

U.S. Data Review

- December labor market: tilting on the soft side

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The Labor Market in December

We would not describe the labor market report for December as weak, but it did tilt on the soft side. Nonfarm payrolls rose 145,000, a respectable performance, but lighter than the expected increase of 160,000 and below the average of 223,000 in 2018 and 178,000 in the first 11 months of 2019. In addition, results in the prior two months were revised downward by a combined total of 14,000. A meager increase of 0.1 percent in average hourly earnings added to the soft tone of the report. Unemployment was a bright spot, as the jobless rate remained steady at 3.5 percent, but it showed a dip if calculated with more precision (3.496 percent versus 3.536 percent in November).

Several industries contributed to the below-average increase in employment. The manufacturing sector stood out with a drop of 12,000. This area, which had been soft throughout much of 2019, posted a net gain of 13,000 in October and November, but that advance was essentially reversed in December, reinforcing the soft trend. The natural resources and mining sector also contributed with a drop of 9,000, the fifth decline in the past seven months (interestingly, employment in oil and natural gas extraction is holding up; the decline has largely occurred in other mining sectors). The business-service category, a broad area that usually adds noticeably to employment, posted a modest advance (10,000 versus an average of 35,000 in the prior 12 months), as did the education and health category (up 36,000 versus an average of 57,000 in the prior 12 months; both education and health separately were light). Construction and leisure went against the generally soft performance by posting gains above their recent averages.

The steady reading on the unemployment rate (slight decline with less rounding) was a “strong” performance in that it reflected a solid increase in the size of the labor force (209,000) that was exceeded by an increase in employment as measured by the household survey (267,000). The broad unemployment rate fell 0.2 percentage point to 6.7 percent (6.723 percent versus 6.851 percent in October), as a drop in the number of involuntary part-time workers joined the slight improvement in the traditional jobless rate.

The increase of only 0.1 percent in average hourly earnings represented the most disappointing aspect of the report. The feeble increase marked the second soft showing in the past four months (unchanged in September), which has moved the year-over-year change to 2.9 percent, down from 3.2 percent in August and 3.4 percent in February. The softness for a time was concentrated among managerial employees, as gains for production workers remained respectable. However, production workers fared poorly in December (0.1 percent) after a mediocre result in November (0.2 percent). The year-over-year change for production workers eased to 3.0 percent in December from a recent peak of 3.6 percent in October.

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											
2017	179	172	4.3	8.5	147	69	60.1	10.1	5,254	0.2	34.4
2018	223	215	3.9	7.7	237	214	60.4	9.3	4,779	0.3	34.5
2019	176	162	3.7	7.1	165	120	60.8	9.2	4,407	0.2	34.4
Qtrly. Average											
19-Q1	174	165	3.9	7.5	-28	-59	60.7	9.3	4,641	0.2	34.5
19-Q2	152	146	3.6	7.2	136	66	60.6	9.3	4,477	0.2	34.4
19-Q3	193	156	3.6	7.0	383	306	60.9	9.1	4,230	0.3	34.4
19-Q4	184	182	3.5	6.8	168	168	61.0	9.1	4,278	0.2	34.3
2019 Monthly											
Oct.	152 (156)	164	3.6	6.9	246	350	61.0	9.2	4,397	0.3	34.3
Nov.	256 (266)	243	3.5	6.9	-8	-54	61.0	9.2	4,288	0.3	34.3
Dec.	145	139	3.5	6.7	267	209	61.0	9.0	4,148	0.1	34.3

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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