The Daily Dish

December Jobs

GORDON GRAY | JANUARY 5, 2018

In the November jobs report top-line growth in jobs was quite solid – 228,000 jobs. The unemployment rate and labor force participation rate were unchanged at 4.1 percent and 62.7 percent, respectively. The household report showed modest growth in the labor force, employment, and the unemployed that largely matched the larger employer survey. Average hourly earnings rose by 5 cents – an annual rate of 2.3 percent (and up 2.5 percent year-over-year). Average weekly hours ticked up by 0.1 to 34.5 hours. The upshot is that the BLS index of weekly payrolls rose by 0.7 percent – an extremely strong number. Within the unemployment rates there were some interesting moves. Those with less than a high school education saw their unemployment rate fall another 0.5 percentage points (after a 0.8 decline in the October report) to 5.2 percent. Teen unemployment rose 2.2 percentage points to 15.9 percent – more adolescent volatility (in the data).

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

- The Producer Price Index for final demand increased 0.4 percent in November;
- The Consumer Price Index increased 0.4 percent in November;
- Real average hourly earnings decreased 2 cents from October to November;
- Orders for durable goods increased 1.3 percent in November;
- New home sales increased 17.5 percent in November;
- The Price Index of U.S. imports increased 0.7 percent in November;
- ISM Non-Manufacturing Index decreased to 57.4 percent in November;
- ISM Manufacturing increased to 59.7 percent in December;
- Consumer Confidence Index decreased from 128.6 to 122.1 in December;
- ADP reported private sector employment increased by 250,000 jobs in December.

ISM Non-Manufacturing remains the same as last month, as data for December will not come out until today at 10 AM.

Eakinomics: December Jobs
Guest authored by Gordon Gray, AAF Fiscal Policy Director

The big question for labor market observers is when the labor market will start showing the classic signs of tightening. The unemployment rate has hovered at a 17-year low since October, while payrolls have since grown by over 470,000. Including the prior month, essentially smoothing the last three months of job data for Hurricane effects, payrolls grew at an average of 170,000 jobs per month – approximately the same pace as the yearly average of 174,000 per month. Hourly earnings are up by about 2.5 percent year over year as of November, which is actually below the 12-month earnings growth posted in November of last year.

The leading economic indicators don't suggest any serious deviations from this pace, either. Non-defense capital goods excluding aircraft declined for the first time since June in the latest report, but other data, notably the ISM manufacturing index, which ticked up in its more recent December report, doesn’t suggest any December weakness in manufacturing. The ADP employment report registered a 250,000 increase in payrolls in December, though it’s worth noting that ADP has, on average, reflected 38,000 higher payrolls per month than the Bureau of Labor Statistics’ official numbers. Indeed, it’s been well over a year since the official payroll numbers registered job growth approaching the quarter million mark. However, this unremarkable intra-month data does not detract from the observation that the U.S. labor market and economy in general are healthy.

There’s every reason to expect the December jobs report to largely reflect 2017, and leave the tightening, with the likely dip into unemployment rates starting with a “3” and marked improvements in earnings for 2018. Accordingly, I expect payrolls to have ticked up by 205,000 in December, the unemployment rate to inch down to 4 percent and real hourly earnings to tick up by 7 cents.