The Daily Dish

November Jobs

GORDON GRAY | DECEMBER 6, 2019

The October jobs report delivered a surprisingly strong private payroll gain in the face of a slowing economy and labor strikes. U.S. firms and government added 128,000 jobs in October, with private firms adding 131,000 workers and government subtracting 3,000 workers. The unemployment rate ticked up to 3.6 percent, while the labor force participation rate also inched up to 63.3 percent. October's increase in the size of the labor force, the sixth straight increase, tipped the net increase in the labor force for the year to over one million. A return to positive territory for workers' earnings also suggests continued strength for the American consumer. Average hourly earnings increased by 6 cents, and revisions took last month's net decline into positive territory. Earnings for October were up 3.03 percent over the year. Average hourly earnings for production and non-supervisory workers increased by 4 cents for a 3.49 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 0.4 percent in October;
- The Consumer Price Index increased 0.4 percent in October;
- Real average hourly earnings decreased 2 cents from September to October;
- Orders for durable goods increased 0.6 percent in October;
- New home sales decreased 0.7 percent in October;
- The Price Index of U.S. imports decreased 0.5 percent in October;
- ISM Non-Manufacturing Index decreased to 53.9 percent in November;
- ISM Manufacturing decreased to 48.1 percent in November;
- Consumer Confidence Index decreased from 126.1 to 125.5 in November;
- ADP reported private sector employment increased by 67,000 jobs in November.

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

Last month, the economy delivered a nice autumn surprise – despite a strike of 45,000 GM workers and flagging Census employment, the labor market delivered healthy payroll growth. In November's report, those GM workers will be back in the data. Adding those workers back in the data for October, an implied October gain of about 173,000 workers suggests that payroll growth in October was consistent with average payroll growth for the year. This guesstimator and others have been expecting to see the slowing macroeconomy show up more conspicuously in the employment numbers but have so far been waiting in vain.

Setting aside aberrations like the GM strike, the tenor of the balance of indicators since October has been mixed, but perhaps more negative than otherwise. The service sector is the beating heart of U.S. growth, and the ISM non-manufacturing survey is still showing expansion in its latest print, albeit off of last month's reading. The related employment index also ticked up and was in expansion territory for the 69th consecutive month. Unemployment claims, both initial and continuing claims, declined in yesterday's report. Combined, these data would caution against erring too far on the downside.

Manufacturing continues to contract, however, and at a faster clip. The related employment index has been in contraction for 4 months and registered a steeper decline in November than in the prior month. To be sure, manufacturing employment is about one-fifth the size of service-economy employment, so weakness here is less consequential for employment overall, but the recent trend is nevertheless an area of concern. Consumer confidence, reflecting the household spending that has been driving the economy, declined slightly due to some weakening in the public's perception of the labor market. The ADP report conspicuously came in well below expectations at 67,000 jobs. These last indicators are hardly dispositive in a given month but raise the possibility of miss compared to the consensus estimate of 190,000 jobs.

For November, I expect that miss, and guesstimate that payroll growth in November was 135,000. I expect unemployment to tick up a bit to 3.7 percent. I expect workers will see an 8 cent, or 3.03 percent annual, earnings bump. See ya next year!