First Trust
Monday Morning OUTLOOK
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The Plentiful Job Market

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Growth is determined by a perpetual tug-of-war between entrepreneurship and government redistribution. When President Obama was in office, we believed incredible technological innovation would allow for economic growth in spite of Obamacare, greater redistribution, higher taxes and increased regulatory burdens. We thought it would be a Plow Horse Economy, and that things would get better if we did not grow government so much.

From mid-2009 through early 2017, real GDP grew at a 2.2% annual rate, with plodding growth in wages. It certainly wasn't an economic boom, but it wasn't recessionary either. For us, this meant we were shunned by both sides of the press.

We consistently repeated that the economy would grow faster with a better set of policies. So we became pariahs: liberal commentators didn't want to hear about the free market policies we thought would improve economic growth; while conservative commentators didn't want to hear about the economy being anything other than awful.

Now, thanks to the long-awaited corporate tax cut and deregulation, policies are more pro-growth.

In the past year, nonfarm payrolls are up 210,000 per month while civilian employment, an alternative measure that includes small-business starts-ups, is up 200,000 per month. Some say, "hey, that's not any faster than recent years" and that's true, but the longer expansions go, the tougher it is to sustain rapid job growth as the pool of available workers shrinks. In other words, today's job growth is more of an achievement than it was during earlier stages of the recovery.

More important is the acceleration in workers' paychecks. Average hourly earnings are up 3.1% from a year ago, the fastest wage growth for any 12-month period dating back to 2009. Factor-in robust gains in the total number of hours worked, and total cash earnings for workers are up 5.5% in the past year (even excluding one-time bonuses and commissions, like those paid after the tax cut was enacted late last year). That's the fastest growth in cash earnings since recording began in 2006.

Meanwhile, the Employment Cost Index, a different measure of workers' earnings, has also accelerated. Wages and salaries for private industry workers are up 3.1% from a year ago, the fastest pace since 2008. A year ago, in the third quarter of 2017, this measure of wages was up 2.6%. The ECI holds the weight of each industry and occupation the same over time, so the boost to wage growth is more likely to reflect faster pay increases for workers at the same job, rather than pay increases due to a shift in the mix of jobs towards those already paying higher wages.

Here's the best part. A survey from the Labor Department on workers' usual weekly earnings shows the fastest wage growth is for the bottom tenth of earners.

Rising wages appear to be drawing more workers back into the labor force, with the number of people either working or looking for work up 162,000 per month in the past year, even as the US continues to face the demographic headwind of an aging Baby Boom generation.

It wasn't that long ago that some analysts were complaining about too much of the job growth coming from part-time jobs. We never bought into that argument, and the data supporting it was weak. The number of people working part-time for economic reasons peaked at about 9.2 million in 2010 and now it's down to 4.6 million. In the past eight years, part-time jobs in the economy are <u>down</u> 56,000, while we have added more than 17 <u>million</u> full-time positions.

So, now, some argue that faster job growth is due to multiple job holders. But the data don't show that, either. Multiple jobholders are 5.2% of all workers, which is *lower* than it was, on average, in both the prior economic expansion (2001-07) and the expansion of the late 1990s.

If someone tortures the data enough, we're sure they could twist it into some new argument claiming things aren't as good as they seem. And we stand ready to keep reviewing their claims to see if they make sense. So far, they haven't. We don't expect that to change anytime soon.

Better policies lead to faster economic growth. Faster economic growth leads to a plentiful job market.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-5 / 9:00 am	ISM Non Mfg Index – Oct	59.0	**59.1**	60.3	61.6
11-7 / 2:00 pm	Consumer Credit– Oct	$15.0 Bil	**$14.9 Bil**		$20.1 Bil
11-8 / 7:30 am	Initial Claims - Nov 3	213K	**213K**		214K
11-9 / 7:30 am	PPI – Oct	+0.2%	**+0.3%**		+0.2%
7:30 am	"Core" PPI – Oct	+0.2%	**+0.2%**		+0.2%
9:00 am	U. Mich Consumer Sentiment -Nov	98.0	**99.1**		98.6