



U6 Fix

A New Year's Firecracker

GORDON GRAY | FEBRUARY 3, 2023

The January jobs report defied guesstimators, showing over half a million new workers were added to payrolls in the first month of the new year. Payroll growth was more than twice the prevailing forecast. Given the significant revisions, benchmarking, and seasonal factors, labor market watchers should particularly observe the precaution of not leaning too far into one month's data, but a job market characterized by durable employment growth and more measured wage growth is precisely the guide path the Federal Reserve would prefer.

The Bureau of Labor Statistics (BLS) reported that employers added 517,000 workers to their payrolls in January 2023. The private sector added 443,000 workers to their rolls last month, while government employment gained 74,000. Goods-producing industries added 46,000 employees. Construction and manufacturing saw payrolls grow by 25,000 and 19,000 workers, respectively. Within manufacturing, employment in durable-goods industries grew by 4,000, while nondurable manufacturing employment increased by 15,000 workers. The service sector gained 397,000 workers. Leisure and hospitality industries led the gains with 128,000 workers added to payrolls. Private education and health services and professional and business services industries added 105,000 and 85,000 workers, respectively. Information industries also saw a net employment decline of 5,000 workers for the second month in a row. Employment gains in November and December were revised up by a combined 81,000 workers, as part of both the normal revision and the annual benchmarking process.

BLS reported that the unemployment rate in January was 3.4 percent, which matches the lowest measure since 1969. Population adjustments affect the direct comparability of December to January data, but in general, the household survey elements were largely unchanged or otherwise reflected incremental improvement in the labor market. The household survey reflected increased employment and decreased unemployment, and a labor force participation rate of 62.4 percent, which was the highest rate seen last year.

By race, the unemployment rate for Blacks stood at 5.4 percent, the rate for Hispanics at 4.5 percent, the rate for Whites at 3.1 percent, and the rate for Asians at 2.8 percent. By education, those with less than a high school diploma had the highest rate of unemployment, at 4.5 percent. High school graduates stood at 3.7 percent. Those with some college or associate degree stood at 2.9 percent unemployment, and those with a bachelor's degree or higher had the lowest, at 2.0 percent.

Average hourly earnings increased by 9 cents, reflecting a 4.43 percent yearly gain, and a deceleration in the monthly rate of change to 0.3 percent. Average hourly earnings for production and non-supervisory workers increased by 7 cents, for a 5.13 percent gain over the year.

Data junkies, here's your fix: The January U-6 (the broadest measure of unemployment) stood at 6.6 percent, the lowest ever recorded (though prior months have been revised lower still).