The Daily Dish

January Jobs

GORDON GRAY | FEBRUARY 7, 2020

The December jobs report was a bit softer than expectations, with manufacturing employment returning to negative territory and a particular disappointment on earnings, but it was still a reflection of a labor market that is essentially healthy and strong. Payrolls in December grew by 145,000, with private-sector payrolls growing by 139,000. The unemployment rate held at 3.5 percent. The labor force grew by 209,000, and the labor force participation rate held at 63.2 percent. Average hourly earnings increased by 3 cents, a 2.9 percent increase over the year. Average hourly earnings for production and non-supervisory workers increased by 2 cents, for a 3.03 percent gain over the year. By educational attainment, unemployment declined or was unchanged.

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

- The Producer Price Index for final demand increased 0.1 percent in December;
- The Consumer Price Index increased 0.2 percent in December;
- Real average hourly earnings decreased 1 cent from November to December;
- Orders for durable goods increased 2.4 percent in December;
- New home sales decreased 0.4 percent in December;
- The Price Index of U.S. imports increased 0.3 percent in December;
- ISM Non-Manufacturing Index increased to 55.5 percent in January;
- ISM Manufacturing increased to 50.9 percent in January;
- Consumer Confidence Index increased from 128.2 to 131.6 in January;
- ADP reported private sector employment increased by 291,000 jobs in January.

Gordon's Guesstimate: January Jobs

Authored by Gordon Gray, AAF's Director of Fiscal Policy

On Tuesday, the president laid claim to "an unprecedented economic boom" underway. The president's critics are usually quick either to trace the trajectory of the economy to the Obama Administration *or* to bemoan less stellar indicators. That these messages are not easily reconciled is a debate for another day, but as AAF President Douglas Holtz-Eakin notes, recoveries are not linear – the 11th year of a recovery should be assessed differently than the 1st. Does this fact mean the 2.1 percent real gross domestic product (GDP) growth figure for Q4 released last week isn't a disappointment?

It is and it isn't. It's disappointing that U.S. potential GDP is constrained to a projected 2.0 percent growth rate, hamstrung by demography and stubbornly tepid potential productivity. Public policy can animate both, but nevertheless, the building blocks of the economy simply don't stack up (at this point) to the blockbuster numbers that the president has claimed. But given those constraints, 2.1 percent is pretty well in the groove for economic growth.

It's just as important to assess the labor market with the same sense of where the United States is in its recovery. The U.S. labor market pulled almost 1.5 million new entrants into the labor force last year, while the number of employed Americans grew by almost 2 million. Just keeping up with population growth would require about a 100,000 employment print this morning, while keeping up with labor force growth would require about 160,000 new jobs (h/t Ernie Tedeschi). That kind of pace would be really disappointing in the early and middle stages of a recovery, but it is a horse of a different color when unemployment is at 50-year lows.

This recovery has shown a remarkable capacity to put Americans back to work. According to the National Federation of Independent Business, hiring picked up substantially in January, and ADP printed a gaudy 291,000 payroll gain for the month. Other indicators are not quite so uniformly positive. For January, this guesstimator predicts that payrolls increased by 185,000 in January, unemployment held at 3.5 percent, and workers saw earnings increase by 7 cents for a 3 percent gain over the last year.