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Real Time Economics

What to Watch in Friday's Jobs Report

By Brenda Cronin - January 9, 2010

Favorable readings from multiple indicators buoyed expectations for Friday's jobs report, stirring hopes that the economy's momentum at last is spreading to the labor market.

Economists' median forecast for December payrolls climbed to 200,000 from 191,000, in the Dow Jones Newswires survey. The revision came after Wednesday's ADP National Employment Report said that private businesses added 238,000 jobs in the final month of 2013. Expectations held steady for the unemployment rate, now 7.0%. Reports Thursday that both layoffs and claims for jobless benefits eased at year-end kindled optimism for the report to be released Friday by the Labor Department.

"What's happening is the economy is generating some momentum," said Ward McCarthy, chief financial economist of Jefferies LLC. "We're seeing the effects of that accelerated growth on the labor market." He pointed to the 4.1% growth in third-quarter gross domestic product, and said fourth-quarter GDP — the advance estimate will be released in three weeks — could come in around 3%.

December's reading will signal whether the labor market's strength late last year is enduring. Since September, U.S. employers have added an average of 193,000 positions a month. The unemployment rate declined almost a full percentage point throughout 2013 — nearly twice the 0.5 percentage-point decline during 2012. The drop reflects good news and bad news. While

some job-seekers found new positions, others gave up and left the work force. Those exits from the work force — along with the effects of an aging population — are seen in the labor-force participation rate, which, at 63.0, is three percentage points below its prerecession level.

The Labor Department report also is a critical benchmark for Federal Reserve policy makers, whose January meeting will focus on the central bank's bond-buying stimulus. Minutes from the panel's December meeting, released Wednesday, showed agreement on the decision to reduce the purchases by \$10 billion, to \$75 billion, starting this month. Fed policy makers have said they expect to dial back the program steadily in 2014, as long as the economy looks strong enough to progress without such support.

All told, the U.S. is about 1 million jobs away from recouping the roughly 9 million positions lost during and after the recession.

Economists in the most recent Wall Street Journal survey forecast on average that in 2014 the U.S. will add almost 198,000 jobs a month — the highest estimate since 2005, when the survey first posed the question. Such a pace would put the country on track to return to prerecession job levels before July.

However, when one factors in steady population growth, it would take the U.S. until April 2019 to reach where it would have been without the recession's toll. If labor-market gains accelerate to a pace of 250,000 jobs a month, the U.S. would reach that point sooner, in August 2017. (Note that monthly job gains most recently notched such a pace in 1999.)

Returning to net payroll growth for the first time since January 2008 “doesn't mean the labor market will be back to normal but it's a major step along the way to normalcy,” Mr. McCarthy said.

Clues to the labor market's health can be found in the breakdown of temporary, part-time and permanent employment in December's report, said **Bernard Baumohl, chief global economist of the Economic Outlook Group, L.L.C.** Sectors he considers bellwethers are trucking — “it shows if more goods are being transported on the roads” — as well as day-care employment — “If the economy is improving, you would perhaps see ... more double-income families” who need child care.

Weather also could be a wildcard in December's reading, some analysts said, with unusually low temperatures early in the month in parts of the country possibly taking a toll on payrolls.

Accenture, an international consultancy, plans to hire about 60,000 people world-wide this year, up slightly from 2013, said John Campagnino, the firm's managing director of global recruitment. About 5,000 of those hires will be in the U.S., he said, roughly last year's tally.

To recruit candidates, Accenture — which has a global work force of 281,000 — relies heavily on online sites, such as Facebook and LinkedIn, as well as employee referrals, Mr. Campagnino said. There are plenty of talented candidates suited to Accenture's tasks, he said. "The skills are out there, the competition for them is very fierce."

Recent readings on manufacturing, services and the nation's trade balance have reinforced the notion of a strengthening recovery.

One gauge of confidence, the monthly RBC Consumer Outlook Index, edged up 1.8 points in January to 51.5 — its highest point since June. Within the report, the jobs reading was a standout, hitting 61.9, a level not seen since before the recession. RBC analysts attributed the stronger overall reading to a greater sense of job security as well as subsiding unease about the 16-day government shutdown in October.

But the economic signals haven't been unrelentingly good. Data from ShopperTrak indicate that holiday sales rose just 2.7% for the year-end period, the weakest showing since 2009. Online retailers remained busy but bricks-and-mortar stores, after a post-Thanksgiving surge, had lackluster sales until Christmas week.

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