Today's Job Report Numbers Show 2020 is Off to a Good Start

Gad Levanon, Vice President of Labor Markets, The Conference Board

Starting the year on a strong note, the US economy added 225,000 jobs in January and the unemployment rate ticked up slightly to 3.6 percent. Today’s job report provides more evidence of accelerating employment growth, with the last three months averaging 211,000 new jobs. Stronger employment growth may reflect growing confidence of employers, as some of the geopolitical risks -- such as the US-China trade spat -- subsided in recent months.

Amid stagnant growth in the working-age population, strong employment growth will likely further tighten the labor market in 2020. As a result, we can expect increasing challenges around recruitment and retention, higher labor cost growth, and a further squeeze on corporate profits.

The tightening labor market continues to draw more people into the work force, especially women. The labor force participation rate of women aged 25-54 reached 77 percent in January. That marks a near record, just shy of the record rate in April 2000. The improvement in labor force participation will partly offset the impact of strong job growth, slow further tightening in the labor market, and help fuel continued employment and economic growth.

While in general, strong employment numbers raise the likelihood of an interest rate hike, we think the probability of the Federal Reserve doing so is still extremely low.

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For more information:
Joseph DiBlasi
The Conference Board
(781) 308-7935
joseph.diblasi@conference-board.org