The Daily Dish

February Jobs

GORDON GRAY | MARCH 8, 2019

Last month, after a month or so of nervousness and pessimism about the economy, the Department of Labor reported 304,000 new jobs in January (although with a huge downward revision of December's jobs figure). The unemployment report clocked in at 4.0 percent. The government shutdown only mildly affected the establishment report and had no impact on the jobs number, due to the Bureau of Labor Statistics's methods. There was steady growth in total hours. While average hourly earnings rose at only an hourly rate of 1.3 percent, they were still up 3.2 percent over January 2018. Finally, employment growth was widespread. Turning to the household survey, the strong number was labor force participation at 63.2 percent, the highest since September 2013. The overall trend shows strong jobs growth, faster wage growth, and increased participation in the labor market. January's jobs report was a strong statement against the threat of a downturn.

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

- Orders for durable goods decreased 1.2 percent in December*;
- New home sales increased 3.7 percent in December*;
- The Producer Price Index for final demand decreased 0.1 percent in January;
- The Consumer Price Index did not change in January;
- Real average hourly earnings increased 2 cents from December to January;
- The Price Index of U.S. imports decreased 0.2 percent in January;
- ISM Non-Manufacturing Index increased to 59.7 percent in February;
- ISM Manufacturing decreased to 54.2 percent in February;
- Consumer Confidence Index increased from 121.7 to 131.4 in February;
- ADP reported private sector employment increased by 183,000 jobs in February.

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

Gordon's Guesstimate: February Jobs

By Gordon Gray, AAF's Director of Fiscal Policy
If someone had predicted in November that the economy would see 1 million jobs added to the nation's payrolls in the next four months, they likely would have met some skepticism. Layered on top of those blockbuster jobs numbers, matched with healthy hourly earnings gains, has been a macroeconomic environment that portends a deceleration in economic growth. Add in a government shutdown, and the case for raging payroll growth notionally weakens still further. All this is a way of saying that the job gains of the past several months have largely defied prediction.

Despite ending in January, the shutdown will have some observable effects in the February unemployment figures. While the methodology of the payroll survey largely insulated the establishment data (employment and earnings, for example) from the shutdown's negative effects, furloughed workers were counted as unemployment in the reference period for the January household survey. All else being equal, we would then expect to see a significant decline in the unemployment rate in February simply because furloughed workers and contractors are back on the job. All is not equal, of course, but this element will certainly put downward pressure on the unemployment rate.

Thus, we have in the February report a labor market that has regularly beaten expectations in the preceding months, with some methodological dynamics at play as well. Perhaps more than most months, this report is likely one where it is worth restating that a single month does not a trend make.

That said, I expect a strong gain in payrolls of 190,000 and expect to see the unemployment decline to 3.8 percent. I also predict that earnings will post a 5-cent increase, for a 3.2 percent year-over-year gain.