Daiwa Capital Markets

# U.S. Data Review

- Labor market: limping ahead
- International trade: exports and imports advance, imports more so; deficit widens slightly
- Factory orders: key items above pre-virus levels

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## The November Employment Report

Nonfarm payrolls rose 245,000 in November. In most circumstances, such a gain would be viewed as brisk, but it is modest in this case because of the substantial ground that needs to be regained. The latest result also was shy of the expected increase of 470,000. With the latest advance, the labor market has now regained 56 percent of the jobs lost after the onset of the pandemic. Revisions in the prior two months were modest (up 11,000).

Most industries posted results similar to that for the headline index (up 0.2 percent; percent change used because of variation in industry size). Transportation and warehousing were much stronger than average (2.7 percent), but most of the gain was in warehousing and courier services (a volatile category). Results at temporary help agencies also were firm (up 1.2 percent), as they have been in other recent months (this area has regained 67 percent of the ground lost because of the pandemic). Construction employment was a tad stronger than average (0.4 percent). On the soft side, employment at private educational institutions fell 0.2 percent, as remote learning has reduced needed staff. Employment in the federal government fell 2.9 percent, as 93,000 of the remaining 99,000 census jobs were eliminated; non-census employment rose 7,000.

The unemployment rate fell 0.2 percentage point to 6.7 percent, but it was a “soft” decline in that a drop in the size of the labor force (off 400,000) outweighed a decline in employment as measured by the household survey (off 74,000). These declines, however, were not troubling because they followed huge increases in the prior month (2.2 million for employment and 724,000 for the labor force). The latest shift could be viewed as normal volatility. The number of permanent job cuts has changed little in the past two months after a jump in the summer (up 59,000 in November but down 72,000 in October). The average duration of unemployment rose noticeably (up 2.0 weeks to 23.2 weeks), but this series remained within the range seen before the onset of the pandemic (range of 19.7 to 24.1 weeks in 2019).

## Employment Report*

| | Nonfarm Payrolls (Chg., Thousands) | | Private-Sector Payrolls (Chg., Thousands) | Unemp. Rate (Percent) | Broad Unemp. Rate (Percent) | Household Emp. (Chg., Thousands) | Labor Force (Chg., Thousands) | Emp.-Population Ratio (Pct.) | Median Duration of Unemp. (Weeks) | Part-Time Econ. Reasons (Thou.) | Avg. Hourly Earnings % Chg. | Avg. Workweek (Hours) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Annual Average** | | | | | | | | | | | | |
| 2019 | 178 | | 162 | 3.7 | 7.1 | 165 | 120 | 60.8 | 9.2 | 4,407 | 0.2 | 34.4 |
| 2020 | -852 | | -738 | 8.2 | 13.8 | -825 | -372 | 56.7 | 12.4 | 7,319 | 0.4 | 34.5 |
| **Qtrly. Average** | | | | | | | | | | | | |
| 19-Q4 | 210 | | 200 | 3.5 | 6.8 | 168 | 168 | 61.0 | 9.1 | 4,278 | 0.2 | 34.3 |
| 20-Q1 | -303 | | -319 | 3.8 | 7.5 | -1,010 | -548 | 60.8 | 8.5 | 4,755 | 0.4 | 34.3 |
| 20-Q2 | -4,427 | | -3,957 | 13.0 | 20.7 | -4,530 | -994 | 52.9 | 7.8 | 10,194 | 0.8 | 34.5 |
| 20-Q3 | 1,322 | | 1,161 | 8.8 | 14.5 | 1,794 | 70 | 56.1 | 16.5 | 7,438 | 0.2 | 34.7 |
| **2020 Monthly** | | | | | | | | | | | | |
| Apr. | -20,787 | | -19,835 | 14.7 | 22.8 | -22,369 | -6,432 | 51.3 | 2.0 | 10,887 | 4.7 | 34.2 |
| May | 2,725 | | 3,236 | 13.3 | 21.2 | 3,839 | 1,746 | 52.8 | 7.7 | 10,633 | -1.1 | 34.7 |
| June | 4,781 | | 4,729 | 11.1 | 18.0 | 4,940 | 1,705 | 54.6 | 13.6 | 9,062 | -1.3 | 34.6 |
| July | 1,761 | | 1,526 | 10.2 | 16.5 | 1,350 | -62 | 55.1 | 15.0 | 8,443 | 0.1 | 34.6 |
| Aug. | 1,493 | | 1,028 | 8.4 | 14.2 | 3,756 | 968 | 56.5 | 16.7 | 7,572 | 0.3 | 34.7 |
| Sept. | 711 | (672) | 930 | 7.9 | 12.8 | 275 | -695 | 56.6 | 17.8 | 6,300 | 0.1 | 34.8 |
| Oct. | 610 | (638) | 877 | 6.9 | 12.1 | 2,243 | 724 | 57.4 | 19.3 | 6,683 | 0.1 | 34.8 |
| Nov. | 245 | | 344 | 6.7 | 12.0 | -74 | -400 | 57.3 | 18.8 | 6,660 | 0.3 | 34.8 |

** Preliminary readings on nonfarm payrolls are shown in parenthesis.*
*Source: Bureau of Labor Statistics via Haver Analytics*

Average hourly earnings rose 0.3 percent in November, stronger than the expected increase of 0.1 percent. We are not giving this measure careful consideration at this time because shifts in the composition of the labor force are having a larger-than-normal influence (loss of low-wage jobs boosted the measure in the spring, while recovery in the low-wage sector has pulled the average lower in other recent months). The shift in November could be reflecting modest job gains in low-wage areas rather than genuine increases in wage rates.

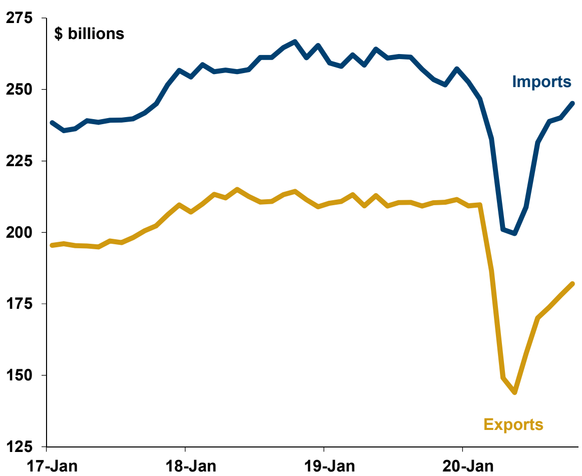
## International Trade

Both exports and imports rose in October (up 2.2 percent and 2.1 percent, respectively; chart, left). While exports showed a larger percentage change, imports dominated in dollar terms and the deficit widened as a result ($63.1 billion in October versus $62.1 billion in September and an average of $62.8 billion in Q3). Slippage occurred in both the goods and services categories.

Trade in goods is recovering noticeably from the pandemic-related drop in the spring. Imports have essentially returned to pre-virus levels, while exports have regained 75 percent of lost ground. Trade in services, in contrast, has barely improved, and the U.S. surplus in service trade has continued to erode.

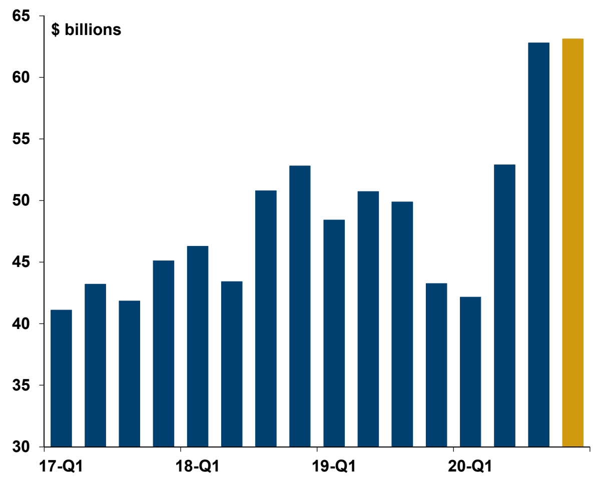
The trade deficit widened in October, but the change relative to the average in Q3 was modest, and thus, the figures in hand suggest little influence from international trade on GDP growth in Q4, a marked change from a drag of 3.2 percentage points in the third quarter (chart, right).

### Imports & Exports of Goods & Services




*Source: Bureau of Economic Analysis via Haver Analytics*

### Trade Deficit for Goods and Services*




** Quarterly averages of monthly data. The reading for 2020-Q4 (gold bar) is the deficit for October.*

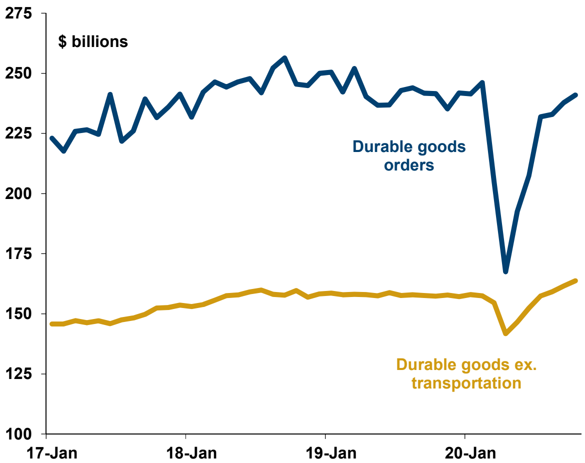
*Source: Bureau of Economic Analysis via Haver Analytics; Daiwa Capital Markets America*

## Factory Orders

Factory orders rose 1.0 percent in October, a touch firmer than the expected gain of 0.8 percent. The advance reflected an increase of 1.3 percent in the durable-goods sector (essentially unrevised from the preliminary estimate released last week) and a gain of 0.7 percent in the nondurable area. The increase in bookings for nondurable goods reflected gains of 0.7 percent in both petroleum products (despite lower prices) and nonpetroleum items.

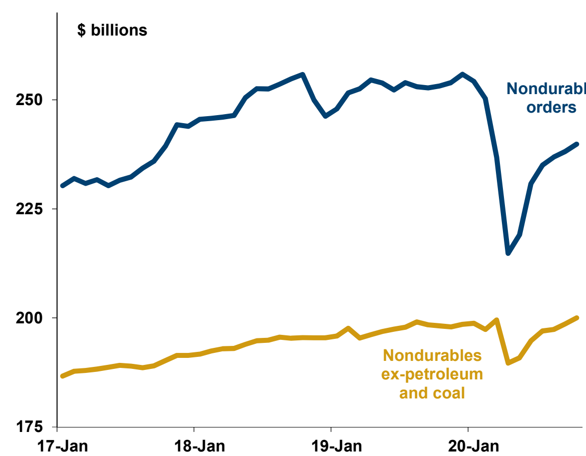
Order flows in general have been favorable in recent months. Total orders in the durable sector are close to pre-virus levels despite pronounced weakness in bookings for commercial aircraft (which are perhaps beginning to recover). Durable orders ex-transportation are noticeably above pre-virus levels (chart, left). Orders for nondurable goods remain shy of early-year totals, but much of the softness has occurred in the petroleum category, reflecting both lower prices and reduced travel because of the pandemic. Nondurable orders ex-petroleum have moved slightly above pre-virus levels (chart, right).

### Manufacturers' New Orders




*Source: U.S. Census Bureau via Haver Analytics*

### Manufacturers' New Orders




*Source: U.S. Census Bureau via Haver Analytics*