

December 2018 U.S. Employment A Whale of Jobs Report

- Payroll Employment increased by 312,000 jobs in December, well above expectations.
- The Unemployment Rate for December increased to 3.9 percent.
- Average Hourly Earnings increased by 0.4 percent in December and were up 3.2 percent over the year.
- The Average Workweek in November increased to 34.5 hours.

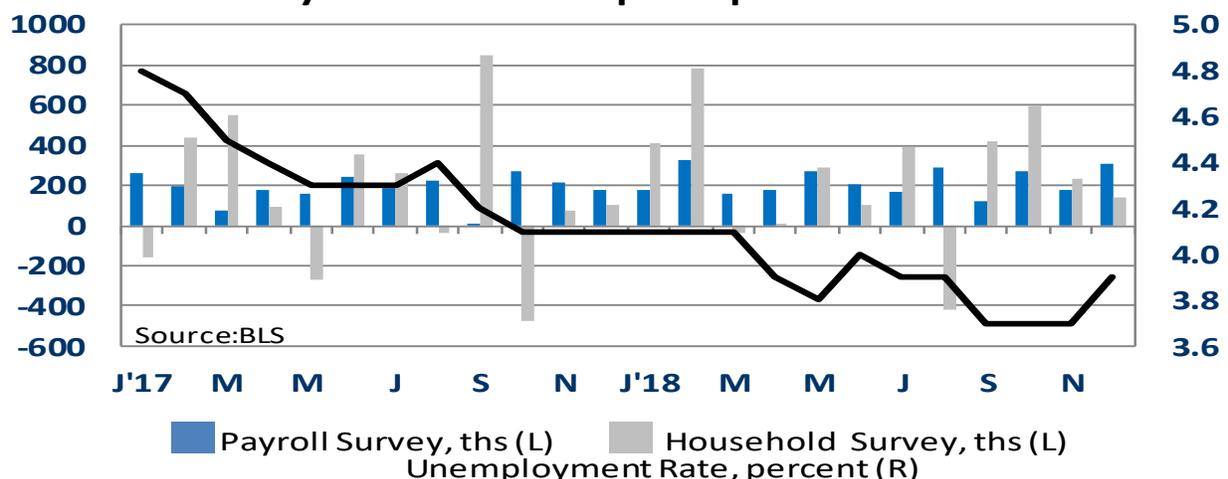
Substantially more workers worked longer hours and got paid more money in December than expected. There is nothing not to like about that. The surprising BLS jobs report for December showed a robust net gain of 312,000 new jobs for the month. November and October payrolls were revised up by a total of 58,000 jobs. The average work week for December increased from 34.4 to 34.5 hours. Average hourly earnings increased by 11 cents or 0.4 percent from November and were up by 3.2 percent over the previous 12 months, a new high for this cycle. The unemployment rate ticked up to 3.9 percent with a large increase in the labor force. Weather effects were modest in December compared with the 10-year average, so that added about 30,000 jobs to the December total.

By any measure the December BLS payroll numbers are impressive. They align with the strong ADP employment report released yesterday. U.S. labor data now stands in contrast with other cooling U.S. and international metrics. The strong December jobs data comes just a few weeks before the next Federal Open Market Committee meeting over January 29/30. We expect the Fed to hold the fed funds rate range steady at 2.25-2.50 percent and make no other changes to monetary policy. But there will be a very interesting discussion at the Fed about what to do in the following meetings. The Fed's dot plot from December is consistent with two 25 basis point rate hikes in 2019. However, financial markets have discounted that. We expect the implied probabilities of future rate hikes to increase as a result of the strong December labor data.

The establishment survey indicated that jobs gains were broad-based in December. Mining and logging industries gained 4,000 workers despite lower oil prices. Construction built a strong 38,000 worker increase. Manufacturing employment increased by a solid 19,000 net new jobs in December. Wholesale trade added 8,400. Retail added 23,800. Information services broadcast a loss of 1,000 jobs. Financial services rung up 6,000 net new jobs in December. Professional and business services accounted for a gain of 43,000 net new jobs. Education and health services showed a strong gain of 82,000 jobs for the month. Government employment was up by 11,000 jobs. If the partial federal government shutdown extends into late next week, there will be a noticeable drag from federal government employment in the January data.

Market Reaction: U.S. equity markets opened with gains. The 10-Year T-bond yield is up to 2.63 percent. NYMEX crude oil is up to \$47.99/barrel. Natural gas futures are up to \$2.86/mmbtu.

Payrolls Were Pumped Up in December



To subscribe to our publications or for questions, contact us at ComericaEcon@comerica.com. Archives are available at <http://www.comerica.com/insights>.
Follow us on Twitter: @Comerica_Econ.

The articles and opinions in this publication are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.