

U.S. Data Review

- The December employment report: strong in every respect

Michael Moran

 Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

The Labor Market in December

The ISM index published yesterday suggested a slowing in the pace of economic activity, but the employment report for December signaled that growth remained on track. Payroll employment jumped 312,000, easily beating the expected increase of 184,000. In addition, results in the prior two months were revised upwards, with payrolls now 58,000 larger than previously believed. Other aspects of the report also were firm: average hourly earnings rose 0.4 percent, the average workweek lengthened, and the size of the labor force jumped.

Several industries contributed to the jump in employment with above-average increases, including manufacturing, construction, retail trade, health, education, and leisure. Some of the gains reflected offsets to slow results in the prior few months (construction, retail trade, education), but the net effect was still an impressive showing on job growth.

The unemployment rate looked unimpressive with an increase of 0.2 percentage point to 3.9 percent, but the rate almost rounded down to 3.8 percent (3.856 percent versus 3.696 percent in November). More important, the increase in joblessness was the result of a jump in the size of the labor force (419,000) that exceeded the gain in employment as measured by the household survey (142,000). The broad unemployment rate held steady at 7.6 percent, as declines in both the number of involuntary part-time workers and marginally attached workers offset the influence of the traditional unemployment rate.

Average hourly earnings jumped 0.4 percent, exceeding the expected increase of 0.3 percent. The latest monthly change pushed the year-over-year advance to 3.2 percent, matching the best of the current expansion (October was actually a touch better at 3.173 percent versus 3.153 percent in December). Average hourly earnings for production workers (ex-supervisors) also rose 0.4 percent, which left the year-over-year increase at 3.3 percent, the best of the current expansion.

The length of the average workweek totaled 34.5 hours, up 0.1 hour from the prior month but still slightly below readings of 34.6 hours seen in several other months of the current expansion. Still, the increase in worktime added an accent to other strong elements of the report. The index of total worktime, which combines the effects of the changes in employment and the length of the workweek, provides a good summary of the overall tone of the report. This measure rose 0.5 percent in December, among the best of the current expansion (fifth best to be precise) and the strongest in more than four years.

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (Pct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2016	195	178	4.9	9.6	176	142	59.7	10.8	5,948	0.2	34.4
2017	182	180	4.4	8.5	149	71	60.1	10.1	5,254	0.2	34.4
2018	220	214	3.9	7.7	240	217	60.4	9.3	4,780	0.3	34.5
Qtrly. Average											
17-Q4	221	223	4.1	8.0	-111	-185	60.2	9.4	4,921	0.2	34.5
18-Q1	218	221	4.1	8.1	365	337	60.3	9.3	5,022	0.2	34.5
18-Q2	217	209	3.9	7.8	144	161	60.4	9.4	4,869	0.2	34.5
18-Q3	190	174	3.8	7.5	159	-25	60.4	9.4	4,537	0.3	34.5
18-Q4	254	252	3.8	7.6	292	395	60.6	9.2	4,689	0.3	34.5
2018 Monthly											
July	165	137	3.9	7.5	372	80	60.5	9.6	4,588	0.3	34.5
Aug.	286	267	3.8	7.4	-360	-407	60.3	9.2	4,368	0.4	34.5
Sept.	119	117	3.7	7.5	465	253	60.4	9.3	4,656	0.3	34.4
Oct.	274 (237)	281	3.8	7.5	513	639	60.6	9.4	4,630	0.2	34.5
Nov.	176 (155)	173	3.7	7.6	221	127	60.6	9.0	4,781	0.2	34.4
Dec.	312	301	3.9	7.6	142	419	60.6	9.1	4,657	0.4	34.5

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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