The Daily Dish

December Jobs

GORDON GRAY | JANUARY 4, 2019

The November employment report was solid across the board. Payroll employment rose by 155,000 jobs and job gains were spread across groups and industries. The key figure – wages – was also strong, as average hourly earnings rose by 6 cents, which translates into an annual rate of 2.7 percent, and earnings are up 3.1 percent from November 2017. The only weak point was a soft number for average weekly hours – worth keeping an eye on. The household survey was also solid. Unemployment was unchanged at 3.7 percent, and labor force participation held steady at a rate of 62.9. (Note that the aging population would indicate the participation would fall.) The notable moves in unemployment were continued declines for low-skilled workers – the rate for those with less than a high school education was down by 0.4 percentage points and for high school graduates by 0.5 percentage points. Asian unemployment also fell by 0.5.

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

- New home sales decreased 8.9 percent in October*;
- The Producer Price Index for final demand increased 0.1 percent in November;
- The Consumer Price Index was unchanged in November;
- Real average hourly earnings increased 3 cents from October to November;
- Orders for durable goods increased 0.8 percent in November;
- The Price Index of U.S. imports decreased 1.6 percent in November;
- ISM Non-Manufacturing Index increased to 60.7 percent in November;
- ISM Manufacturing decreased to 54.1 percent in December;
- Consumer Confidence Index decreased from 136.4 to 128.1 in December;
- ADP reported private sector employment increased by 271,000 jobs in November.

*Due to the government shutdown, November data has not yet been released.

Gordon's Guesstimate: December Jobs
By Gordon Gray, AAF's Director of Fiscal Policy

A large swath of the federal government may be shut down, but by golly, there's still Jobs Friday. The Bureau of Labor Statistics remains funded and is on schedule to release the last employment report of 2018 later today. The reference periods for the establishment and household surveys were prior to the beginning of the shutdown. Depending on the length of the shutdown, both surveys could pick up effects from the shutdown next month, however.

While spared from Washington's budgetary disfunction, the report will likely receive undue attention as a coda to the current administration's first full year in office, and as a bellwether for the direction of the economy in the coming year. For those seeking evidence of the chaos on Wall Street and Washington in the metrics of the "real economy," this report will likely disappoint. For those looking for a year-end bang, this report will also disappoint.

I expect payrolls to come in at 170,000, below the yearly trend and the consensus forecast, but still indicative of healthy payroll growth and positive labor force growth. I also expect unemployment to remain at 3.7 percent – not quite the 3.6 percent that some analysts are expecting. I also expect hourly earnings to post a 7-cent gain, for a gain of 2.9 percent year-over-year.

In short, I expect the December report to disappoint those looking for a flashing red light or a year-end disco ball. Instead, it should reflect a healthy, later-cycle employment market.