



The Daily Dish

Closing the Employment Books on 2016

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The November jobs report displayed a boring payroll employment growth – 178,000 new jobs – but a shocking decline in the unemployment rate from 4.9 to 4.6 percent. The latter was driven by a drop of 0.1 percentage points in the labor force participation rate, which translates to an absolute decline of 226,000 participants in the labor market. Hispanic unemployment was unchanged at 5.7 percent, teenage unemployment fell by 0.4 to 15.2 percent, and the big change was adult men down by 0.3 to 4.3 percent. Average hourly earnings dropped from \$25.92 to \$25.89, and average weekly hours were flat. The upshot was a fall in average weekly earnings.

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

- The price index of U.S. imports decreased 0.3 percent in November;
- The Producer Price Index for final demand increased 0.4 percent in November;
- The Consumer Price Index increased 0.2 percent in November;
- Real average hourly earnings decreased 4 cents from October to November;
- Orders for durable goods increased 0.9 percent;
- Consumer Confidence index increased from 109.4 to 113.7;
- New home sales increased 5.2 percent in November;
- ISM manufacturing index increased to 54.7 percent in December;
- ISM nonmanufacturing index remained unchanged at 57.2 percent in December;
- ADP reported private sector employment increased by 153,000 jobs in December

Eakinomics: Closing the Employment Books on 2016

Today brings the final employment report for 2016. Recall that the November report included some non-news — 178,000 new jobs — and some shockers — the unemployment rate dropped from 4.9 percent to 4.6 percent as labor force participation fell and average hourly earnings declined. What will December bring?

First, it will bring some clarity to the November numbers, as the noise in any month's report gets offset in subsequent data. Second, the sharp November-to-December rise in [consumer sentiment](#) — especially feelings about current economic conditions — would be sharply at odds with any further deterioration of the wages, hours, or jobs in the December data. Finally, the broadest high-frequency measures of the labor market — the [ADP Employment Report](#) and the [ISM Non-Manufacturing survey](#) both displayed solid employment growth that is, however, a tad weaker than in November. The more narrow [ISM Manufacturing survey](#) indicates faster job growth in that sector.

The upshot is pretty straightforward. At 8:30 expect to see 150,000 jobs created and the unemployment and labor force participation rates rise. I expect the unemployment rate to clock in at 4.7 percent. Finally, average hourly earnings should continue to rise; the main issue is whether they will rise fast enough to substantially outpace inflation.