun-23	Jul-23	May-23	Jun-23	Jul-23
Net Creation	155	157	143	116	77	56
Creation	2,000	1,914	1,883	1,919	1,908	1,888
Destruction	1,845	1,757	1,740	1,802	1,831	1,832
Mining	2.6	1.8	1.2	2.1	1.2	0.6
Construction	28.0	21.0	25.4	18.1	9.3	7.1
Manufacturing	5.8	9.7	18.3	-0.3	-3.3	-9.0
Utilities	0.0	0.6	1.7	-0.3	0.3	0.8
Retail	15.4	20.6	26.7	18.4	16.4	14.7
Agriculture	19.6	27.2	13.0	-6.7	-8.8	-3.1
Services	83.9	76.4	56.3	85.1	61.9	45.2

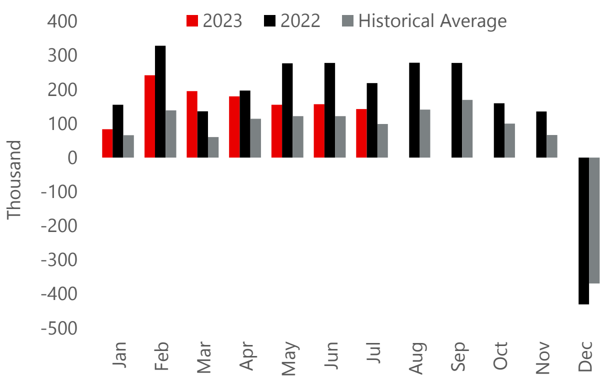
Sources: Ministry of Labor, Santander.

Figure 13. Net Formal Job Creation (sa)



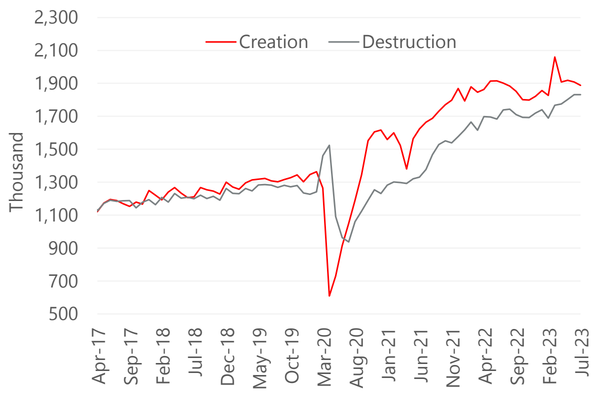
Sources: Ministry of Labor, Santander.

Figure 14. Net Formal Job Creation



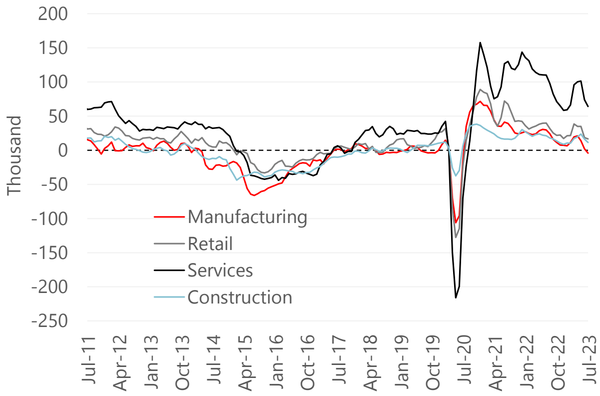
Sources: Ministry of Labor, Santander.

Figure 15. Job Creation and Destruction (sa)



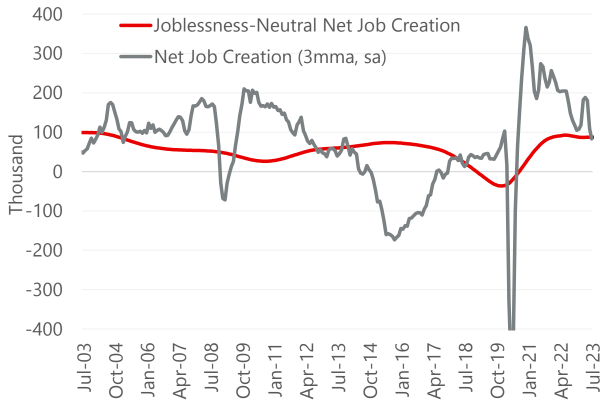
Sources: Ministry of Labor, Santander.

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



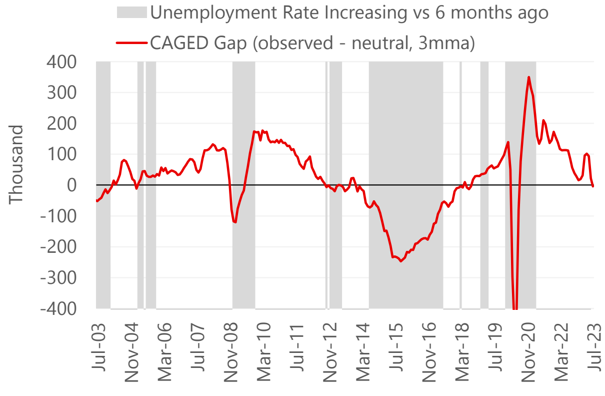
Sources: Ministry of Labor, Santander.

Figure 17. Observed CAGED vs. Neutral



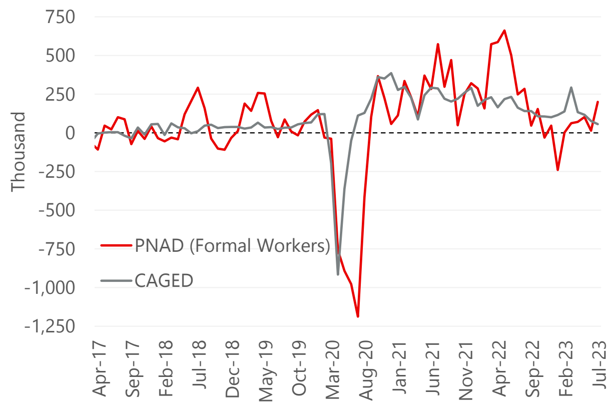
Sources: Ministry of Labor, Santander.

Figure 18. Net Formal Job Creation Gap (sa)



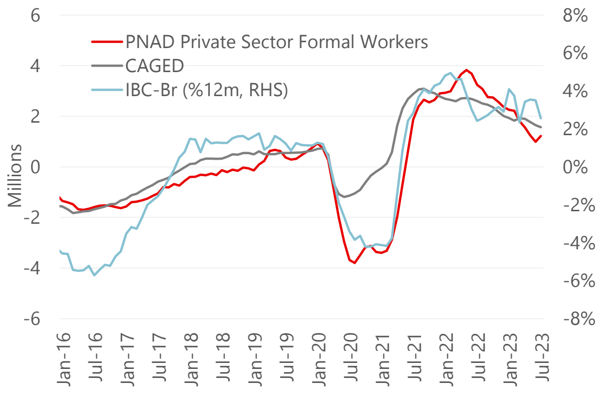
Sources: IBGE, Ministry of Labor, Santander.

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.

CONTACTS / IMPORTANT DISCLOSURES

Brazil Macro Research			
Ana Paula Vescovi*	Chief Economist	anavescovi@santander.com.br	5511-3553-8567
Jankiel Santos*	Economist – External Sector	jankiel.santos@santander.com.br	5511-3012-5726
Ítalo Franca*	Economist – Fiscal Policy	italo.franca@santander.com.br	5511-3553-5235
Daniel Karp Vasquez*	Economist – Inflation	daniel.karp@santander.com.br	5511-3553-9828
Adriano Valladao Ribeiro*	Economist – Inflation	adriano.ribeiro@santander.com.br	5511-3553-7495
Tomas Urani*	Economist – Global Economics	tomas.urani@santander.com.br	5511-3553-9520
Henrique Danyi Correia*	Economist – Credit / Monetary Policy	henrique.danyi@santander.com.br	5511-3553-7350
Felipe Kotinda*	Economist – Commodities	felipe.kotinda@santander.com.br	5511-3553-8071
Gabriel Couto*	Economist – Activity	gabriel.couto@santander.com.br	5511-3553-8487
Gilmar Lima*	Economist – Modeling	gilmar.lima@santander.com.br	5511-3553-6327
Ana Julia Carvalho*	Economist – Special Projects	ana.carvalho.silva@santander.com.br	5511-3553-8071
Global Macro Research			
Maciej Reluga*	Head Macro, Rates & FX Strategy – CEE	maciej.reluga@santander.pl	48-22-534-1888
Rodrigo Park *	Economist – Argentina	rpark@santander.com.ar	54-11-4341-1272
Ana Paula Vescovi*	Economist – Brazil	anavescovi@santander.com.br	5511-3553-8567
Juan Pablo Cabrera*	Economist – Chile	jcabrera@santander.cl	562-2320-3778
Guillermo Aboumrad*	Economist – Mexico	gjaboumrad@santander.com.mx	5255-5257-8170
Piotr Bielski*	Economist – Poland	piotr.bielski@santander.pl	48-22-534-1888
Mike Moran	Head of Macro Research, US	mike.moran@santander.us	212-350-3500
Fixed Income Research			
Juan Arranz*	Chief Rates & FX Strategist – Argentina	jarranz@santanderrio.com.ar	5411-4341-1065
Juan Pablo Cabrera*	Chief Rates & FX Strategist – Chile	jcabrera@santander.cl	562-2320-3778
Equity Research			
Miguel Machado*	Head Equity Research Americas	mmachado@santander.com.mx	5255 5269 2228
Alan Alanis*	Head, Mexico	aalanis@santander.com.mx	5552-5269-2103
Andres Soto	Head, Andean	asoto@santander.us	212-407-0976
Walter Chiarvesio*	Head, Argentina	wchiarvesio@santanderrio.com.ar	5411-4341-1564
Aline de Souza Cardoso*	Head, Brazil	aline.souza.cardoso@santander.com.br	5511-3553-1684
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