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GLOBAL ECONOMIC HIGHLIGHTS

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Looking Through the Noise, U.S.'s November Job Gains Look Solid; Central Banks Meet in Australia, Brazil, Canada, India

UNITED STATES: The headline for the November jobs report disappointed, but the details were much stronger. The economy added just 210,000 nonfarm payroll jobs on the month, but the unemployment rate fell sharply to 4.2% from 4.6% on a 1.1 million increase in employment as measured by the survey of households (different from the survey of employers' payrolls). The payroll survey also showed 112,000 in upward revisions to job growth in September and October; with these revisions, job growth averaged 378,000 in the last three months. In the household survey, job growth averaged a much stronger 674,000 over the same period. The true state of the job market in November was probably in between household employment's monthly surge and payroll job growth's sharp slowdown, i.e. another month of solid recovery. Other labor market indicators for November likewise suggest the payroll headline understated job growth. ADP's survey of private payrolls showed 534,000 jobs added in the month; the ISM manufacturing and services surveys reported faster hiring than in October; and the Conference Board's consumer survey showed the best market for jobseekers since the 1960s.

Since the payroll survey looks implausibly weak relative to other labor market indicators, its breakdown of job gains by industry should be taken with a big grain of salt. Caveat noted, November's job growth was especially weak in leisure and hospitality, with only 23,000 jobs added versus a 271,000 average monthly increase between January and August. It looks like the pandemic is weighing on job growth in high-contact industries like food services, hospitality, and entertainment again. Government employment fell by 25,000 in November, mostly due to lower public education jobs; November was a fourth consecutive month of public job losses after a big jump in July. Some of this is probably noise reflecting how the pandemic interrupted seasonal hiring for public education. Job growth in manufacturing slowed to 31,000 from 48,000 in October, and construction job growth slowed 31,000 from 43,000. Retail employment fell 20,400, while couriers, messengers, warehousing and storage added 35,600; retailers are shifting workers to e-commerce channels and away from brick-and-mortar retail this holiday season.

The survey of households was strong across the board. The labor force jumped 600,000, raising the labor force participation rate 0.2 percentage point to 61.8%, the highest since before the pandemic, when it sat above 63%. November's job gains were broad-based among demographic groups, narrowing the gap in the unemployment rate between whites and blacks and between whites and Hispanics; the Fed monitors job market disparities between racial and ethnic groups as indicators of labor market slack since disparities increase when slack is high. Average hourly earnings rose 0.3% on the month and 4.8% on the year.

The December 10th release of the November CPI report will likely show a 0.7% increase in the total CPI on a 2.7% monthly increase in gasoline prices, with core CPI up 0.5% on the month fueled by large increases in new and used vehicle prices, rents, and owners' equivalent rent.

EUROZONE: Inflation by both the total and core harmonized indexes of consumer prices (HICP) rose to the highest since the euro's launch in 1999 in the November preliminary release: The total HICP rose 4.9% on the year in November, up from 4.1% in October, and the core HICP excluding energy, food, alcohol, and tobacco rose to 2.6% from 2.0%. Energy prices were up 27.4% from a year earlier in November, up from a 23.7% increase in October. German CPI in November rose to the highest since 1992 in the same terms.

The unemployment rate fell to 7.3% in October from 7.4% in September, implying a 1.4 million jump in household employment during the month; Eurozone employment is 1.3% above its February 2020 level, and is only 0.2% below the pre-crisis peak reached in December 2019. Employment gains will probably slow this winter as several member countries enact partial lockdowns to tamp down the winter wave of the pandemic.

UNITED KINGDOM: The UK is at risk of a second winter downturn as households pull back on discretionary spending as heating costs spike, rising coronavirus cases make the service sector slow, and energy rationing weighs on manufacturers. UK natural gas futures for January delivery were nearly unchanged on the week ended December 3, down 25% from the October peak, but still four times the level in January 2020.

JAPAN: Key economic indicators strengthened in October. The unemployment rate fell to 2.7% from 2.8% in September; housing starts jumped 10.4% on the year; industrial production rose 1.1% on the month; and retail sales rose 0.9% on the month.

CANADA: Employment surged in the November labor force survey: It rose by 154,000 or 0.8% on the month--an equivalent increase in U.S. payrolls would add 1.2 million jobs. After November's increase, household employment is now 1.0% above its level in February 2020. The unemployment rate plunged 0.7% on the month to 6.0%; the unemployment rate is drawing near its February 2020 level of 5.7%. The month's employment gains were stronger in part-time jobs than full-time jobs; part-time employment rose 2.1% on the month, versus a 0.5% increase in full-time employment. Even so, hours worked across the economy were up 0.7% on the month and recovered fully to the pre-crisis level. Canada's unemployment rate is still above the pre-crisis level despite employment and hours worked fully retracing their downturn because the working-age population is growing rapidly: The population between ages 25 and 54 rose 1.1% between February 2020 and November 2021.

The Bank of Canada will almost certainly hold interest rates unchanged at the December 8 monetary policy decision, but they could pull forward their timetable for raising interest rates after November's blowout jobs report. PNC forecasts for the Bank of Canada to begin raising short-term interest rates at their July 2022 decision; financial markets price in a 25 basis point rate hike by the March decision.

AUSTRALIA: Real GDP fell 1.9% in seasonally-adjusted terms (not annualized) in the third quarter of 2021 from the second, reflecting the drag of lockdowns imposed on more than half of the population during the quarter. The Reserve Bank of Australia is expected to hold its monetary stance unchanged at its December 6 decision after abruptly ending quantitative easing the week before its prior decision, November 1.

MEXICO: Mexico's job market took a step in the right direction in October, but a full recovery is still a long way off. The unemployment rate was unchanged from September at a seasonally-adjusted 3.9%, tying for the lowest since March 2020. The seasonally-adjusted labor force participation rate jumped 0.6 percentage points to 59.1% in October, but was still below its recovery-to-date peak in July.

BRAZIL: The Central Bank of Brazil will likely increase the Selic policy rate from 7.75% to 9.25% when policymakers meet on December 8. Real GDP fell 0.1% on the quarter in the third quarter after a 0.4% decline in the second quarter (revised down from a 0.1% dip in the prior report). Industrial production fell 0.6% on the month in October.

INDIA: The Reserve Bank of India will likely hold its policy repo rate steady at 4.0% at its December 7 decision. India has been able to keep monetary policy accommodative, since inflation has stayed within the RBI's 2%-to-6% target range in eight out of ten months this year, and Brent crude is down 17% from its year-to-date peak reached in October.

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