

January 2019 U.S. Employment

A Very Muddy Jobs Report Should be Discounted

- Payroll Employment increased by 304,000 jobs in January, well above expectations.
- The Unemployment Rate for January increased to 4.0 percent.
- Average Hourly Earnings increased by 3 cents in January and were up 3.2 percent over the year.
- The Average Workweek in January was unchanged at 34.5 hours.

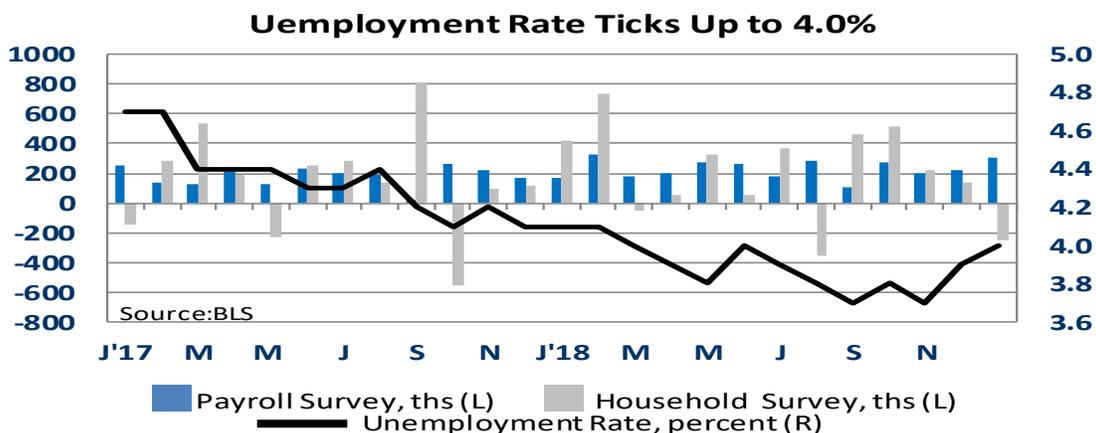
The official Bureau of Labor Statistics employment report for the month of January was especially muddy, due to a combination of factors that challenges all but the broadest conclusions. The establishment survey showed that January payrolls increased by a very strong 304,000. December payrolls, which were previously reported as up by 312,000, were revised down significantly, to now show a gain of 222,000. According to the BLS, furloughed federal workers were counted as employed in January because they will eventually get paid, an interesting interpretation. The average workweek was unchanged at 34.5 hours. Average hourly earnings increased by 3 cents for a 3.2 percent year-over-year gain.

Even though furloughed federal government workers were counted as employed in the establishment survey, they were counted as unemployed in the household survey which gives us the unemployment rate. The household survey of employment dropped by 251,000 jobs in January, causing the unemployment rate to tick up to 4.0 percent.

Along with normal seasonality and weather effects, and the inconsistent treatment of the federal government shutdown, the BLS also re-benchmarked the establishment survey and revised their seasonal adjustment factors. In short, there is a lot going on with the employment report that challenges any conclusions drawn from a one-month analysis. Some of the industry numbers in the establishment survey are eye-catching. The best we can do with this report is to say that moderate-to strong hiring probably continued through January. Hopefully, trends will become clear as the data machinery normalizes this spring.

The establishment survey indicated that jobs gains were broad-based in January. Mining and logging industries gained 7,000 workers despite lower oil prices. Construction employment swelled by 52,000 workers even though residential construction has been soft. Manufacturing employment increased by 13,000 workers, led by gains in transportation equipment. Wholesale trade added 4,700 jobs. Retail trade employment was up by 20,800 jobs. Transportation and warehousing was very strong, adding 26,600 net new jobs. Utilities dropped 500 workers and Information companies reduced their numbers by 4,000. However, financial services added 13,000 jobs. Professional and business services gained 30,000 while education and healthcare employment increased by 55,000 net new jobs. Leisure and hospitality industries added a huge 74,000 jobs in January, according to the BLS. Government employment increased by 8,000 workers despite the partial federal government shutdown.

Market Reaction: U.S. equity markets opened with gains. The 10-Year T-bond yield is up to 2.65 percent. NYMEX crude oil is up to \$54.16/barrel. Natural gas futures are down to \$2.78/mmbtu.



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