

U.S. Data Review

- Employment: solid payroll growth; drop in unemployment rate
- Growth of average earnings slows from brisk underlying average

Michael Moran
Lawrence Werther

Daiwa Capital Markets America
michael.moran@us.daiwacm.com
lawrence.werther@us.daiwacm.com

December Employment

- The increase of 223,000 (0.15%) in nonfarm payrolls in December slowed from the average of 270,000 (0.18%) in the prior four months, but it was a firmer than the expected advance of 203,000. Results in the prior two months were revised down by a combined 28,000, but even with the adjustment, the latest increase could be viewed favorably as hiring has proved resilient despite aggressive action by the Fed to slow economic activity.
- Payroll growth in several industries stood out on the firm side in December. The construction industry added 28,000 jobs (0.36%) despite sluggish activity in the housing sector. In addition, the healthcare area continued its brisk clip of hiring (74,000 jobs, +0.36%), and the leisure industries posted another firm month of growth (68,000 positions, +0.42%). On the soft side, professional and business services trimmed payrolls for the second consecutive month (-6,000, -0.03%) and state governments cut payrolls by 19,000 (-0.36%).
- Average hourly earnings rose 0.3 percent from a downwardly revised reading in the prior month (0.4 percent versus 0.6 percent). The shift led to a slowing in the year-over-year increase to 4.6 percent from 4.8 percent in November (revised from 5.1 percent). The year-over-year increase has slowed notably from the recent high of 5.6 percent in March. While Fed officials likely view the latest advance in earnings as inconsistent with the two percent inflation target, they will probably be heartened by the deceleration in wage growth.
- The unemployment rate declined 0.1 percentage point to 3.5 percent from a downward-revised reading in November (3.6 percent versus 3.7 percent previously reported; the Bureau of Labor Statistics applied new seasonal factors to previous data, which led to the adjustment). The latest result carried a strong tone, as a surge of 717,000 in employment measured by the household survey outpaced growth of 439,000 in the size of the labor force.

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 Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2019	164	146	3.7	7.2	168	125	60.8	9.3	4,407	0.2	34.4
2020	-774	-688	8.1	13.7	-739	-329	56.8	12.6	7,227	0.5	34.6
2021	562	524	5.4	9.4	510	138	58.4	16.1	4,914	0.4	34.8
2022	375	350	3.6	6.9	264	213	60.0	8.7	3,930	0.4	34.5
2022 Monthly											
Jan.	504	492	4.0	7.1	1,041	1,223	59.7	9.6	3,735	0.6	34.6
Feb.	714	704	3.8	7.2	468	229	59.8	9.3	4,137	0.1	34.7
Mar.	398	385	3.6	6.9	738	439	60.1	8.3	4,168	0.5	34.6
Apr.	368	368	3.6	7.0	-346	-351	59.9	8.2	4,034	0.3	34.6
May	386	331	3.6	7.1	317	328	60.0	8.7	4,317	0.4	34.6
June	293	346	3.6	6.7	-242	-276	59.9	8.2	3,631	0.4	34.5
July	537	448	3.5	6.8	215	-12	59.9	8.3	3,925	0.5	34.5
Aug.	292	233	3.7	7.0	422	724	60.1	8.6	4,140	0.3	34.5
Sep.	269	255	3.5	6.7	156	-95	60.1	8.5	3,843	0.4	34.5
Oct.	263	(284) 219	3.7	6.7	-257	27	60.0	8.4	3,664	0.3	34.5
Nov.	256	(263) 202	3.6	6.7	-66	-119	59.9	8.8	3,688	0.4	34.4
Dec.	223	220	3.5	6.5	717	439	60.1	8.9	3,878	0.3	34.3

* Preliminary readings on nonfarm payrolls shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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- The broad unemployment rate fell by 0.2 percentage point to 6.5 percent, influenced by a drop of 231,000 in marginally attached workers (those that would like a job but are not actively looking).
- The labor force participation rate rose 0.1 percentage point to 62.3 percent. The participation rate had shown signs of increasing early in 2022, rising to 62.4 percent in March from 61.7 percent in September of 2021, but it has lost momentum since then moving in a range of 62.1 percent to 62.3 percent.
- The average workweek softened in December, dipping 0.1 hour to 34.3 hours. The decline in hours suggests a soft month for production, a view supported by the decline of 0.1 percent in the index of aggregate work time.
- On balance, a solid report on the labor market. Although wage growth cooled, payroll growth in excess of 200,000 and an unemployment rate of 3.5 percent suggest that the Fed has more work to do in correcting supply-demand imbalances in a tight labor market.