The Daily Dish

September Jobs

GORDON GRAY | OCTOBER 5, 2018

The August employment report contained a lot of good numbers and one great one. Average hourly earnings rose from $27.06 to $27.16 – an annual rate increase of 4.5 percent and bringing year-over-year increases to 2.9 percent. This has been the Achilles heel of the recovery and the unmet promise of tax reform, so August is promising. The economy created 201,000 new jobs even though employment fell by 3,000 in manufacturing (one fears this is the leading edge of the fallout due to tariff increases). Downward revisions in jobs for June and July brought the three-month average to 185,000 per month. The combination of wages and jobs means that overall payrolls rose by 0.5 percent in August – a good foundation for future growth. The overall unemployment rate was unchanged at 3.9 percent, but this masked a decline of 469,000 in the labor force and – as measured by the household survey – a fall of 423,00 in employment. The labor force participation rate fell by 0.2 to 62.7 percent. Across education levels, unemployment rose by 0.6 percent for those with less than a high school education and by 0.3 percent for those with partial education. Teen unemployment fell by 0.3 percent to 12.8 percent. Unemployment rates for women (down 0.1), Hispanics (up 0.1), Asians (down 0.1) and African-Americans (down 0.3) showed mixed changes.

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 0.2 percent in August;
- Real average hourly earnings increased 1 cent from July to August;
- Orders for durable goods increased 4.5 percent in August;
- New home sales increased 3.5 percent in August;
- The Price Index of U.S. imports decreased 0.6 percent in August;
- ISM Non-Manufacturing Index increased to 61.6 percent in September;
- ISM Manufacturing decreased to 59.8 percent in September;
- Consumer Confidence Index increased from 134.7 to 138.4 in September;
- ADP reported private sector employment increased by 230,000 jobs in September.

Eakinomics: September Jobs
Guest authored by Gordon Gray, Director of Fiscal Policy at AAF

At some point, analysts and observers are going to have to get comfortable with the notion that a jobs report can simultaneously be “good” and *not* show payroll growth in the vicinity of 200,000. This probably won’t be the month to learn that lesson, however. Instead, and in the absence of other indicia, there’s no reason to assume that the September employment report won’t be a variation on the trends that have prevailed so far this year.

Last month’s jobs report was largely great news. Over 200,000 jobs were added, and earnings growth topped 2.9 percent for the first time since May of 2009. On the heels of another strong ADP report and a uniquely robust ISM Non-Manufacturing Index report, a good bet is that September will show strong payroll growth and solid earnings growth. Wild card considerations are legion, not the least of which is whether we see labor force flows on the order of 500,000 in either direction, like we've seen in two out of the last three months. Fundamentally, however, I expect robust payroll growth of 205,000 and earnings growth of 2.8 percent year-over-year, which should mean an extra 8 cents an hour for workers. I expect the unemployment rate to hold at 3.9 percent.

There is, as ever, policy and other economic risk. The most recent ISM manufacturing survey reflects concerns over trade. The manufacturing sector saw net job losses in last month's report – that's worth watching, as it relates to concerns about tariffs, but it's worth monitoring for broader economic-health concerns as well. Last month's manufacturing job losses could also be revised away. Regardless, those risks are unlikely to be reflected to any great degree in this morning's report.