



The Daily Dish

February Jobs

GORDON GRAY | MARCH 5, 2021

Last month's report was largely flat or weak across the board. Payrolls in January gained 49,000 jobs, with private-sector payrolls essentially flat, while the unemployment rate fell to 6.3 percent. This report was the first subsequent to the latest relief package's enactment.

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

- The Producer Price Index for final demand increased 1.3 percent in January;
- The Consumer Price Index increased 0.3 percent in January;
- Real average hourly earnings did not change from December to January;
- Orders for durable goods (including defense and aircraft) increased 3.4 percent in January;
- New home sales increased 4.3 percent in January;
- The Price Index of U.S. imports increased 1.4 percent in January;
- ISM Services Index decreased 3.4 percentage points to 55.3 percent in February;
- ISM Manufacturing Index increased 2.1 percentage points to 60.8 percent in February;
- Consumer Confidence Index increased 2.4 points from 88.9 to 91.3 in February;
- ADP reported private sector employment increased by 117,000 jobs in February.

Gordon's Guesstimate: February Jobs

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If this morning's job's numbers particularly disappoint, we can imagine we will hear that it proves "more" government aid is needed. If the employment figures surprise to the upside, we will no doubt hear from some that good times are here again and the COVID-19 package

wending its way through Congress is unnecessary. That take will invite, according to Washington's Third Law of Messaging, an equal and opposite reaction among the American Rescue Plan's (ARP) advocates. Fair enough. As a political matter, the commitments made by Congress and the Biden Administration in the ARP are simply too great to abandon, and no single-months' sunny jobs news is going to change that - there will be a bill signing in a matter of weeks. Again, fair enough - you get to do that when you win elections. A review of the major indicators since last month's jobs report suggests the employment report may offer this town's criers equal opportunity.

When January's jobs figures came in virtually flat across the board, the figures were in substance *worse* than the prior month's, which showed net payroll losses. The reason? In the presence of the virus and cold weather, leisure and hospitality employment was going to take a severe hit, and December proved that out - leaving over half a million waiters, chefs, bartenders, managers, musicians, and others who work while the rest of America plays - out of a job.

The policy response has been to recognize the unique circumstances of these job losses and provide relief - in the form of robust income support through plussed-up unemployment insurance, rebates, and other assistance. The response has been appropriately substantial. But set against the steep decline in leisure and hospitality, the jobs figures in December were strong in just about every other sector. That's the late-pandemic labor market you'd "want" to see. You have a policy regime to support the dislocated in industries disproportionately affected by the pandemic while industries that are less affected by the pandemic recover.

January was a different story. It was just flat. To be sure, some of the key support policies were allowed to lapse, and that no doubt had a cost, but looking forward, we should be humble about what the limit of federal policies can achieve. Separate and apart from the composition and scale of the ARP, which is [worth reconsidering](#), there is simply some of this recovery that will take time. Yet another round of checks will not reopen your local bar or movie theater. Until people are convinced commerce is safe, [they'll probably avoid it](#), no matter what their governor says. Even an exquisitely designed relief package must contend with the practical realities of the virus.

The sweep of the economic indicators since January have been mixed to positive. The ISM service employment index gave up 2.5 percentage points but was coming off of 12-month peak and remains expansionary, while unemployment claims have declined modestly. This guesstimator is assuming a 140,000 payroll gain, and an increase in the U-3 to 6.4 percent, while workers, will see a 5-cent gain in hourly earnings.