



Press Release

Gordon's Guesstimate: November Jobs Report

ALLISON EDWARDS | DECEMBER 5, 2019

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

For November, I... guesstimate that payroll growth in November was 135,000. I expect unemployment to tick up a bit to 3.7 percent. I expect workers will see an 8 cent, or 3.03 percent annual, earnings bump.

See below for his full analysis.

Last month, the economy delivered a nice autumn surprise - despite a strike of 45,000 GM workers and flagging Census employment, the labor market delivered healthy payroll growth. In November's report, those GM workers will be back in the data. Adding those workers back in the data for October, an implied October gain of about 173,000 workers suggests that payroll growth in October was consistent with average payroll growth for the year. This guesstimator and others have been expecting to see the slowing macroeconomy show up more conspicuously in the employment numbers but have so far been waiting in vain.

Setting aside aberrations like the GM strike, the tenor of the balance of indicators since October has been mixed, but perhaps more negative than otherwise. The service sector is the beating heart of U.S. growth, and the ISM non-manufacturing survey is still showing expansion in its latest print, albeit off of last month's reading. The related employment index also ticked up and was in expansion territory for the 69th consecutive month. Unemployment claims, both initial and continuing claims, declined in yesterday's report. Combined, these

data would caution against erring too far on the downside.

Manufacturing continues to contract, however, and at a faster clip. The related employment index has been in contraction for 4 months and registered a steeper decline in November than in the prior month. To be sure, manufacturing employment is about one-fifth the size of service-economy employment, so weakness here is less consequential for employment overall, but the recent trend is nevertheless an area of concern. Consumer confidence, reflecting the household spending that has been driving the economy, declined slightly due to some weakening in the public's perception of the labor market. The ADP report conspicuously came in well below expectations at 67,000 jobs. These last indicators are hardly dispositive in a given month but raise the possibility of miss compared to the consensus estimate of 190,000 jobs.

For November, I expect that miss, and guesstimate that payroll growth in November was 135,000. I expect unemployment to tick up a bit to 3.7 percent. I expect workers will see an 8 cent, or 3.03 percent annual, earnings bump. See ya next year!