



## TD Economics

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### Data Release: U.S. job growth of 200K plows through expectations in December

- U.S. non-farm payrolls rose by 200K in December, beating expectations for 155K. Private sector hiring expanded by 212K, also topping the consensus for 178K. Government payrolls declined by 12K.
- Goods-producing employment rose strongly in December, up 48K and led by a 23K gain in manufacturing employment. Construction employment also did well, rising by 17K. Services employment accelerated to 164K from 126K in November.
- Revisions subtracted only 8K from job growth over the past two months. November payrolls were revised down by 20K to 100K, while October's were revised up to 112K (previously 100K).
- The unemployment rate fell to 8.5% from an upwardly revised 8.7% in November (annual revisions to seasonal adjustment factors). Household survey employment rose 176K in the month while the labor force declined by 50K.
- Average hourly earnings were up 0.2% in December and weekly earnings rose 0.5%, both rebounding sharply from a weak performance in November.
- For 2011 as a whole, the U.S. economy created 1.7 million jobs (December to December), close to doubling the 872K created in 2010 and the best showing for employment since 2006. The unemployment rate averaged 9.0% through the year, down from 9.6% in 2010.

### Key Implications

- This is a good report on many levels, both beating expectations and providing a number of encouraging details for the state of the economy. Perhaps most encouraging, gains in employment were augmented by increases in average hours, pushing aggregate hours up by a strong 0.5% (6.1% annualized). Moreover, the acceleration in earnings in December in combination with job growth in relatively high paying sectors such as manufacturing should help to give support to spending growth in the early quarters of next year.
- The continued decline in the unemployment rate – which from December of last year has fallen 0.9 percentage points – is becoming increasingly difficult to ignore. While some of the decline is due to discouraged workers leaving the workforce, strong household survey employment gets the majority of the credit. The ability of the household survey to pick up new firm creation and small business employment could mean a stronger pace of job growth than is being picked up in the payrolls report.
- Nonetheless, before we get too excited, there is also room for caution. A major contributor to the gain in service sector employment was a 42K increase in “couriers and messengers.” For the last three years there has been a strange seasonal jump in this category, which is subsequently unwound in January. It could be that changes in the seasonal pattern of employment over time are leading to an overestimation of payrolls employment in December.

- Several challenges will face the U.S. labor market over 2012 including a slowdown in global growth and ongoing fiscal restraint. With economic growth more likely to decelerate than accelerate over the first half of 2012, sustained monthly job growth of 200K will be hard to come by.

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