The Daily Dish

January Jobs

GORDON GRAY | FEBRUARY 2, 2018

The two key numbers in the December jobs report were 148,000 new jobs and a 2.5 percent year-over-year increase in average hourly earnings. Job growth has been slowing. Year over year growth averaged 1.6 percent in the first two quarters of 2017 – the same as 2016 – but only 1.4 percent in the 3rd quarter. Today's 148,000 puts the final tally for 2017 at 1.4 percent. Average hourly earnings had been growing at between 2.5 percent and 2.7 percent (year over year) for the first part of 2017. The December number put 4th quarter growth at 2.4 percent and 2.5 percent for the entire year. 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 reduction in the unemployed that largely matched the larger employer survey. Within the unemployment rates there were some interesting moves. Those with less than a high school diploma saw their unemployment rate bounce up from 5.2 to 6.3 percent – after two successive declines. Teen unemployment fell to 13.6 percent – offsetting the November rise. African-American unemployment reached 6.8 percent, which is the lowest since 1972.

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

- The Producer Price Index for final demand decreased 0.1 percent in December;
- The Consumer Price Index increased 0.1 percent in December;
- Real average hourly earnings increased 2 cents from November to December;
- Orders for durable goods increased 2.9 percent in December;
- New home sales decreased 9.3 percent in December;
- The Price Index of U.S. imports increased 0.1 percent in December;
- ISM Non-Manufacturing Index decreased to 55.9 percent in December;
- ISM Manufacturing decreased to 59.1 percent in January;
- Consumer Confidence Index increased from 123.1 to 125.4 in January;
- ADP reported private sector employment increased by 234,000 jobs in January.

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

The Dow is north of 26,000, the Atlanta Fed's GDPNow model forecasts Q1 GDP growth to be 5.4 percent, while millions of Americans are receiving bonuses due to the passage of last year's tax legislation. Surely these and other indicators portend a blockbuster employment report later this morning. Not quite, but that's ok.

Recall that December saw 148,000 workers added to U.S. firms, reflecting a slowing of hiring, which, with an unemployment rate flirting with lows not seen since 2000, is to be expected. Earnings remain stubbornly slow-growing at 2.5 percent year-over-year for 2017, however, barely outpacing inflation. The story for 2017 was steady hiring with missing earnings growth. 2018 should be the year for the missing pay raises to start showing up, but January is likely not going to be that month. Rather, there's every reason to expect that, notwithstanding some splashy indicia, January 2018 looked rather like December 2017.

Hiring began to slow in the latter half of 2017, reflecting continuing tightening in the labor market. Initial unemployment claims remain in historically low territory, meaning employers are broadly retaining workers. These factors suggest another healthy but unspectacular payroll gain for January. I estimate that payrolls will add 161,000 jobs in January, and the unemployment rate will stay at 4.1 percent.

On earnings, I expect the trend from the latter half of 2017 to continue, with workers reporting a 6 cent hourly raise in January. One thing that will *not* show up in the January earnings data are the tax-cut bonuses (or any bonuses for that matter), which the Bureau of Labor Statistics does not include in its report.