

UNITED STATES DATA RESPONSE

6th Jan. 2012



Employment Report (Dec.)

Labour market conditions continue to improve

- The bigger than expected 200,000 increase in non-farm payrolls in December (consensus forecast was 155,000) alongside the decline in the unemployment rate to a near three-year low of 8.5%, from 8.7%, certainly suggest that labour market conditions are improving. December's payroll gain was double the 100,000 increase in November.
- There were one or two red flags in the report, however. For a start, 42,000 of the job gains were in the couriers and messengers sector, which normally never adds or subtracts more than 1,000 jobs in any single month. The BLS suggests that this is a bigger than normal seasonal effect linked to the increased popularity of online holiday shopping. In which case there will presumably be a bigger than normal drop in courier employment this January. In addition, the unseasonably mild weather appears to have been a factor. Only 127,000 people couldn't work because of bad weather last month, well below the average of 192,000 in the five years before that. The weather helps to explain why construction sector employment apparently jumped by 17,000 last month.
- The 8,000 decline in temporary help employment was also a potentially troubling development, with revisions suggesting that temporary help hiring was a lot weaker in October and November than we previously were led to believe. Temporary hiring now points to a slowdown in permanent job gains in the coming months. (See Chart.)
- Nevertheless, putting aside these gripes this is still a very encouraging report. Average weekly hours worked edged up to 34.4, from 34.3, while average hourly earnings increased by 0.2% m/m, taking the annual rate of earnings growth up to 2.1%. Aside from July last year, that's the highest annual growth rate seen in two years.
- Overall, more encouraging economic news, but the headline payroll and unemployment figures perhaps overstate the strength of labour market conditions a little. We anticipate a more modest gain in employment this January.

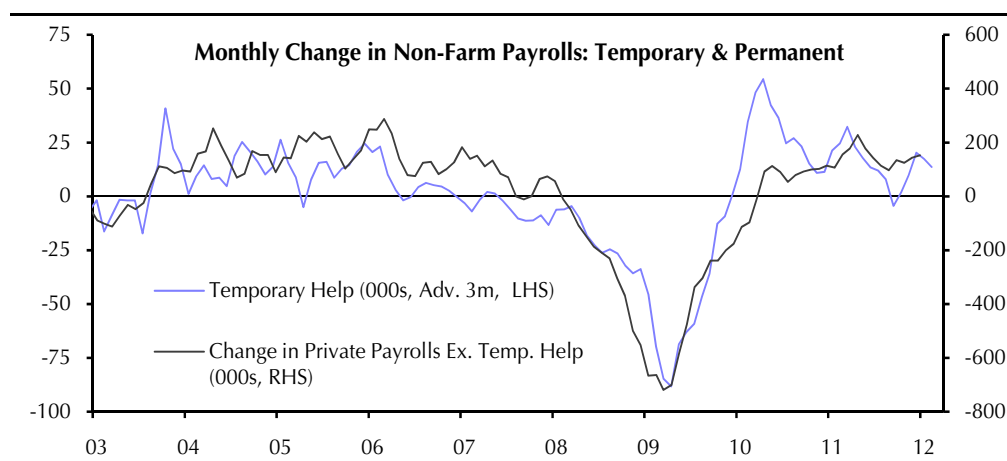
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EMPLOYMENT REPORT													
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Unemployment Rate (%)	9.4	9.1	9.0	8.9	9.0	9.0	9.1	9.1	9.1	9.0	8.9	8.7	8.5
Change in Non-Farm Payrolls (000s)	152	68	235	194	217	53	20	127	104	210	112	100	200
Average Hourly Earnings (%m/m)	0.0	0.4	0.1	0.0	0.2	0.4	0.0	0.5	-0.2	0.2	0.3	0.0	0.2
Average Hourly Earnings (%y/y)	1.7	1.9	1.8	1.8	1.8	2.0	2.0	2.3	1.8	1.9	1.9	1.9	2.1
Average Weekly Hours Worked	34.2	34.2	34.3	34.3	34.4	34.4	34.3	34.3	34.2	34.3	34.4	34.3	34.4

Source – Bureau of Labor Statistics