



The Daily Dish

January Jobs

GORDON GRAY | FEBRUARY 2, 2024

The December payroll numbers came in a bit above expectations, with larger gains (post revisions) in private-sector rolls, along with an acceleration in earnings growth. Below the topline, the report was a bit mixed. Employers in December added 216,000 jobs, with private-sector payrolls gaining 142,000 jobs, while the unemployment rate remained at 3.7 percent. The labor force participation rate fell to 62.5 percent.

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 December;
- The Consumer Price Index increased 0.3 percent in December;
- Real average hourly earnings increased two cents from November to December;
- Orders for durable goods (including defense and aircraft) were unchanged in December;
- New home sales increased 8.0 percent in December;
- The Price Index of U.S. imports was unchanged in December;
- ISM Services Index decreased 2.1 percentage points to 50.6 percent in December;
- ISM Manufacturing increased 2.0 percentage points to 49.1 percent in January;
- Consumer Confidence Index increased 6.8 points from 108.0 to 114.8 in December;
- ADP reported private sector employment increased by 107,000 jobs in January.

GORDON'S GUESSTIMATE: JANUARY JOBS

If observers of Chairman Powell's press conference on Wednesday had to play the "take a shot of bourbon every time Jerome says 'balance,'" they would not be long capable of observation. Speaking specifically about the labor market, in contrast to a reporter's concern about a "weakening" labor market, the chairman observed that the labor market had been in "severe imbalance," and though still "strong" and "good," it was coming into balance. Indeed, in this instance, one man's weakness is another man's balance.

The pace of hiring has plainly slowed over the course of the last year, while labor demand reflected in job openings have come back down to Earth. To be sure, this weakness as balance should be couched in performance over the past year – nearly 2.7 million new jobs were added to payrolls on net and more than 2.4 million workers were pulled into the labor force. While still subject to revision, the December employment gain was nearly as strong (errr, imbalanced?) as that observed a year earlier when unemployment was bouncing off historic lows.

Risks remain going forward, as Chairman Powell articulated. While some observers have declared victory over inflation, the champagne is not flowing yet at the U.S. central bank. Looking at recent data, "balance" is indeed apt. The PMI indices are essentially poised in break-even territory, though the manufacturing index showed some strong upward price pressures as contracts are locked in early in the year. Still more indicators were

essentially unchanged. One exception was with respect to jobless claims – initial UI claims jumped to a two-month high in the most recent print.

Looking to tomorrow, this observer will be keen to see if the household and payroll surveys come back into harmony or continue to diverge. Persistent, mixed signals from these surveys would be a sign of trouble, as would, if the trend continues, a straight year of employment losses in temporary workers. Notwithstanding some hazards to observe, this guesstimator is expecting a jobs report that is at once strong and “balanced,” with a payroll gain of 195,000. Unemployment should stay put at 3.7 percent while average hourly earnings should tick up 10 cents for a 4.1 percent yearly gain.