

December 6, 2013

Employment; Is "outlook" improved?

by Pierre Ellis*

The November employment report is on, or firmer than, expectations on most dimensions, with clear hints that pressure is upward rather than downward.

Payroll employment rises 203,000 (Consensus: +183,000; Decision Economics: +205,000), with revisions to September and October netting at +8,000.

In a clear indication of firming tone, the workweek lengthens by 0.1 hour from an unrevised October figure (Consensus: +0.1 hour; Decision Economics: unch), and the overall picture supports a 0.2% rise in average hourly earnings (Consensus and Decision Economics: +0.2%), accelerating from +0.1% in October.

Meanwhile, continuing its wild recent motion, the unemployment rate drops 0.3 point (Consensus: -0.1 point; Decision Economics: unch) to 7.0%, in the "strong" pattern of an 818,000 rise in employment and a 455,000 jump in the labor force.

But, the net effect of employment and labor force moves over the last two months is an 83,000 rise in employment and a 265,000 decline in the labor force--for a 0.2-point fall in the unemployment rate.

Fed officials will clearly be heartened by the firm payroll data picture (there was a 0.5% rise in total hours worked in November), and not discouraged by the household data (though cautious because of the continuing big role of labor-force weakness).

But, the issue will be not just whether the labor market is "substantially" improved, but whether the "outlook" for the labor market is substantially improved. The jury remains out on that issue--particularly because of still very cautious consumer and investment spending and because of the apparent sudden pileup of inventories in the third quarter.

*Sr. Global Fixed Income Economist, New York, +1 212 884 9442, pellis@decisioneconomicsinc.com