The Daily Dish

September Jobs

GORDON GRAY | OCTOBER 7, 2022

The August jobs report came in very close to expectations, with continued strong employment gains, though somewhat off from the previous month's surprise. The increase in the regular unemployment rate reflected a strong increase in the labor force, which was very much a feature rather than a bug in this report. Employers in August added 315,000 jobs, with private-sector payrolls gaining 308,000 jobs, while the unemployment rate rose to 3.7 percent. The labor force participation rate rose to 62.4 percent.

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 August;
- The Consumer Price Index increased 0.1 percent in August;
- Real average hourly earnings increased two cents from July to August;
- Orders for durable goods (including defense and aircraft) decreased 0.2 percent in August;
- New home sales increased 28.8 percent in August;
- The Price Index of U.S. imports decreased 1.0 percent in August;
- ISM Services Index decreased 0.2 percentage points to 56.7 percent in September;
- ISM Manufacturing Index decreased 1.9 percentage points to 50.9 percent in September;
- Consumer Confidence Index increased 4.4 points from 103.6 to 108.0 in September;
- ADP reported private sector employment increased by 208,000 jobs in September.

GORDON'S GUESSTIMATE: SEPTEMBER JOBS

If the public speaking schedule of Federal Reserve officials is any indication, U.S. central bankers want to telegraph that the course for monetary policy is firmly set, as is the resolve to temper historic price growth. Along the way things may get broken, but so far there's been little evidence of fissures in the labor market. Some of this may be a matter of perspective. The pace of hiring has slowed a bit – average monthly payroll growth is about two-thirds the rate that prevailed a year ago – but the 3-month average is identical to the 6-month average. The labor market more or less keeps humming along, and the sweep of recent indicators doesn't suggest that will change in today's report.

The aim of the Federal Reserve's policy is to suppress demand. And it's not just theoretical. It has become conspicuously more expensive to finance homes since the Fed started hiking rates. That is rippling through the housing market. At some point, the labor market will reflect this tightening. In the absence of this tightening, one can reasonably assume it'd be more robust than it is today. While the absence of hypothetical labor demand is a challenge to measure, one major indicator did just start flashing: job openings.

The Job Opening and Labor Turnover Survey (JOLTS) provides monthly data on job vacancies, job hires, and job quits, among other data points. It paints a somewhat different picture of the labor market than does the Bureau of Labor Statistics' monthly employment situation report and also underscores the scope and scale of the ordinary monthly churn in the U.S. labor market. The JOLTS report has been a source of fascination over the course of the recovery from the pandemic in part because it has reflected stratospheric labor demand. Every month, for the last 18 months, job openings have exceeded the highest ever recorded before the pandemic. In August, those openings fell by over 1 million, the second-highest decline ever recorded. And yet, there remain over 10 million job openings.

Is the pain that Chairman Powell presaged purely theoretical? Can restrictive monetary policy spare the labor market, merely taking the wind out of a theoretical sail? The historical experience, and the words of caution from central bankers, suggest this is unlikely. But note that the JOLTS data are lagged a month. The decline in August job openings paired with a 3.7 percent unemployment rate and a 315,000 payroll gain.

For September, there's little to suggest a major change in direction. Initial unemployment claims did tick up, and seasonal adjustment factors may complicate the picture a bit, but in general this guesstimator is expecting another healthy employment gain for the month, with a payroll gain of 305,000, an unemployment rate of 3.7 percent, and earnings ticking up by 10 cents.