U6 Fix

Balanced?

GORDON GRAY | FEBRUARY 2, 2024

The January payroll numbers came in at nearly twice the consensus forecast, posting the single largest employment gain in 12 months. Paired with substantial upward revisions to employment in the prior two months, it is hard to conclude that the labor market remains quite tight. Somewhat surprising hourly earnings growth might suggest more of the imbalance the Chairman Powell recently lamented. But it's not clear how firm that view is. This report is potentially obscured by seasonal factors and other survey revisions. Declining hours that animate a decline in weekly earnings defy a view of unalloyed heat in the labor market. Nevertheless, the report on the whole runs more warm than chilly.

According to the Bureau of Labor Statistics (BLS) payroll survey, employers added 353,000 new workers to their rolls in January. Private-sector firms hired 317,000 new workers, while federal, state, and local governments added 36,000 workers. This was the largest monthly employment gain since last January. Goods-producing industries added 28,000 new workers, with the manufacturing industry leading the gains with 23,000 workers added to its rolls, followed by an 11,000 employment gain in the construction industry. The mining and logging industries lost 6,000 workers. Among service-providing industries, private education and health services saw increased employment of 112,000, followed by a 74,000 gain in professional and business services. Of note, temporary help services employment saw a net gain in employment following near continuous losses over the prior year. Payroll employment for November and December was revised upward by a combined 126,000.

The household survey reflected no major swings in the labor market. This month's survey incorporates annual benchmarking rendering direct comparison to the December data inappropriate. The unemployment rate remains at 3.7 percent, while the labor force participation rate is also unchanged at 62.5 percent. Among the major worker demographic groups, the unemployment rates were generally unchanged.

Average hourly earnings increased by 19 cents, reflecting an acceleration in the yearly rates of growth to 4.5 percent. Average hourly earnings for production and non-supervisory workers rose by 13 cents, for a 0.4 percent monthly gain and a 4.8 percent gain over the year.

Data junkies, here's your fix: The January U-6 (the broadest measure of unemployment) stood at 7.2 percent, which reflecting revisions, is essentially unchanged.