

U.S. Employment: Stupor Bowl

U.S. nonfarm payrolls fell 20,000 in January, confounding market expectations of a slight gain. This followed a large downward revision to December's losses to -150,000 (from -85,000 previously), though November's surprising gain was upped to 64,000 (from 4,000 previously). Revised data back to April 2008 show an even weaker labour market than previously thought, with an additional 930,000 positions lopped off the 12-month total to March 2009. This means the workforce shrank by 8.4 million workers or 6.1% since the recession began in December 2007. On a more positive note, while hiring has yet to resume, the labour market is showing clear signs of stabilizing after the worst slump in the postwar era. A nice rebound in household survey employment pushed the unemployment rate down three tenths to a five-month low of 9.7%, further below the 26-year high of 10.1% hit in October. The "underemployment rate" dropped even faster to 16.5%, down from October's record high 17.4%. Employers extended work hours and increased earnings (in recognition of fantastic productivity growth, which is likely to be revised even higher now). The index of aggregate weekly hours rose three tenths, and is up 2.2% annualized from Q4, generally supporting our 3% estimate for Q1 GDP growth. Outside of construction and state/local government, most sectors saw decent job gains, namely retail and business services, while manufacturing saw its first increase in three years. Temporary help, often a leading indicator of employment, tacked on another 52,000 jobs. Census hiring likely bumped up federal government hiring, and will become a bigger influence on payrolls in the spring.

	(average change)					
(thousands)	Jan	Dec	Nov	3 months	12 months	
Nonfarm Payrolls	-20	-150	64	-35	-335	
Goods Producing	-60	-54	-33	-49	-167	
Private Service Producing	48	-69	108	29	-158	
Manufacturing	11	-23	-25	-12	-84	
Construction	-75	-32	-15	-41	-77	
Retail Trade	42	-18	9	11	-33	
Avg. Hourly Earnings (% chng)	0.3	0.2	0.1	2.4 ***	2.5 ***	
Private Workweek (hours)	33.3	33.2	33.2	33.0 *	33.3 *	
Mfg. Workweek (hours)	40.8	40.6	40.5	40.0 *	39.8 *	
Aggr. Hours Worked (% chng)	0.3	0.0	0.7	4.2 ***	-3.5 ***	
Unemployment Rate (%)	9.7	10.0	10.0	10.1 *	7.7 *	

* 3 and 12 months ago *** 3-month % change **** year/year % change

The Bottom Line: Minus 20k is a big step up from minus 779k a year ago, and it's just a matter of time before job growth resumes. For now, however, the labour market is still acting as a headwind for debt-laden and income-constrained consumers.

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