December Jobs Report

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Summary

The December jobs report included some promising news for today's economy. 223,000 jobs were added during the month, higher than the 206,000 estimated. However, this is less than the 256,000 jobs that were added in the previous month. Job gains were highly concentrated in the leisure and hospitality, healthcare, construction, and social assistance sectors. Although there has been a notably high number of layoffs from tech giants, these highly skilled workers tend to find new jobs more easily than the average worker. The job market is showing weakening in both the tech and real-estate sectors.

The labor force participation rate rose slightly to 62.3%. With the number of unemployed persons down to 5.7 million, the unemployment rate hit a 5-decade low of 3.5%, down from 3.6% in November.

Arguably the most important figure of the report is the 0.3% average hourly wage growth. Wages are one of the highest costs for employers. As wages increase, employers are also increasing the costs of products and services. With costs rising, employees demand higher wages, and the cycle continues to spiral. A slowdown in wage growth is indicative of slower growth in pricing, hence a slowdown in one of the major factors of inflation. This opens the door for the Fed to slow the pace of rate hikes in the coming months. The 0.3% increase is lower than the 0.4% growth recorded in November and October. The yearly wage growth for 2022 came to 4.6%, lower than the 5.0% estimate from economists.

Fed officials have commented on the report, and the consensus is to not take this as a victory lap- rates will continue to rise, but this is a move in the right direction. If future data is in line with this report, it sets the table for the Fed to be able to hike rates by only a quarter of a percentage point at their next meeting. There is room for cautious optimism since this report showed wage growth tempering, which is progress officials have been waiting to see.

Market Response

Stock futures are rallying this morning as traders and investors react to the report. The response is mostly directed to the softening average of hourly wage growth. With wage growth softening, the unemployment rate can be weighed less heavily, although it is still important to note the lowest rate since 1969. This report can be seen as a Goldilocks report for a soft landing; the markets have already been pricing this in, so this report can be seen as a way of boosting the market's confidence.

Bascom Advisors, LLC | E info@bascomadvisors.com | T 980.208.1600 | F 980.208.1611] | bascomadvisors.com