



The Daily Dish

# November Jobs

GORDON GRAY | DECEMBER 7, 2018

Last month, everyone expected that Hurricane Michael would knock down the October employment report. Instead the labor market just kept roaring. There were 250,000 jobs created – well above the recent trend. Job growth was widespread as no sector lost a job. Wage growth continued to be strong – up 3.1 percent from October of 2017 and rising at an annual rate of 2.2 percent in October this year. The household survey was very strong. The labor force rose by 711,000 and the participation rate rose by 0.2 percentage points to 62.9 percent. The household survey showed 600,000 new jobs. Even taking all of this with a statistical grain of salt, it is a very solid report. The overall unemployment rate stayed at 3.7 percent.

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

- The Producer Price Index for final demand increased 0.6 percent in October;
- The Consumer Price Index increased 0.3 percent in October;
- Real average hourly earnings decreased 1 cent from September to October;
- Orders for durable goods decreased 4.4 percent in October;
- New home sales decreased 8.9 percent in October;
- The Price Index of U.S. imports increased 0.5 percent in October;
- ISM Non-Manufacturing Index increased to 60.7 percent in November;
- ISM Manufacturing increased to 59.3 percent in November;
- Consumer Confidence Index decreased from 137.9 to 135.7 in November;
- ADP reported private sector employment increased by 179,000 jobs in November.

## Gordon's Guesstimate: November Jobs

By Gordon Gray, AAF's Director of Fiscal Policy

In September, the economy added 118,000 new jobs (revised down from an initial 134,000), which seriously disappointed observers. One month later, the Department of Labor reported that U.S. payrolls added a quarter million workers, and all was right again. Turn on any TV and it would be hard to avoid buying into some of the naysayers. Evidently, it's also cool again to look forward to recessions. Happily, tomorrow's jobs report likely won't reflect that commentary. Instead, I expect a "solid" report. No hurricanes or other anomalies. Just some mid-high-100k payroll growth and healthy, by the standard of this recovery, earnings growth.

My expectation, and it's not a terribly bold or original notion, is that for the next several months the jobs report will start to hew closer to September's report than October's. The labor force picked up 711,000 potential workers in October – more than 3 times what natural population growth afforded. That's not sustainable, and indeed, that month's labor force growth was the 18<sup>th</sup> largest monthly increase in 70 years.

As noted previously, though, the labor force participation rate is still about 3 percentage points below what it was at the onset of the Great Recession, which suggests there remains room to grow. But a percentage point

represents about 2.5 million potential workers – even fractional changes matter a great deal. Does this recovery have enough juice left to pick all those workers up? Probably not, but I expect tomorrow's job report to take a modest bite at it.

I expect the November jobs report will show that payrolls will increase by 180,000. I expect unemployment to hold at 3.7 percent. And I expect workers to see a 7-cent increase in average earnings.