The Daily Dish

February Jobs

GORDON GRAY | MARCH 6, 2020

The January jobs report was rather sunnier than most analysts (including this one) expected. The American labor market continued to add jobs at a remarkable clip this late in the recovery, while wages showed healthy gains. Payrolls in January grew by 225,000, with private-sector payrolls growing by 206,000. The labor force grew by 50,000, and the labor-force participation rate increased to 63.4 percent – the highest that measure has been since 2013. Average hourly earnings increased by 7 cents, a 3.1 percent increase over the year, while average hourly earnings for production and non-supervisory workers increased by 3 cents for a 3.3 percent gain over the year.

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

- The Producer Price Index for final demand increased 0.5 percent in January;
- The Consumer Price Index increased 0.1 percent in January;
- Real average hourly earnings increased 1 cent from December to January;
- Orders for durable goods decreased 0.2 percent in January;
- New home sales increased 7.9 percent in January;
- The Price Index of U.S. imports did not change in January;
- ISM Non-Manufacturing Index increased to 57.3 percent in February;
- ISM Manufacturing decreased to 50.1 percent in February;
- Consumer Confidence Index increased from 130.4 to 130.7 in February;
- ADP reported private sector employment increased by 183,000 jobs in February.

Gordon's Guesstimate: February Jobs
Authored by Gordon Gray, AAF's Director of Fiscal Policy

Over the foreseeable future, and barring any other surprises, the U.S. economic and financial market outlook will be dominated by the coronavirus and the presidential election. From now until November, the media will breathlessly cover half-baked plans for tax changes, infrastructure, and a host of other issues from the major candidates (including Trump) that will bear little resemblance to any future change in law. That discussion, happily, should not animate the strength of the labor market, though it will move financial markets. The coronavirus on the other hand could substantially affect the U.S. economy, and indeed already has, but it is unlikely to have significantly moved today's jobs numbers.

Instead, the February employment situation should be a snapshot of the U.S. economy, a resilient, modestly growing market economy despite flagging global growth. Even before taking the effects of the coronavirus into account, Q1 gross domestic product (GDP) was expected to fall off of last quarter's 2.1 percent growth due in part to a halting of Boeing's production of the 737 MAX. While Boeing itself does not appear to have laid off workers, the production halt will have employment consequences for Boeing's suppliers. Somewhat more seasonal weather could also pull back some of the pop seen in the January jobs report.

What are the vital signs showing in advance of this morning's numbers? Both the ISM manufacturing and non-manufacturing indices, among the few indicators for February's jobs market available, suggest employment growth in these sectors. Disruptions to manufacturing supply chains do not yet appear to have shown up in the jobs data. The ADP and UI claims data point to more enduring strength in the labor market.

For February, this guesstimator expects payroll gains of 155,000 in February, unemployment to have ticked down to 3.5 percent, and average hourly earnings to pick up 6 cents, for a 3.04 percent yearly gain.