Press Release

Gordon's Guesstimate: December Jobs

PAULINA ENCK | JANUARY 6, 2022

Each month, AAF's Director of Fiscal Policy Gordon Gray predicts the results of the monthly employment survey. This month, Gray writes:

> *For December… this guesstimator is expecting a healthy gain of 525,000 jobs, and for unemployment to fall to 4.1 percent. I expect average hourly earnings to increase by 11 cents for a 4.8 percent yearly gain.*

See below for his full analysis.

Over the last two years, it's been something of a pat, if reliable observation that the virus was the key determinant in the movement of the labor market. There was a time – specifically all the time before March of 2020 – when this wasn't the case and there will be a time when it is no longer valid. Between now and then, the virus will decline in its salience to the labor market. The how and the when, however, will not be an orderly process. The month of December may be an example of this evolution.

Caseloads, news coverage, anecdotes, and simple powers of observation suggest that public awareness of and concern for yet another new COVID variant – Omicron – was elevated in December. Demand for testing, a ritual that many had hoped to forgo after vaccines became widely available, surged while growing caseloads led some jurisdictions to reimpose emergency restrictions and mask mandates. But it does not appear that businesses laid off workers or shuttered doors. No doubt some did, but unemployment claims, which remain near historic lows, don't point to Omicron affecting the labor market substantially in December.

Rather, American households appear to have had sufficient wherewithal to spend robustly over the holidays, and otherwise engage in commerce in the presence of a viral surge. The ADP data suggest that businesses continued to fill the near-record levels of job openings. These suggest a rosier picture of December hiring than might be suggested by recent headlines dominated by COVID news – again.

Some other things to look out for in the today's report are revisions. Smarter observers than this guesstimator have identified some reasons to be skeptical of recent seasonal adjust factors that may unduly distort the first print of the seasonally adjusted employment data. Revisions have been biased upward in recent months, which could paint a better picture of (disappointing) headline payroll growth in November.

Some other indicators, specifically the declines in the ISM indices, may suggest some weakness not captured elsewhere, but this guesstimator is expecting a healthy gain of 525,000 jobs, and for unemployment to fall to 4.1 percent. I expect average hourly earnings to increase by 11 cents for a 4.8 percent yearly gain.