Press Release

Gordon's Guesstimate: February Jobs

PAULINA ENCK | MARCH 9, 2023

Each month, AAF's Director of Fiscal Policy Gordon Gray predicts the results of the monthly employment survey. This month, Gray writes:

> For February…this guesstimator is expecting a 185,000 gain in payroll employment and a rebound in the unemployment rate to 3.5 percent. Average hourly earnings will increase by 9 cents for a 4.7 percent yearly gain.

See below for his full analysis.

This week, the American public was treated to two days of high-minded and searching exploration of monetary policy in the form of Chairman Powell's appearances before the House and Senate committees with jurisdiction over the Federal Reserve. And by high-minded and searching, I mean facile and reductive. To wit, Senator Warren saw fit to direct Chairman Powell to address the 2 million people "you're planning to get fired" as a consequence of the central bank's forecast of increased unemployment in the future. It is worth mentioning that the Congressional Budget Office, and now the executive branch, forecasts increased unemployment in the near and medium term.

The American people deserve better, and kudos to those policymakers, Chairman Powell included, who take seriously the risks of historically high and entrenched inflation, as well as the risks of tightening monetary policy. Congress has been directly to blame for inflaming inflationary pressures.

Meanwhile, the executive branch has run out of fingers to point elsewhere: At first the culprit was Father Time, as Team Transitory simply told everyone to wait the inflation out. Then it was Team Price Gouging. Along the way, we were told supply chains are the problem, never mind the administration's deliberate policy to narrow supply. To the extent the president's budget released today forecasts increased unemployment, would Senator Warren accuse President Biden of planning to fire millions of Americans?

Luckily, the data so far suggest that is not in the immediate offing. As Chairman Powell noted, falling labor demand could be absorbed somewhat in a decline in job openings, which did retreat in the most recent update, but remain historically high at 10.8 million.

Last month's jobs report, the first of three prints for the month, was about double the prevailing expectations at the time. Seasonal adjustments and annual benchmarking make the January report more worthy of initial skepticism, but no matter the degree of revision, it will remain a robust month for job growth. Going forward, declining job openings and a fairly large increase in unemployment insurance claims are directionally consistent with slowing hiring. At 3.4 percent unemployment, that's unsurprising. At 3.4 percent unemployment and tightening in monetary policy, that's expected.

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