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TRENDMACRO LIVE!
# On the August Jobs Report, and Our 2020 Election Model
Friday, September 4, 2020
**Donald Luskin**

**Everything looks just like 2012, but it only took three months of recovery, not three years.**

[This morning's August Employment Situation report](#) with 1.371 million net payrolls gains beat the consensus for 1.350 million – more so considering downward revisions of 39,000 to the prior two months. 238,000 new temporary census workers were included, which inflates the overall gain, but was presumably baked into the consensus. This moves in the direction of explaining today's large gains against other more tepid August labor market indicators, which in aggregate led us to expect net gains closer to only 400,000.
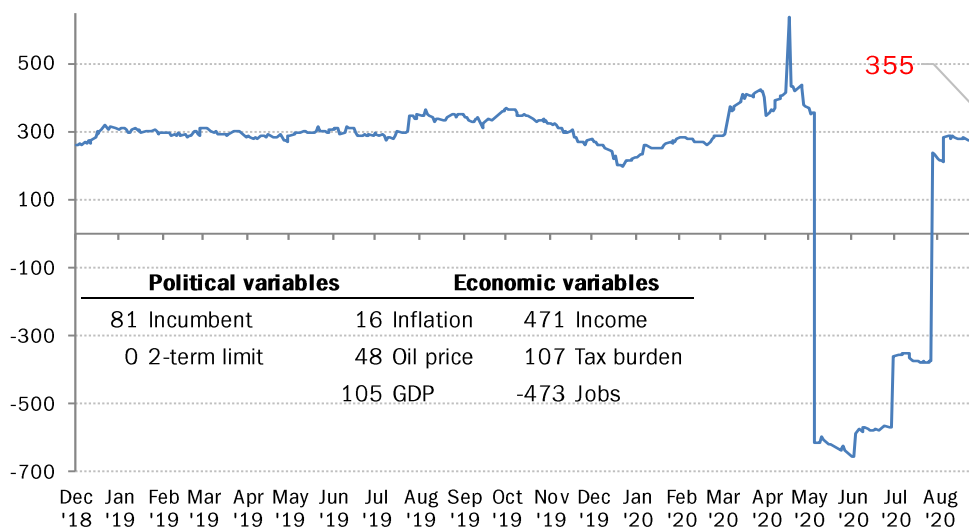
- *Today's payrolls give Donald J. Trump an additional 53 electoral college votes in our quantitative presidential election prediction model* (please see the chart below, and ["Inside Our 2020 Presidential Election Prediction Model"](#) March 18, 2019).
- The model is now forecasting a win for Trump by a margin of 355 electoral college votes. That's surely an unrealistically high point-estimate, but he's going to need some cushion against the inevitable Q3-2020 drop in personal income growth following Q2-2020's floodtide (see ["Video: What you're not hearing about the economy and the 2020 presidential election"](#) August 3, 2020).

TrendMacro 2020 presidential election prediction model:
margin in electoral college votes for incumbent party



| Political variables | | Economic variables | |
|---|---|---|---|
| 81 | Incumbent | 16 Inflation | 471 Income |
| 0 | 2-term limit | 48 Oil price | 107 Tax burden |
| | | 105 GDP | -473 Jobs |

Source: BLS, BEA, Bloomberg, TrendMacro calculations

**Update to strategic view**

**US MACRO, US ELECTION MODEL:** A modest beat versus consensus, more so given small downward revisions to prior months. Today's payrolls were inflated by 238,000 temporary census workers, but presumably that was in the consensus. This datapoint gives Trump 53 additional electoral college votes in our quantitative election model, which now forecasts he will win by a margin of 355. That's a cushion he will need as personal income growth slows in Q3-2020. Today's labor market looks a lot like 2012's, except then it was after three painful years of "Nike swoosh" recovery, and now it's been just three months of a "V."

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- Trump's executive orders extending various relief and stimulus measures will help (see "On Trump's Executive Action Stimulus" August 9, 2020). They will turn what might have been a fiscal cliff into a fiscal off-ramp – for Trump, hopefully, it will have a sufficiently gentle slope.

The unemployment rate was reported at 8.42%, putting the economy solidly into recovering-from-recession territory, which is a big improvement from depression territory where it has recently been. Indeed, looking across the broad front of indicators, *it strikes us that the labor market looks about like it did in 2012, or in some ways a little better* (see "Data Insights: Jobs" September 4, 2020).

- Today's unemployment rate is 8.42%; it was 8.05% in August 2012.
- Today's total number of unemployed persons is 13.35 million; in August 2012 it was 12.47 million. *But today's number of long-term unemployed persons is 1.62 million, while in August 2012 it was 5.03 million.*
- Today's probability of an unemployed worker finding a job within a month (the "outflow rate from unemployment") is 31%; in August 2012 it was 23%. The probability of an employed working losing his job within a month (the "inflow rate") is 1.8%; in August 2012 it was 2.2%.
- Today's share of involuntary part-time workers (those who would prefer full-time work) is 5.1%; in August 2012 it was 5.6%.
- Today's aggregate private-sector hours-worked index is at 103.4; in August 2012 it was 97.1.
- Today there are 9.8 million Americas receiving Social Security disability payments; in August 2012 there were 10.8 million.
- Today the vacancy rate – indicating the availability of jobs – is 4.1%; in August 2012 it was 2.8%.

*That means since the trough of the Covid-19 depression, we've packed what was in 2012 three agonizing years of recovery into just three months.*

*That means the shape of this recovery, so for at least, is very much a "V", not a "Nike swoosh" like last time*. Incidentally, 2012 was an election year in which the incumbent president was re-elected.

**Bottom line**

A modest beat versus consensus, more so given small downward revisions to prior months. Today's payrolls were inflated by 238,000 temporary census workers, but presumably that was in the consensus. This datapoint gives Trump 53 additional electoral college votes in our quantitative election model, which now forecasts he will win by a margin of 355. That's a cushion he will need as personal income growth slows in Q3-2020. Today's labor market looks a lot like 2012's, except then it was after three painful years of "Nike swoosh" recovery, and now it's been just three months of a "V."