The Daily Dish

February Jobs

GORDON GRAY | MARCH 8, 2024

The January payroll numbers came in at nearly twice the consensus forecast, posting the single largest employment gain in 12 months. Paired with substantial upward revisions to employment in the prior two months, it was hard to conclude that the labor market remains quite tight. Employers in January added 353,000 jobs, with private-sector payrolls gaining 317,000 jobs, while the unemployment rate remained at 3.7 percent. The labor force participation rate remained at 62.5 percent.

Here is a brief summary of the major economic indicators since the last jobs numbers:

- The Producer Price Index for final demand increased 0.3 percent in January;
- The Consumer Price Index increased 0.3 percent in January;
- The four-week moving average of initial jobless claims fell 750 to 212,250 for the week ending March 2;
- Orders for durable goods (including defense and aircraft) dropped 6.1 percent in January;
- New home sales increased 1.5 percent in January;
- The Price Index of U.S. imports rose 0.8 percent in January;
- ISM Services Index decreased 0.8 percentage points to 52.6 percent in February;
- ISM Manufacturing fell 1.3 percentage points to 47.8 percent in February;
- Consumer Confidence Index decreased 4.2 points from 110.9 to 106.7 in February;
- ADP reported private sector employment increased by 140,000 jobs in February.

GORDON'S GUESSTIMATE: FEBRUARY JOBS

By the time President Biden gave the State of the Union Address, he had already received the jobs data that rest of the world gets to see this morning. The futile list of progressive campaign fodder that animated the SOTU was long baked-in before his advanced briefing, and one of the charms of Bidenomics is abstraction from economic reality anyway. If this morning's jobs report comes in weak, that disparity will be all the more evident.

But there's a possibility that the jobs report may *look* weaker than it is. Consider first that employment data from January was conspicuously high. Now, observers of this data know that notwithstanding prevailing economic conditions, some months just reflect circumstantial aberrations. It is unlikely that the pace of hiring in the United States has re-accelerated in the face of declining job openings. Rather, it is more likely that January just happened to be abnormally strong along with the possibility that other factors goosed the headcount a bit.

On the latter point, in no month is the disparity between the seasonally adjusted and the non-seasonally adjusted employment levels greater than January. In January, 2.6 million fewer Americans were on employers' payrolls than in December. This is not the result of calamity in labor markets. Instead, it is simply the monthly difference in employment without seasonal adjustment. Indeed, every January, U.S. payrolls shed millions of jobs. Seasonal adjustment smooths out these temporal factors. Essentially, every January, the Bureau of Labor Statistics has to figure out how much of this seasonal decline it's going to put back. Given how large and aberrant the January employment push and pull is, a little too much or too little seasonal adjustment can go a long way in coloring the topline. The non-seasonally adjusted January employment decline was about 2.6 million, about 200,000 jobs *less* than the 10-year average. It's possible the seasonally adjusted employment numbers assumed a greater decline, and pushed the January numbers up a bit.

Essentially, the numbers today may look a bit weaker than underlying conditions, much as January's numbers likely paint a stronger picture of underlying conditions. On average, employment growth over the past two months will likely look a lot like the last several months of 2023.

This guesstimator is looking for a 170,000 increase in payrolls, while unemployment should remain at 3.7 percent. Average hourly earnings growth should return to earth, with an expected 11-cent gain for a 0.3 percent increase.

It is also not without some sadness to note that this will be the final Gordon's Guestimate. Beginning next month, Fred Ashton will take up the mantle while Gordon takes his

guesswork to a new adventure. Many thanks for your readership and feedback over these many years.