January Employment Report

February 06, 2015

The economy added 256,000 jobs in January. The job gains were widespread except government, transportation and temporary help. The November and December numbers were revised up by 147,000. The unemployment rate inched up to 5.7 percent from 5.6 percent. Wages rose 0.5 percent recording 2.2 percent gain from a year ago. The government revised the data all the way back to 2010. As of March 2014, there were 91,000 more jobs than the original estimate. A mid-year lift-off in the interest rate is fait a compli after the surprisingly strong job report. There were good news on many fronts. In addition to the whopping employment gain in January with the upward revisions, wages rose nicely. Labor force and the labor participation rate moved in the right direction. A missing piece in previous job reports, the wage inflation, has begun to raise its pretty head. The combination of tightening labor market and the growing optimism among employers is pushing wages upward. Businesses are more comfortable about the economic outlook and willing to hire full-time people and raise wages according to NFIB. In response to better demand and easing credit conditions, SME hiring has been a source of employment strengths and layoffs are slowing. The January bump in wages was a partial offset to the decline in December. Also, some states raised the minimum wages. People are no longer leaving the labor force. Earlier, the jobless rate fell in part because people dropped out of the labor force. Hearing good news on the job front, people are coming out of woodworks to look for jobs, a good sign. The number of part-time workers for economic reasons, a big concern of the Fed, is trending down as well. As businesses feel more confident about the economy, those part-time workers are able to find full-time jobs. Temporary help fell showing that employers prefer full time workers. Even though the June liftoff in the interest rate by the FOMC is now highly likely, there is sentiment that the increase could be delayed based on recent economic data including the 4th quarter GDP and low inflation. The sharp fall in oil price has reinforced the disinflation psychology. The stronger dollar will hold down inflation giving more time to the Fed before raising the interest rate. The anemic rate of economic growth in Europe and the growing concern about a possible deflation there are other considerations. Uncertainties emanating from Greece and Eastern Europe are also important factors.