



The Daily Dish

December Jobs

GORDON GRAY | JANUARY 7, 2022

Payroll growth slowed in November, with employers adding a net 210,000 jobs – well below expectations. While revisions added an additional 82,000 workers to prior months, payroll growth in November was plainly a disappointment. Private-sector payrolls gained 235,000 jobs, while the unemployment rate fell to 4.2 percent. The labor force participation rate rose to 61.8 percent.

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

- The Producer Price Index for final demand increased 0.8 percent in November;
- The Consumer Price Index increased 0.8 percent in November;
- Real average hourly earnings decreased five cents from October to November;
- Orders for durable goods (including defense and aircraft) increased 2.5 percent in November;
- New home sales increased 12.4 percent in November;
- The Price Index of U.S. imports increased 0.7 percent in November;
- ISM Services Index decreased 7.1 percentage points to 62.0 percent in December;
- ISM Manufacturing Index decreased 2.4 percentage points to 58.7 percent in December;
- Consumer Confidence Index increased 3.9 points from 111.9 to 115.8 in December;
- ADP reported private sector employment increased by 807,000 jobs in December.

GORDON'S GUESTIMATE

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a time – specifically all the time before March of 2020 – when this wasn't the case and there will be a time when it is no longer valid.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.