The Daily Dish

October Jobs

GORDON GRAY | NOVEMBER 1, 2019

The September jobs report delivered a mixed bag, with healthy payroll gains and strong household data but with disappointing earnings in some specific sectors. U.S. firms and government added 136,000 jobs in September, with private firms adding 114,000 workers. The goods-producing sector added 5,000 jobs, with the manufacturing sector losing 2,000 workers. The service sector posted a 109,000-payroll gain, though retail posted a decline in employment for the eighth straight month. The unemployment rate fell to 3.5 percent, the lowest rate since December of 1969. That this substantial decline in unemployment was paired with a modest, but positive increase in the labor force (117,000) for the fifth straight month is encouraging. Average hourly earnings showed a one-cent decline for the month. Though this level still reflects a 2.9 percent gain over the year, it is nevertheless disappointing.

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

- The Producer Price Index for final demand decreased 0.3 percent in September;
- The Consumer Price Index was unchanged in September;
- Real average hourly earnings remained unchanged from August to September;
- Orders for durable goods decreased 1.1 percent in September;
- New home sales decreased 0.7 percent in September;
- The Price Index of U.S. imports rose 0.2 percent in September;
- ISM Non-Manufacturing Index decreased to 52.6 percent in September;
- ISM Manufacturing decreased to 47.8 percent in September;
- Consumer Confidence Index decreased from 126.3 to 125.9 in October;
- ADP reported private sector employment increased by 125,000 jobs in October.

Gordon's Guesstimate: October Jobs

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In the balance of 2019, monthly payroll gains have shown marked stability – the 3-month average change in employment (+157,000 jobs) is quite close to the *6-month* average monthly change in employment (+154,000 jobs). This trend isn't too far off the annual average of +161,000 new jobs per month, and while there have been clear indicators of slowing in the economy, the labor market is still robust and supporting the consumer spending that is keeping the overall U.S. economy afloat.

To be sure, these gains are off from the comparable periods in the previous year, and indicators of slowing in the economy have solidified, but for now, one could be forgiven for concluding that the economy is humming – though hardly bursting into aria. The advance estimate for 3rd quarter GDP underscored this mien: We've essentially reverted to the rate of growth that prevailed throughout the balance of this long recovery. And given prevailing trends in America's labor force and productivity, this economy looks rather like what forecasters are predicting going forward.

What will this morning's jobs report tell us about the degree to which risks threaten this modest outlook? Probably not much. The Fed's recent decision to reduce the overnight lending rate by another 25 basis points is plainly rooted in global economic risks rather than weakness in a labor market characterized as "solid." The only new information since that announcement has been an ADP report that is consistent with recent jobs figures, modest changes in unemployment insurance claims, and a modest decline in consumer confidence.

With those factors in the balance, this guesstimator expects that payrolls grew by 85,000 jobs in October. This is somewhat below what I would otherwise expect, but it reflects the strike of 46,000 GM employees during the reference period and the related effects among auto suppliers. Census hiring is a wildcard that could add significantly to the topline in October. I expect unemployment will remain at 3.5 percent, and earnings will show a gain of 8 cents or 3.0 percent year-over-year. I will be paying particular attention to this last measure, and any potential revisions, given last month's conspicuous miss.