## The Daily Dish

# December Jobs

GORDON GRAY | JANUARY 10, 2020

The November jobs report was surprisingly strong, beating expectations and affirming the strength of the labor market heading into the New Year. Payrolls in November grew by 266,000, while revisions pushed payroll gains in the previous two months up by a combined 41,000. The unemployment rate fell back to 3.5 percent, a near 50-year low. The labor force grew by 40,000, the 7th straight month of growth. The labor force has grown by over 1.9 million potential workers since April. Average hourly earnings overall increased by 7 cents, a 3.1 percent increase over the year, and average hourly earnings for production and non-supervisory workers increased by 7 cents for a 3.7 percent gain over the year.

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

- The Producer Price Index for final demand increased 0.3 percent in November;
- The Consumer Price Index increased 0.3 percent in November;
- Real average hourly earnings remained unchanged from October to November;
- Orders for durable goods decreased 2.0 percent in November;
- New home sales increased 1.3 percent in November;
- The Price Index of U.S. imports increased 0.2 percent in November;
- ISM Non-Manufacturing Index increased to 55 percent in December;
- ISM Manufacturing decreased to 47.2 percent in December;
- Consumer Confidence Index decreased marginally from 126.8 to 126.5 in December;
- ADP reported private sector employment increased by 202,000 jobs in December.

**Gordon's Guesstimate: December Jobs**
Authored by Gordon Gray, AAF's Director of Fiscal Policy

While many readers are no doubt well on their way to achieving their New Year's goals, today we must look back at 2019, specifically the last employment report of the year. While observers are still awaiting a verdict on the holiday shopping data, there are indications that the American consumer continues to be a source of strength in the United States. Trade tensions eased (though the medium- and long-term trade outlook continues to be fraught) in December. Risks of recession also appear to have receded. Indeed, the chief economist at Goldman Sachs reportedly observed that the U.S. economy is "nearly-recession proof." In short, the year closed out with optimism. Did the jobs numbers measure up to the holiday spirit?

The contemporaneous data suggest rather more of the same from the U.S. labor market – an expanding service sector, shrinking manufacturing, and a remarkable capacity to absorb new (or rejoining) entrants to the labor market. Since April, the United States saw 7 consecutive months of labor force growth, with over 1.9 million Americans joining the labor market, and unemployment still declined. A "2 handle" in the December ADP report only reinforces a sanguine view of December employment figures.

Taking a step back, the overall health of the economy is sound, but it's not exactly booming. GDP growth remains somewhat below the administration's somewhat optimistic outlook and is below the prevailing rate of growth in other periods of rapid growth in the 2000s and 1990s. Achieving similar growth today would be more difficult given demography and a sluggish global economy, but is not impossible with the right policy mix – it's just more difficult. But the 2.3 percent real GDP growth rate for Q4 that the Atlanta Fed Nowcast is showing is probably much closer to the mark.

For December, I expect a healthy employment gain and guesstimate that payroll growth in November was 175,000. I expect unemployment to stay at 3.5 percent. I expect workers will see a 9 cent, or 3.09 percent annual, earnings bump.