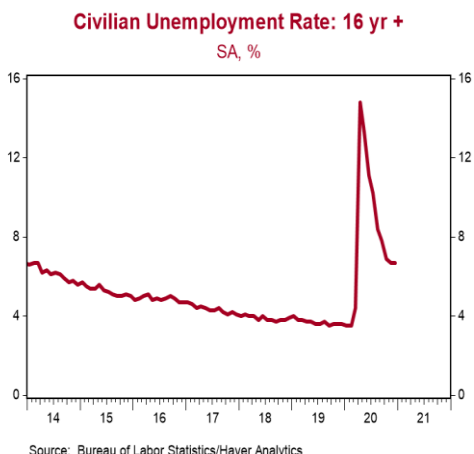
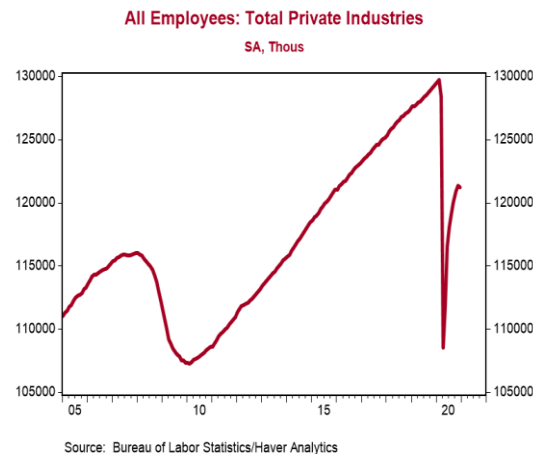


December Employment Report

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- Nonfarm payrolls fell 140,000 in December, lagging the consensus expected +50,000.
- Private sector payrolls declined 95,000 in December. The largest declines were for leisure & hospitality (-498,000), education (-63,000), and government (-45,000). The largest gains were in professional & business services (+161,000, including temps), retail trade (+121,000), and transportation & warehousing (+47,000). Manufacturing rose 38,000.
- The unemployment rate remained at 6.7%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.8% in December and are up 5.1% versus a year ago. Aggregate hours worked declined 0.4% in December and are down 5.2% from a year ago.

Implications: After seven consecutive months of job gains, the impact of renewed COVID restrictions, which ramped up again in November, are showing up in economic data. Nonfarm payrolls fell 140,000 in December, lagging the consensus expected gain of 50,000, the first payroll decline since the massive 20.8 million drop in April. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, increased a bare 21,000 in December, the smallest increase since April's complete shutdown. The underlying data was not much of a surprise. Leisure and hospitality jobs contracted by 498,000 in December, particularly among restaurants & bars, which lost 372,000. (The two other sectors that held down payroll growth in December were government and education.) In other words, the data suggest a combination of increased government restrictions on activity related to COVID-19 as well as the effect of colder weather on outdoor dining were the main culprits behind fewer jobs. However, while the shutdowns garner big headlines, and the impact is predictable, a good portion of industries have learned how to continue operating. The payroll diffusion index, which reports the percentage of industries gaining jobs minus those losing jobs came in at 61.0% in December (well above the 50% mark where gainers and losers are equal). Job-gaining sectors included manufacturing, construction, retail trade, wholesale trade, transportation & warehousing, financial activities, professional & business services, and health care. In other words, this doesn't look anything like a "double-dip" recession. The other weak news in today's report was that average weekly hours ticked down to 34.7 from 34.8. However, the loss of jobs among relatively lower-pay workers in the leisure & hospitality sector likely helped push average hourly wages (for those still at work) up 0.8% for the month and 5.1% higher than a year ago. Combining the figures on hours and wages, total earnings rose 0.4% in December and are only down 0.4% from a year ago. For comparison, back in April, total earnings were down 8.9% versus April 2019. Another way to think about it is that total earnings have increased in each of the past eight months and have now recovered 88% of the losses that occurred in March and April. Note as well that the unemployment rate remained at 6.7% in December as both civilian employment and the labor force both ticked up slightly versus November. The road to a full recovery remains a long one, but today's soft report is not as reason to worry about 2021. Look for a rebound to job growth in the First Quarter and for robust gains in 2021.



Employment Report <i>All Data Seasonally Adjusted</i>	Dec-20	Nov-20	Oct-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.7	6.7	6.9	6.8	7.8	8.1
Civilian Employment (monthly change in thousands)	21	140	2,126	762	1,288	-700
Nonfarm Payrolls (monthly change in thousands)	-140	336	654	283	803	-781
Construction	51	29	72	51	40	-12
Manufacturing	38	35	43	39	41	-46
Retail Trade	121	-21	100	67	122	-34
Finance, Insurance and Real Estate	12	16	30	19	23	-6
Professional and Business Services	161	88	245	165	161	-68
Education and Health Services	-31	44	65	26	89	-98
Leisure and Hospitality	-498	75	265	-53	171	-319
Government	-45	-81	-271	-132	14	-107
Avg. Hourly Earnings: Total Private*	0.8%	0.3%	0.1%	4.7%	3.4%	5.1%
Avg. Weekly Hours: Total Private	34.7	34.8	34.8	34.8	34.7	34.6
Index of Aggregate Weekly Hours: Total Private*	-0.4%	0.4%	0.8%	3.1%	8.9%	-5.2%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized