

TRENDMACRO LIVE!

On the January Jobs Report

Friday, February 7, 2020

Donald Luskin

Lots of noise from revisions, and no coronavirus effects yet. But it was a solid beat.

[This morning's January Employment Situation report](#) was, at least on the surface, a strong beat, with 225,000 net payrolls versus the consensus expectation of 165,000. [Last month's](#) inexplicably weak report was revised higher, as we expected (see ["On the December Jobs Report, and the Triumph of Trickle-Down"](#) January 10, 2019), but only by a trivial 2,000 payrolls. November's very strong numbers were revised higher too, by 5,000. So today's beat is slightly better than it looks, because it comes on the back of 7,000 net revisions. We were actually expecting a bigger beat, based on contemporaneous labor market data that pointed to about 300,000 payrolls. There may be upward revisions coming.

- *Health warning – today's report doesn't reflect any effects that may arise in February or onward as the result of disruptions originating in China as it seeks to contain the coronavirus outbreak* (see ["Is Coronavirus a Chinese Bio-Weapon?"](#) February 3, 2020).
- *Another health warning – today's report embeds four major structural revisions from the Bureau of Labor Statistics – [annual benchmark revisions](#) and [industry group reclassifications](#) in the "payroll survey," as well as the [annual population rebasing](#) and a [recalibration of measures of underemployment](#) in the "household survey". So we can't productively put this month's data under the microscope like we usually do.*
- *Much is being made about the benchmark revisions*, in particular, because they *mark down payroll growth since the election of President Donald J. Trump by 422,000 cumulatively*. Sounds important when you put it that way, and less so when you say the downgrade was, on average, 11,000 payrolls per month. Nevertheless, the White House will justifiably crow about this morning's robust numbers, capping off a remarkable week of good political fortune for the president. *His opposition will have a difficult time explaining why 225,000 new jobs in January is anything but just ducky.*
- But that's the past, and for the present and looking forward, the downgrade implies that there's more room than we might have thought for future jobs gains. The January gains themselves would seem to confirm that. In the eleventh year of the longest-ever business cycle expansion, those gains have only been beaten by four previous Januarys. And based on the demographics of aging

Update to strategic view

US MACRO, US FED: A good beat, which may be revised higher. But it's too soon to see effects from China's attempt to control the coronavirus, which may show up in February's numbers and beyond. There were several data revisions that make it difficult to parse today's release as usual. The annual benchmark revision downgraded payrolls since Trump's election by 422,000, or about 11,000 per month, but this morning's beat nevertheless caps off a week of political good luck for the president. Hourly wage growth will do nothing to change the Fed's outlook, and will allow it to consider the risks of the coronavirus outbreak without distraction.

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and education, we estimate that there are still 1.2 million workers entirely outside the labor force who could still enter it to fuel future payroll growth (see [“Data Insights: Jobs”](#) February 7, 2020).

- Finally in this brief note, January’s average hourly wages growth of 0.25%, was unremarkable, and will not change the Fed’s inflation outlook. Surely the Fed will be focused on what it may have to do to cushion any – hopefully – short term economic blow-back from the coronavirus outbreak.

Bottom line

A good beat, which may be revised higher. But it’s too soon to see effects from China’s attempt to control the coronavirus, which may show up in February’s numbers and beyond. There were several data revisions that make it difficult to parse today’s release as usual. The annual benchmark revision downgraded payrolls since Trump’s election by 422,000, or about 11,000 per month, but this morning’s beat nevertheless caps off a week of political good luck for the president. Hourly wage growth will do nothing to change the Fed’s outlook, and will allow it to consider the risks of the coronavirus outbreak without distraction. ▶

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On the web at
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Donald Luskin
Chicago IL
312 273 6766
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy

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