

Economics

ECONOMIC FLASH!

economics.cibccm.com

January 7, 2022

US employers still challenged to fill jobs in December

by **Katherine Judge** katherine.judge@cibc.com

| Employment change (thousands, unless otherwise noted) | Dec 21 | Nov 21 | Oct 21 | Sep 21 | Aug 21 |
|---|--------|--------|--------|--------|--------|
| Unemployment rate (%) | 3.9 | 4.2 | 4.6 | 4.7 | 5.2 |
| Avg. hrly earn all (Monthly % Chg) | 0.6% | 0.4% | 0.6% | 0.6% | 0.4% |
| Avg. wkly hour all (Monthly % Chg) | 0.6% | 0.4% | 0.3% | 1.1% | 0.1% |
| Nonfarm employment | 199 | 249 | 648 | 379 | 483 |
| Total private | 211 | 270 | 714 | 424 | 504 |
| Goods-producing | 54 | 72 | 100 | 65 | 54 |
| Construction | 22 | 35 | 44 | 35 | -1 |
| Manufacturing | 26 | 35 | 52 | 29 | 49 |
| Priv. Serv providing | 157 | 198 | 614 | 359 | 450 |
| Wholesale trade | 14 | 11 | 14 | 10 | -5 |
| Retail trade | -2 | -13 | 51 | 39 | 22 |
| Transp. & Warehousing | 19 | 42 | 57 | 63 | 67 |
| Information | 0 | 1 | 12 | 4 | 33 |
| Financial | 8 | 17 | 28 | 12 | 17 |
| Business services | 43 | 72 | 130 | 111 | 139 |
| Temporary help | -2 | 1 | 50 | 15 | 27 |
| Education, health | 10 | 14 | 71 | 16 | 72 |
| Leisure, hospitality | 53 | 41 | 211 | 108 | 71 |
| Government | -12 | -21 | -66 | -45 | -21 |
| Federal Government | -2 | 4 | -4 | -2 | 1 |

Source: Haver Analytics

- Signs of the labor shortage in the US economy extended into December, as employers were only able to add 199K employees, despite job openings sitting at over 10mn heading into the month, and higher wages on offer. A +141K revision to the prior two month job tally helped mitigate the downside surprise relative to the consensus expectation of a 450K gain in jobs. The household survey, considered less accurate on a monthly basis, did show better employment gains, and with the participation rate not making any progress, the unemployment rate fell to 3.9% vs. 4.1% expected. A strong 0.6% rise in wages wasn't enough to entice workers back into the labor force. The spread of omicron since this survey period portends softness in employment, and particularly hours worked, in the months ahead as services

come under pressure, but assuming omicron fades out in a couple of months, that interruption needn't alter the timing of a Fed rate hike this spring.

- Hiring was choppy across industries, as the retail trade sector shed jobs, perhaps a sign that stores banked on an earlier than normal holiday shopping peak with consumers fearing empty shelves due to supply chain issues. The leisure and hospitality sector was the largest contributor to job gains. With wages for non-supervisory employees rising by 0.8% on the month in that industry, the labor shortage could have some hospitality employers opt to hang on to employees and only reduce their hours during an omicron-related slowdown in demand.
- While early signs of the easing of supply chain constraints contributed to advances in hours worked and jobs for manufacturing and construction, global production disruptions stemming from omicron could put the brakes on further growth in those areas in the coming months. Sectors not amenable to working from home are likely to see hits to hours worked in January and February on worker absenteeism linked to omicron outbreaks.
- The household survey showed an outsized gain of 651K jobs, accounted for almost entirely (88%) by women, while the participation rate held steady at 61.9%, pressing the unemployment rate still lower. Labor force participation has been held back by parents dealing with childcare issues, Covid fears, and excess savings that have allowed some to remain off the job longer. With omicron exacerbating those forces, the participation rate isn't likely to make material progress during the winter months.

Implications & actions

Re: Economic forecast — With aggregate hours worked clocking in at a 4.7% annualized pace over the fourth quarter, Q4 GDP will look solid. However, momentum faded a bit in December, and we look for a sub-2% annualized pace of growth in Q1 on omicron impacts. By the second quarter, data on the recovery from omicron should be supportive enough to allow the Fed to raise rates by 25bps.

Re: Markets — Yields rose following the release, as the downside headline miss was largely offset by upward revisions, and the combination of firm wages and a drop in the jobless rate underscored the inflationary pressures that the Fed will want to act against, even if omicron represents a temporary detour.

This report is issued and approved for distribution by (a) in Canada, CIBC World Markets Inc., a member of the Investment Industry Regulatory Organization of Canada, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund, (b) in the United Kingdom, CIBC World Markets plc, which is regulated by the Financial Services Authority, and (c) in Australia, CIBC Australia Limited, a member of the Australian Stock Exchange and regulated by the ASIC (collectively, "CIBC") and (d) in the United States either by (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such offer or solicitation would be prohibited. This document and any of the products and information contained herein are not intended for the use of private investors in the United Kingdom. Such investors will not be able to enter into agreements or purchase products mentioned herein from CIBC World Markets plc. The comments and views expressed in this document are meant for the general interests of wholesale clients of CIBC Australia Limited.

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

© 2021 CIBC World Markets Inc. All rights reserved. Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC