## The Daily Dish

# September Jobs

GORDON GRAY | OCTOBER 8, 2021

The August employment report disappointed relative to expectations, not least because of flat gains in the leisure and hospitality industry. This industry has averaged over 300,000 new jobs per month for the last 6 months. Employers in August added 235,000 jobs, with private-sector payrolls gaining 243,000 jobs, while the unemployment rate fell to 5.2 percent. The labor force participation rate increased remained steady from last month at 61.7 percent.

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

- The Producer Price Index for final demand increased 0.7 percent in August;
- The Consumer Price Index increased 0.3 percent in August;
- Real average hourly earnings increased four cents from July to August;
- Orders for durable goods (including defense and aircraft) increased 1.8 percent in August;
- New home sales increased 1.5 percent in August;
- The Price Index of U.S. imports decreased 0.3 percent in August;
- ISM Services Index increased 0.2 percentage points to 61.9 percent in September;
- ISM Manufacturing Index increased 1.2 percentage points to 61.1 percent in September;
- Consumer Confidence Index decreased 5.9 points from 115.2 to 109.3 in September;
- ADP reported private sector employment increased by 568,000 jobs in September.

## GORDON'S GUESSTIMATE: SEPTEMBER JOBS

In July of 2020, the Congressional Budget Office (CBO) released an economic outlook that forecast an unemployment rate of 8 percent in Q3 of 2021. Two successive estimates later, CBO forecast a 5.3 percent unemployment rate in Q3. The unemployment rates for July and August average 5.3 percent. Not too shabby for government work. By any lights, the economy- and the labor market have certainly outperformed what highly credible estimators were expecting early in the pandemic. This is not to say that the early estimates were "wrong." Not hardly. Predicting the future is always hard – predicting the course of the economy confronted by a pandemic is somewhat more difficult. But again, notwithstanding the challenge of the exercise, the U.S. economy has recovered more quickly than initially feared and is now performing very much on track.

5.2 percent unemployment is far from ideal, but it's not in properly scary territory anymore. That labor force participation is well below that which prevailed prior to the pandemic distorts the view somewhat, but not singly for the worse. To be sure, there remain millions of workers – about 3.6 million if the pre-pandemic participation rate still held – on the sidelines. But some of these are by choice rather than circumstance. Job openings have broken records for the last 5 months in a row. But the 2.7 percent quit rate seen in July and June has only been surpassed once before in the history of the data series – in April. The recession induced by COVID-19 was the shortest on record and is otherwise unique in American economic history – the ongoing recovery will be similarly unique. That a historically high share of workers are quitting while the labor market is still shy about 5 million jobs compared to pre-pandemic times is not what this observer would have first expected to see.

The course of the virus will continue to figure prominently in the recovery. That Consumer Confidence in the last couple months declined while COVID caseloads ramped up again is no coincidence. But as the U.S. comes to terms with the virus, the labor market will increasingly be dominated by other factors. That many Americans are leaving work in significant numbers is one such feature, that there is tremendous opportunity for those workers, at least in terms of the sheer volume of job opportunities is another. How this sorting will unfold is unclear but will contribute significantly to labor market patterns for the foreseeable future.

As far as how it will all shake out in the September jobs report, the signs are mixed. It is undeniable that consumers were negatively affected by a resurgence in COVID-19 cases,  and a decline in the ISM services employment index doesn't augur well for a strong employment report. Initial UI claims remained a bit stubborn in September before falling this month. Alternatively, the ADP report came in fairly strong. For September, this guesstimator is expecting a 450,000 employment gain, and expect the U3 to fall to 5.1, with average earnings gaining 15 cents for a 4.7 percent yearly gain.