Strong jobs report offers glimmer of hope for inventory relief

Although the inventory shortage has continued to rage on, the Employment Situation Summary for December 2017 from the U.S Bureau of Labor Statistics (BLS) shows there could be some relief on the way.

The report shows that total nonfarm payroll employment rose by 148,000 jobs last month and that the market experienced continued robust growth in manufacturing, healthcare and construction.

Source: U.S. Bureau of Labor Statistics

The unemployment rate is at 4.1 percent, and the number of unemployed persons at 6.6 million, which is unchanged from October's and November's report.

The real estate and housing industry is especially focused on the construction sector, which has steadily grown since Hurricanes Harvey, Maria and Irma in August, added 30,000 jobs in December and increased by 210,000 in 2017.

Although some economists are hopeful about the steady growth, others aren't sure that it's enough to reach the 50-year average of 1.5 million residential construction starts.

Realtor.com chief economist Dr. Joesph Kirchner said, "November's increase in construction labor

is a hopeful reminder that things will eventually get better for our severely depleted housing market. In fact, if this trend gains momentum, it could address one of the largest issues holding back inventory — a lack of construction labor.

”Let’s hope it does, because the report also shows no end in sight for the insatiable demand we’re seeing in the market,” he added. “Jobs drive housing demand and with the unemployment rate remaining at its lowest level of the millennium, it’s only going to pick up.”

National Association of Realtors chief economist Lawrence Yun was underwhelmed by the report, saying that much more explosive growth is needed to make a change.

“With the unemployment rate in the construction industry having fallen from over 20% in 2010 to 5.9% at the year-end of 2017, there could be a little growth to home construction despite the on-going housing shortage,” said Yun in an emailed statement.

“There needs to be serious consideration in allowing temporary work visas until American trade schools can adequately crank out much needed, domestic skilled construction workers.”

Chief economist at Fannie Mae Doug Duncan also weighed in, saying, “The lack of wage acceleration should support gradual monetary policy normalization. However, we anticipate a pickup in wage growth this year, which could lead to a rise in the working-age labor force participation rate.

“And if the tax bill can incite stronger growth in capital expenditures and productivity, keeping labor costs contained, the Fed could still afford to be patient with its tightening.

“One bright spot we saw in the report is the biggest monthly rise in residential construction employment in 2017, raising hopes for some supply relief for housing this year.”

The BLS surveys approximately 146,000 businesses and government agencies each month as part of its Current Employment Statistics (CES) program. These businesses and agencies represent approximately 623,000 individual worksites, and the CES collects data on employment, hours and earnings of workers on nonfarm payrolls.

Email Marian McPherson.

Source: click here