

Economic Update, January 7, 2022
Submitted by Kevin Vanzant

Summary: Data on the labor market took center stage this week. The jobs report for December showed that the U.S. economy added fewer jobs than expected as nonfarm payrolls [grew](#) by 199,000, below the Dow Jones estimate of 422,000. The unemployment rate fell to 3.9 percent, however, a fresh pandemic-era low and near the 50-year low of 3.5 percent reached in February 2020. Meanwhile, the ADP payroll report for December showed private job growth increasing by 807,000 for the month, well [ahead](#) of estimates and the November gain of 505,000. In job turnover data for November, the Labor Department reported 10.56 million job openings, far [surpassing](#) the 6.88 million of those out of work and looking for jobs for that month, as well as that a record number of workers were quitting or changing their jobs. Taken together, this may suggest a very tight labor market with a high amount of churn. And in the minutes from the December 14-15 Federal Reserve meeting, Federal Reserve officials, in light of current inflation, [eyed](#) a faster timetable for raising interest rates this year, potentially as soon as in March, with some officials also discussing the possibility of shrinking the Federal Reserve’s balance sheet soon after. U.S. construction spending increased in November, led by strong gains in single-family homebuilding, and orders for U.S. manufactured goods rose 1.6 percent in November as well, the 18th [gain](#) in the last 19 months, but the ISM Manufacturing Index for December registered a 58.7 percent reading, below the 60 percent expectation and down from November.

Federal Government Indicators and Reports:

Bureau of Labor Statistics

Friday, [December Job Report](#): “Total nonfarm payroll employment rose by 199,000 in December, and the unemployment rate declined to 3.9 percent. . . . Employment continued to trend up in leisure and hospitality, in professional and business services, in manufacturing, in construction, and in transportation and warehousing.”

Chart 1. Unemployment rate, seasonally adjusted, December 2019 – December 2021

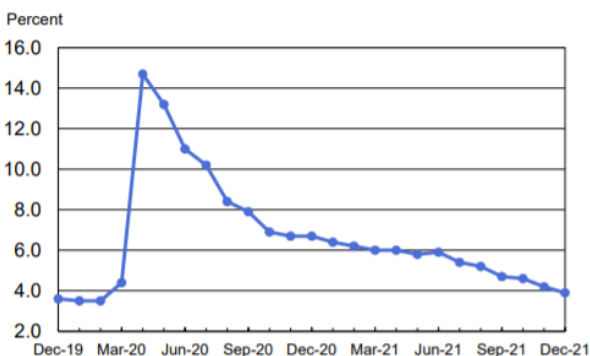
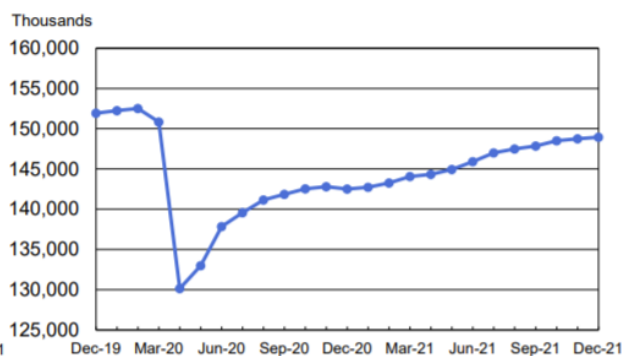


Chart 2. Nonfarm payroll employment, seasonally adjusted, December 2019 – December 2021



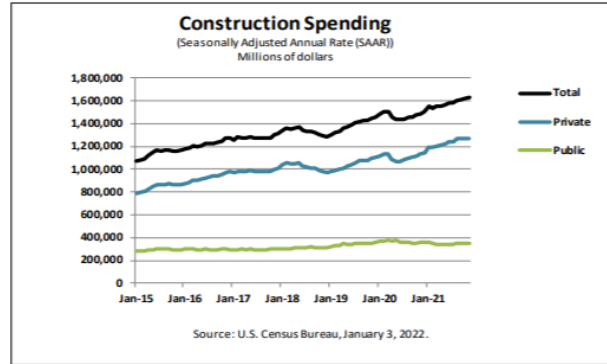
Federal Open Market Committee

Wednesday, [Release of Minutes from December 2021 Meeting](#): “Participants remarked that inflation readings had been higher and were more persistent and widespread than previously anticipated. . . . Some participants judged that a less accommodative future stance of policy would likely be warranted and that the Committee should convey a strong commitment to address elevated inflation pressures. These participants noted, however, that a measured approach to tightening policy would help enable the Committee to assess incoming data and be in position to react to the full range of plausible economic outcomes.” The minutes also noted, “Almost all participants agreed that it would

likely be appropriate to initiate balance sheet runoff at some point after the first increase in the target range for the federal funds rate.”

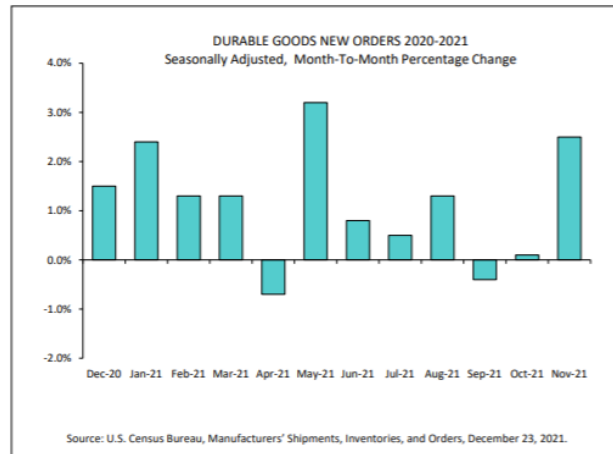
U.S. Census Bureau

Monday, [Construction Spending](#): “Construction spending during November 2021 was estimated at a seasonally adjusted annual rate of \$1,625.9 billion, 0.4 percent above the revised October estimate. . . . The November figure is 9.3 percent above the November 2020 estimate.”



Thursday, [Balance of Trade](#): “The goods and services deficit was \$80.2 billion in November, up \$13.0 billion from . . . October.”

Thursday, [Factory Orders](#): “New orders for manufactured durable goods in November increased \$6.5 billion or 2.5 percent to \$268.3 billion. . . . This increase, up six of the last seven months, followed a 0.1 percent October increase.”



Bureau of Labor Statistics

Tuesday, [Job Openings and Labor Turnover \(JOLTs\)](#): “The number of job openings decreased to 10.6 million on the last business day of November. . . . Hires were little changed at 6.7 million and total separations increased to 6.3 million. Within separations, the quits rate increased to 3.0 percent, matching a series high last seen in September.

Chart 1. Job openings rate, seasonally adjusted, November 2018 - November 2021

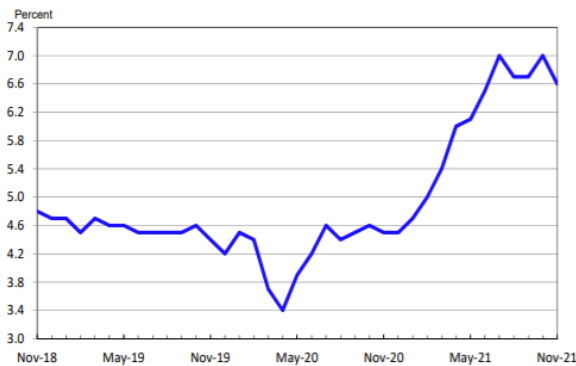
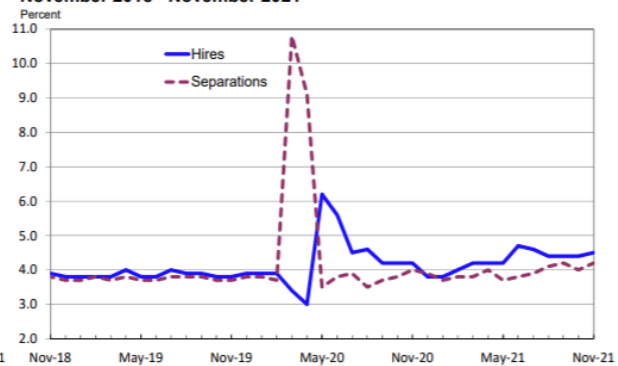


Chart 2. Hires and total separations rates, seasonally adjusted, November 2018 - November 2021



Economic Indicators and Confidence:

ADP

Wednesday, [Private Sector Employment Report](#): “Private sector employment increased by 807,000 jobs from November to December. . . . ‘December’s job market strengthened as the fallout from the Delta variant faded and Omicron’s impact had yet to be seen,’ said Nela Richardson, chief economist, ADP. ‘Job gains were broad-based, as goods producers added the strongest reading of the year, while service providers dominated growth. December’s job growth brought the fourth quarter average to 625,000, surpassing the 514,000 average for the year. While job gains eclipsed 6 million in 2021, private sector payrolls are still nearly 4 million jobs short of pre-COVID-19 levels.’”

Institute for Supply Management

Tuesday, [Manufacturing PMI](#): “The December Manufacturing PMI registered 58.7 percent, a decrease of 2.4 percentage points from the November reading. . . . This figure indicates expansion in the overall economy for the 19th month in a row after a contraction in April 2020. . . . The U.S. manufacturing sector remains in a demand-driven, supply chain-constrained environment, with indications of improvements in labor resources and supplier delivery performance. Shortages of critical lowest-tier materials, high commodity prices and difficulties in transporting products continue to plague reliable consumption. Coronavirus pandemic-related global issues—worker absenteeism, short-term shutdowns due to parts shortages, employee turnover and overseas supply chain problems—continue to impact manufacturing. However, panel sentiment remains strongly optimistic, with six positive growth comments for every cautious comment, down slightly from November.”

Mortgages and Housing Markets

Mortgage Bankers Association

Thursday, [Mortgage Applications](#): “Mortgage applications decreased 0.6 percent from one week earlier . . . for the week ending December 17, 2021.” Joel Kan, MBA's Associate Vice President of Economic and Industry Forecasting, said, “Home-price appreciation growth remains faster than historical averages and inventory, particularly for starter homes, continues to trail strong demand.”