

Twitter Thread by Eric Basmajian



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@EPBResearch

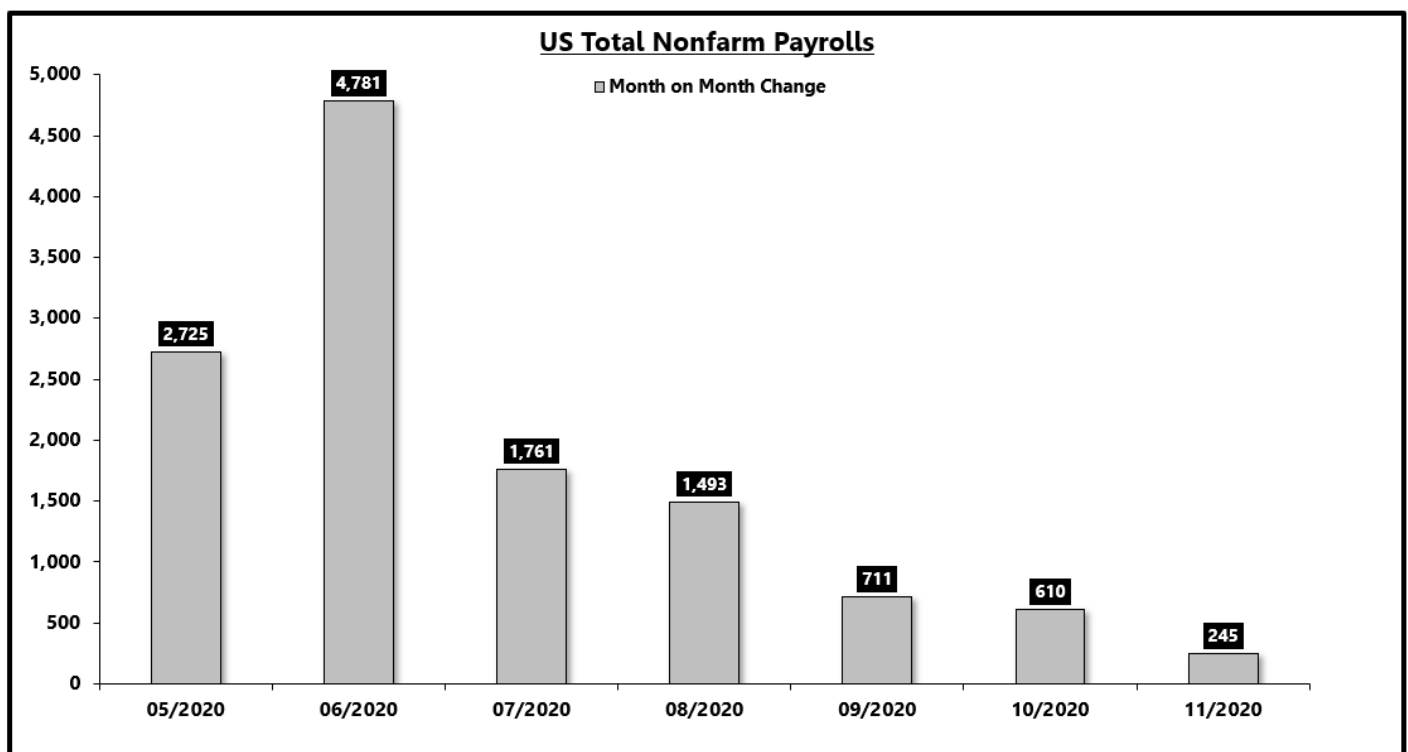


November Jobs Report Thread

There is both good news and bad news buried in the report.

Most often, too much attention is paid to the headline month on month numbers.

1)



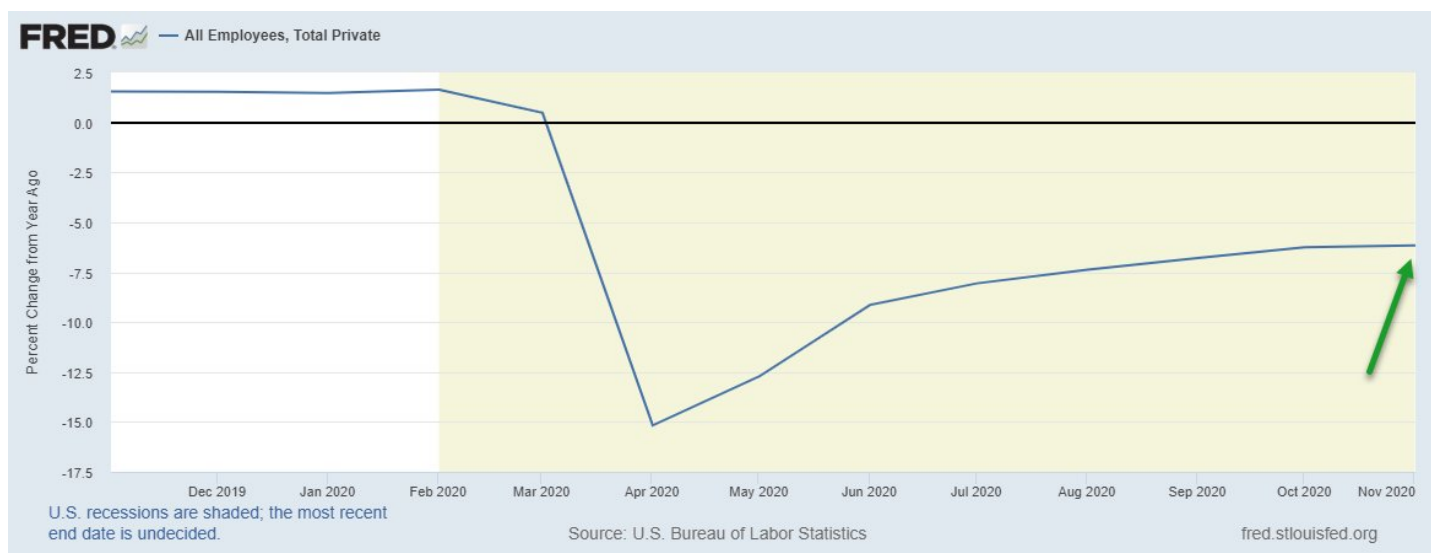
2) In year over year terms, total nonfarm payrolls did not increase for the first time since the pandemic. Generally, this is a negative.



3) Under the hood, most of the decline was in the government sector so it makes more sense to look at private payrolls in this context.



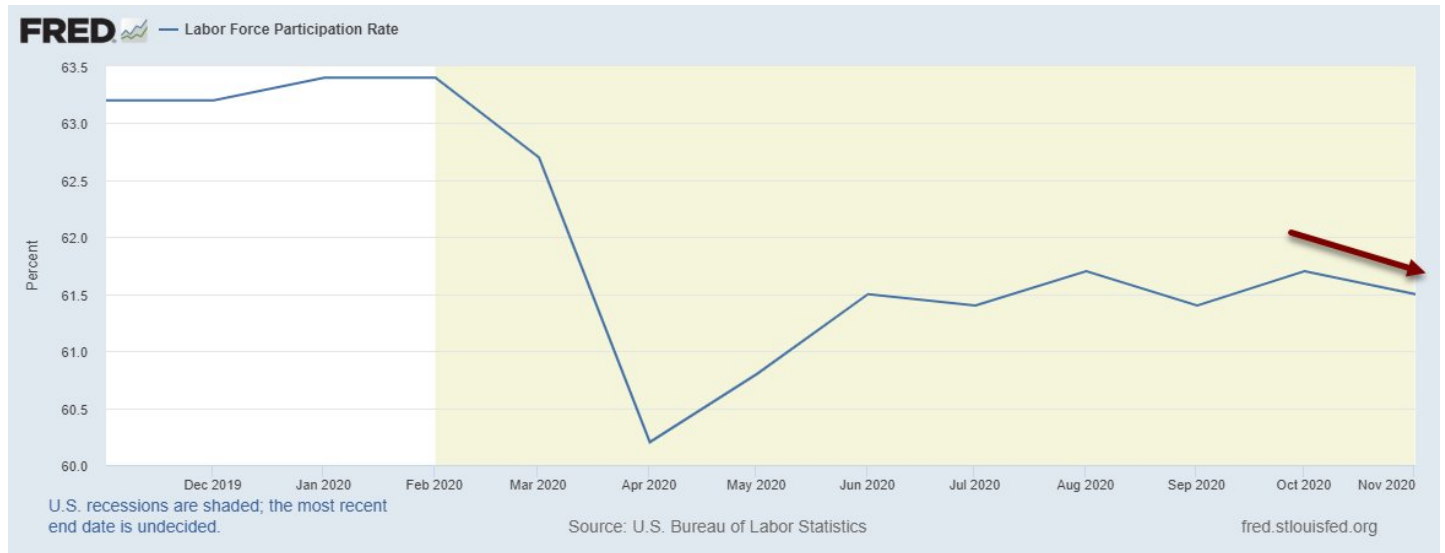
4) Private payroll growth continues to increase but the gains are clearly slowing down - this is to be expected.



5) The troubling part of the report was the labor force participation rate which remains stubbornly low.

As [@R_Perli](#) highlighted, if the LFPR does not increase back to pre-COVID levels, we're going to struggle with weaker trend potential growth.

<https://t.co/zw7fCZ2gfY>



The worst part of the employment report is the stall in the labor force participation rate (-0.2% today and about 2% lower than pre-[#COVID19](#)).

The longer participation stays depressed, the harder it will be to bring those workers back, and the lower potential growth will be. pic.twitter.com/7u966oxBME

— Roberto Perli (@R_Perli) [December 4, 2020](#)

6) These long-term trends are already quite troubling.

Nominal GDP Per Capita: 20-Year Annualized Growth Rate (%)

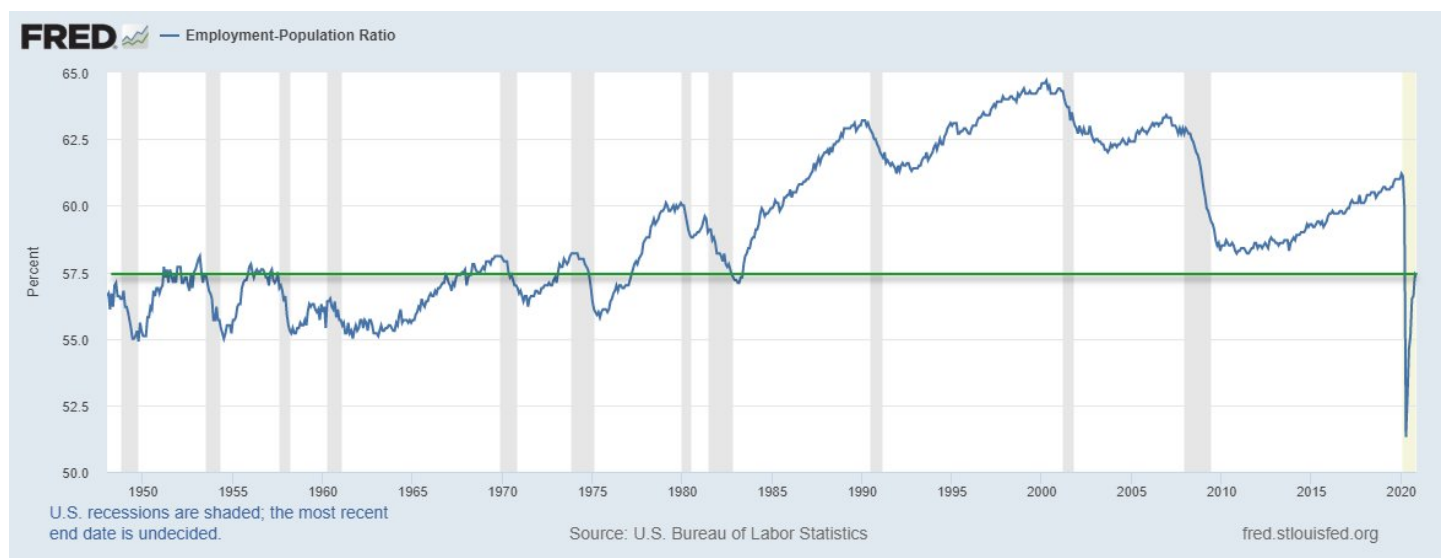


Source: BEA, EPB Macro Research

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7) Similarly, the employment to population ratio is a disaster and will also weigh on both wage inflation and trend potential growth.

This is a structural issue and not totally related to demographics either.



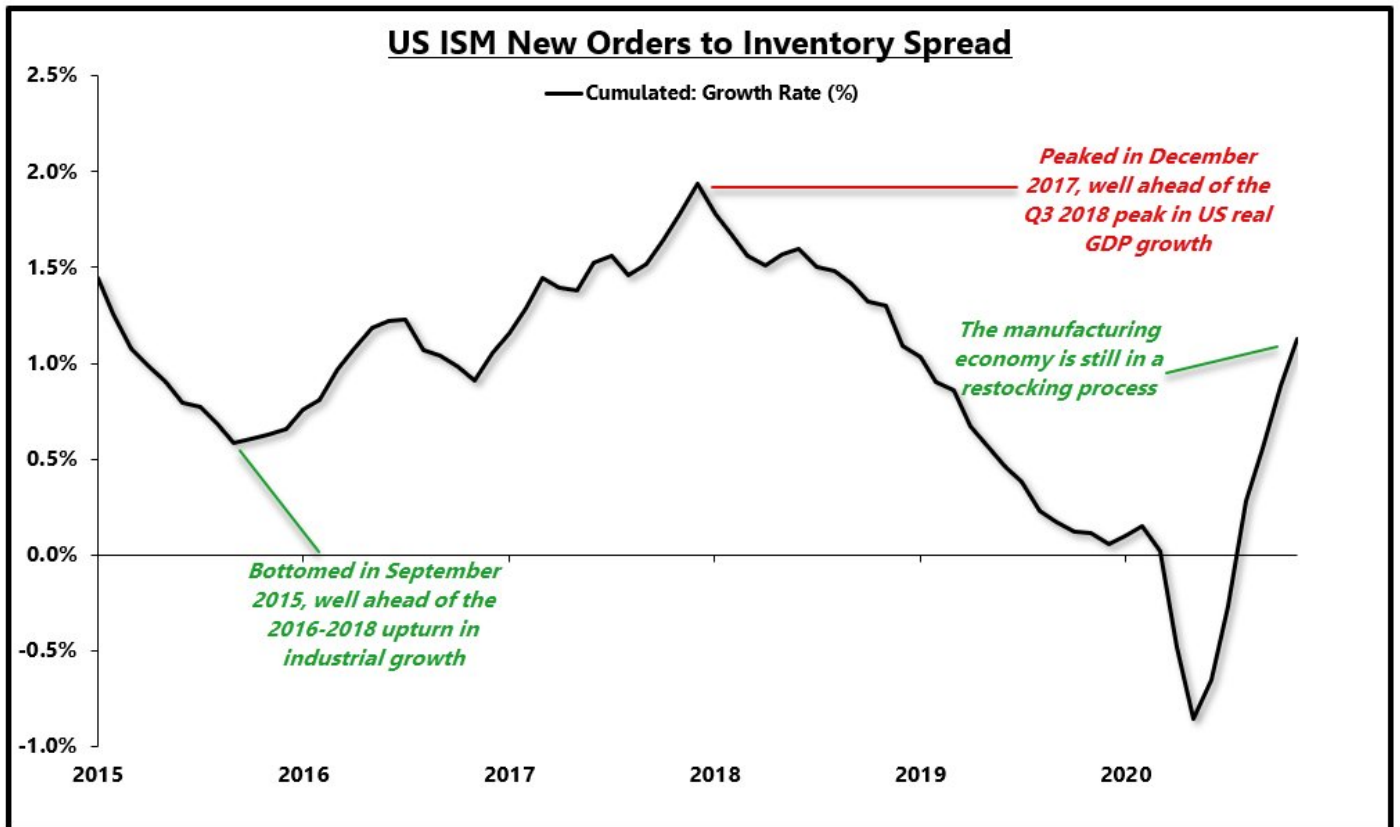
8) Permanent job losses are still increasing, but slower which is good.



9) The growth rate in weekly hours for the manufacturing sector dipped slightly. Still a positive trend.



10) Coupled with a rising growth rate in the ISM new orders to inventory spread, manufacturing likely has legs through the new year and possibly through Q1.



11) Like [@GreekFire23](#) wrote, after a major recession we get a snapback (Zarnowitz Rule) but growth quickly reverts to trend after the rebound.

<https://t.co/Lxn4g7VyLh>

The first year after a recession the snap back is pretty strong vs the decline. Macro tourists get excited and confuse it with a new paradigm. It's not. After the first year the economy changes gears and settles into its structural growth trend, people confuse that shift too

— GreekFire23 (@GreekFire23) [December 4, 2020](#)

12) The problem is that our trend is not good & getting worse

We have a growth upturn at the moment so we can ignore the LT trend, but only temporarily.

End.

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