The Daily Dish

September Jobs

GORDON GRAY | OCTOBER 4, 2019

Last month's jobs report disappointed at the top line but reflected other strengths in the labor market, including persistent gains in entrants to the labor force and strong earnings data. U.S. payrolls added 130,000 jobs in August, with private firms adding 96,000 workers. The unemployment rate held steady at 3.7 percent, despite a substantial increase in the labor force of 571,000. That is the largest labor force gain since October of 2018 and marks the fourth straight month of growth in the labor force. Average hourly earnings for all workers increased by 11 cents, for a 3.2 percent gain over the last year. Average hourly earnings for production and non-supervisory workers increased by 11 cents for a 3.46 percent gain over the year – the largest yearly increase since December.

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 August;
- The Consumer Price Index increased 0.1 percent in August;
- Real average hourly earnings increased 4 cents from July to August;
- Orders for durable goods increased 0.2 percent in August;
- New home sales increased 7.1 percent in August;
- The Price Index of U.S. imports fell 0.5 percent in August;
- 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 134.2 to 125.1 in September;
- ADP reported private sector employment increased by 135,000 jobs in September.

Gordon's Guesstimate: September Jobs
By Gordon Gray, AAF's Director of Fiscal Policy

In January of 2019, the economy created 312,000 jobs, one of the largest single-month employment gains in recent years (the tenth highest in the last decade). Over the course of the year, inclusive of that blockbuster month, monthly payroll growth has averaged almost exactly half of those gains. Along the way, workers, and particularly production and non-supervisory workers, have seen higher wage growth solidify. In short, we're seeing the effects of a tightening labor market in a mature recovery.

But! Labor force participation has never recovered from the Great Recession, and the employment-population ratio has recovered only about half of its drop-off. There is arguably more room to accommodate employment growth, if the broader economy plays along.

The economy, however, may not be playing along as much as we'd like. At the broadest level, the United States, despite having a robust domestic market, is just one actor in a global economy. And the International Monetary Fund recently characterized the global economy as "sluggish." Marked by trade tension, protectionism, populism, low interest rates, and in some cases unrest, the markets abroad for U.S. goods and services are struggling. At home, the United States has imposed its own antigrowth policy on itself, with ratcheting-up tariffs part of trade strategy that seems to have little to do with trade or strategy. The ISM manufacturing index sinking to its lowest level since June of 2009 this last month is just the latest indication that a trade war is not easy to win and that American businesses and households are bearing its costs.

Those risks aside, we still see other signs of strength in this durable recovery – the ADP report, showing 135,000 private-sector payroll gains, hardly suggests the labor market is in trouble right now. Where does that leave this guesstimator? I think there will be a modest headline jobs number of 110,000 jobs, unemployment will inch down to 3.6 percent, and earnings will show a year-over-year gain of 9 cents, or 3.3 percent.