The Daily Dish

October Jobs

GORDON GRAY | NOVEMBER 2, 2018

Last month's jobs report was distorted by Hurricane Florence, but it was still decent with the payroll survey number coming in at 134,000. The unemployment rate ticked down to 3.7 percent and was encouragingly paired with a net increase in the labor force. Hourly earnings ticked up 8 cents, a 2.8 percent year-over-year increase. This is off of the previous month's pace, but that reflected a near decade high. Job gains across industries remained somewhat broad, including in manufacturing, but the retail and the leisure and hospitality industries saw net declines of 34,000.

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

- The Producer Price Index for final demand increased 0.2% in September;
- The Consumer Price Index increased 0.1 percent in September;
- Real average hourly earnings increased 3 cents from August to September;
- Orders for durable goods decreased 0.8 percent in September;
- New home sales decreased 5.5 percent in September;
- The Price Index of U.S. imports increased 0.5 percent in September;
- ISM Non-Manufacturing Index increased to 61.6 percent in September;
- ISM Manufacturing decreased to 57.7 percent in October;
- Consumer Confidence Index increased from 135.3 to 137.9 in October;
- ADP reported private sector employment increased by 227,000 jobs in October.

Eakinomics: October Jobs
Guest written by Gordon Gray, AAF's Director of Fiscal Policy

Last month, the economy added 134,000 new jobs, which by the standards of quite a few observers was “disappointing.”

The same report showed hourly earnings record a solid pick-up, while the unemployment rate slid down to 3.7 percent. By any standard, this is a good place to be.

Wage growth had been stubborn, relative to other measures of the labor market, but that is showing signs of changing. Hourly earnings figures have been trending upwards. Just Wednesday, the Bureau of Labor Statistics released the quarterly Employment Cost Index (ECI), which offers a more comprehensive but less frequent assessment of labor compensation than the monthly earnings figures. The ECI showed stronger compensation and wage growth than the earnings data might suggest.

But since the beginning of this year, payrolls have posted average gains of over 200,000 per month. For some observers, any deviation from this trend disappoints. Over the same period, over 1.3 million Americans have entered the labor force. The degree to which the job market can continue to draw more workers into the labor force, and ultimately onto payrolls, at the clip we’ve been seeing remains to be seen. The labor force participation rate currently stands at 62.7 percent, about 3 percentage point below that prevailing before the Great Recession – which suggests there is still plenty of room to grow, though it is not obvious that the pre-recession level is necessarily ideal or even achievable. When a percentage point represents about 2.5 million potential workers, however, even fractional changes matter a great deal.

This is all to say that there is still room to pick up healthy payroll gains, but this won’t continue inexorably or linearly. I expect the October jobs report to reflect this reality and therefore predict that payrolls will increase by 170,000. I expect unemployment to inch a bit north to 3.8 percent. Finally, I expect workers to see an 8 cent increase in average earnings.