

## Morning Market Tidbits

# Did the US really add 353k jobs in January? (probably not)

### In focus

As we approach another US employment report – January employment is scheduled for release on Friday, March 8 – we revisit the blow-out January employment data and ask, “did the US really add 353,000 jobs in January?” We think not.

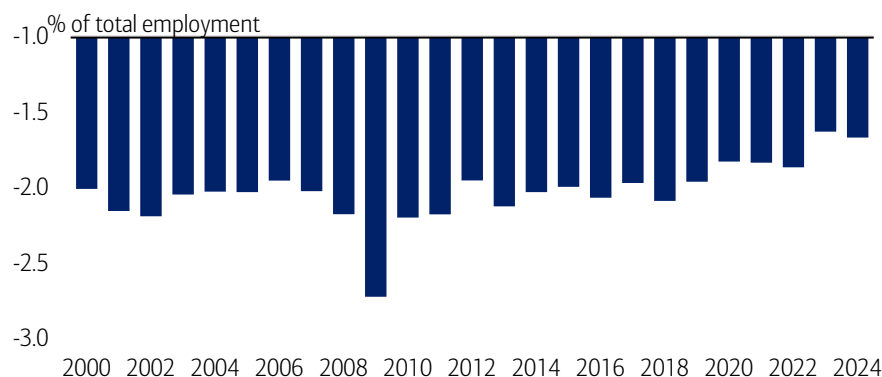
The hardest hit sectors of the US economy in terms of employment during the COVID pandemic were face-to-face services sectors like leisure, hospitality, education, and health. In April 2020 these high-touch services sectors lost 12.2mn jobs, against losses of 4.9mn for low-touch service sectors like finance and technology and 2.4mn in goods-producing sectors. In other words, job losses were skewed toward sectors where remote work is less prevalent, and demand had sharply fallen due to concerns over infection risk. In contrast, job losses across sectors during the 2008-09 financial crisis were more evenly distributed. Different economic shocks, different effects.

While re-employment in high-touch services sectors has been strong, it continues to run below pre-pandemic trends. If we compare employment in leisure and hospitality and education and health in January against a projection of their pre-pandemic trend, we find there is still a shortfall of about 1.5mn. Even if we allow for the hypothesis that automation, QR codes, and other factors may mean employment does not return fully to their pre-pandemic norm, the shortfall in high-touch services employment remains sizeable.

This likely means that traditional hiring patterns around the US holiday season are distorted and unaccounted for by the normal seasonal adjustment process. On a non-seasonally adjusted basis, employment in high-touch services sectors rises sharply during October to December to fill holiday demand, and then falls off sharply in January during the post-holiday period.

#### Exhibit 1: Change in NSA January employment (% of total employment)

Fewer holiday-related layoffs during and after the pandemic



Source: BLS, BofA Global Research

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(Continued on next page)

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After COVID, however, with employment below where it “should” be, employers are hiring to fill permanent positions as much as they are to fill seasonal holiday demand. This means employers are likely laying off fewer employees on a seasonal basis after the turn of the year.

In Exhibit 1, we show the non-seasonally adjusted layoffs as a share of total employment in every January since 2000. Prior to the pandemic (and excluding the 2008-09 recession), the US economy lost, on average, about 2.0% of total employment each January. Beginning in 2020, the percentage of total employment lost each January began to fall. From 2020-2023, the average loss in non-seasonally adjusted January employment was 1.79%. In January 2024, the decline was only 1.66%. This may not seem like much, but the difference between 1.79% and 1.66% amounts to 206,000 jobs.

In sum, if seasonal adjustment factors do not fully account for the change in holiday-related hiring and firing in the post-pandemic economy, then it is likely that January employment was overstated. Just how much, however, remains an open question. Hence, while we still believe the US economy retains sufficient resiliency to remain in expansion, we doubt the rate of hiring accelerated into the new year.

## Market Action

The Asian equity markets that we cover closed mostly negative overnight. Looking at individual markets, the Korean Kospi was down 0.8%, while the Nikkei closed flat. On the flipside, the Indian Sensex, the Hang Seng and the Shanghai Composite added 0.4%, 0.9% and 1.3% respectively.

As of 7:00 am ET, aggregate European stocks are flat and S&P500 futures are up 0.1%. In the bond markets, US Bond yields are down 1bp to 4.27%, and German Bund yields are down 1bp to 2.43%. The dollar index is down 0.13% to \$103.70. WTI crude oil prices are \$0.27 lower at \$77.31/bbl, and gold prices are at \$2038.30/oz.

## US GDP Tracking

### Exhibit 2: BofA US GDP tracking estimate (% q/q saar)

1Q GDP tracking is up one-tenth to 1.0% q/q saar largely due to methodological assumptions made on account of the revenue in the services sector in the quarterly services survey (QSS) coming in stronger than expected

Date	Data release	GDP	Final Sales	PCE	Res. Inv.	Struct	Equip	IPP	Gov.	Exports	Imports	Net exports (level)	CIPI (level)
2/14/24	BofA official GDP forecast	1.0	1.5	1.5	-0.5	-1.0	1.0	2.0	1.0	1.0	1.5	-912.0	67.5
2/15/24	Retail Sales	<b>0.8</b>	<b>1.1</b>	<b>1.2</b>	<b>-0.9</b>	-1.0	1.0	2.0	1.0	1.0	1.5	-915.8	66.6
2/15/24	Industrial Production	<b>0.9</b>	<b>1.2</b>	<b>1.3</b>	-0.9	<b>-1.2</b>	<b>0.9</b>	2.0	1.0	1.0	1.5	-915.8	66.6
2/15/24	Retail Inventories, Import Export Prices	0.9	<b>1.1</b>	1.3	-1.4	-1.5	0.8	2.0	<b>1.0</b>	<b>0.2</b>	<b>1.4</b>	<b>-924.6</b>	<b>73.8</b>
2/16/24	Housing Starts and Permits	0.9	1.1	1.3	<b>-1.5</b>	-1.5	0.8	2.0	1.0	0.2	1.4	-924.6	73.8
2/16/24	PPI	0.9	1.0	1.3	-1.5	<b>-1.6</b>	0.8	2.0	1.0	0.2	1.4	-924.6	<b>73.6</b>
2/22/24	Existing Home Sales	0.9	1.1	1.3	<b>-1.1</b>	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
2/22/24	Methodological Assumptions (QSS)	<b>1.0</b>	<b>1.2</b>	<b>1.5</b>	-1.1	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
	GDP tracking	1.0	1.2	1.5	-1.1	-1.6	0.8	2.0	1.0	0.2	1.4	-924.6	73.6
	Contribution to GDP growth (pp)			1.0	0.0	-0.1	0.0	0.1	0.2			-0.2	0.0
	BofA official GDP forecast	1.0	1.5	1.5	-0.5	-1.0	1.0	2.0	1.0	1.0	1.5	-912.0	67.5

**Source:** BofA Global Research. Our GDP tracking estimate reflects the mechanical aggregation of incoming data that directly informs the BEA's GDP calculations. The process is distinct from our official published GDP forecast. Boldface cells indicate where data have implications for tracking estimates.

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## Data Previews

### February 27

Durable goods orders, Case-Shiller HPI, Consumer Confidence

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
2/27/24	8:30	Durable Goods Orders	Jan P	-5.0%	-5.0%	0.0%
2/27/24	8:30	Durables Ex Transportation	Jan P	0.2%	0.2%	0.5%
2/27/24	8:30	Core Capital Goods Orders	Jan P	0.1%	0.1%	0.2%
2/27/24	8:30	Core Capital Goods Shipments	Jan P	-0.1%	0.2%	0.0%
2/27/24	9:00	Case-Shiller HPI (yoy)	Dec	5.5%	—	5.1%
2/27/24	10:00	Consumer Confidence	Feb	116.0	115.0	114.8

**February 27**  
Durable goods orders, Case-Shiller HPI, Consumer Confidence

Date	Time	Indicator	Period	BofA Estimate	Consensus	Previous
Source: BofA Global Research						
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