Jobs, Jobs, Jobs!

by Steve Brown

Analysis by CompData finds that the average annual turnover rate of employees across all industries in the US is about 15%. Industries that have the highest annual job turnover rate are: hospitality (29%), banking / finance (17%) and healthcare (17%). Meanwhile, industries with the lowest annual employee turnover rates are: utilities (7%), insurance (10%) and manufacturing / distribution (13%).

We bring up the subject of jobs because last Friday's employment report beat the most optimistic expectations and represented the most solid growth in several years. In addition to 321K new jobs added during the month of Nov, there was an upwards revision to the previous 2 months of yet another 44K. While the economic picture ahead is not all wine and roses, there was good news throughout the report and it went well beyond the number of additional jobs. There was a good gain in hourly earnings (by 0.4%, double economists' expectations of 0.2%) and this was the largest improvement seen since Jun of 2013. The number of hours worked also ticked up. For the year, employment gains are shaping up to be the best in 15Ys, assuming Dec follows suit. In 2014 so far, the economy has added 2.65mm jobs, an average of about 241K a month. For 10 straight months the economy has added at least 200K and this hasn't occurred since 1994.

That is the good news, but plenty of concerns also remain - the participation rate sits at a low level and there are still many people working part time for economic reasons. The number of part-time workers who would rather be working full-time fell by 200K, but it still remains a whopping 6.7mm. In addition, the number of long-term unemployed fell by 101K to 2.8mm. If upcoming data releases continue to support these levels, this is perhaps the point where the US labor market shifts out of recovery mode and returns to a more normal state of health.

This positive report offered a breath of fresh air to the worldwide financial markets in that it came out the same day as a sour report from the German Bundesbank (which halved the forecast for German growth for the next year to only 1%). While the US economic recovery has often seemed less than robust, the Euro zone has experienced a great deal of trouble in pulling itself out of the basement. This better picture of employment in the US also comes at a time when consumers have a bit more money in their pockets, thanks to the drop in global oil prices. It seems likely that the US consumer will become the major economic driver for the rest of the world for a while.

Among the data, there are opportunities for community bankers. To explore them, let's take a closer look at the sectors that showed the most improvement. The goods-producing industries, like construction and manufacturing, added 48K positions, up from 28K the previous month. The improvement in construction jobs (20K vs. 7K the month before) is especially important because this industry has lagged other areas of the economy. Not only is improvement in these industries important, but these jobs tend to be higher paying positions, which is no doubt a part of the improvement in hourly earnings.

Past months have also seen the highest percentage of added jobs in the leisure, hospitality and retail industries. We know these are generally less lucrative jobs, but the quantity of retail jobs in this past report was also worthy of note. There was an increase of 50K retail positions, which even taking into account seasonal factors like holiday shopping, is twice the average monthly gain of 22K that was the norm last year. Hopefully this all translates to more traffic in your bank's CRE properties and more prosperity for your business customers in general.

We will wait for several quarters of data to support the premise that the labor market is finally returning to a more normal pace, but more jobs coupled with cheaper gas and heat for the winter should translate to happier holidays for everyone.

BANK NEWS

FNMA

The agency said its Q3 profit fell 55% due to lower revenue and a higher tax provision vs. one year ago, but also said it will pay $4B to the Treasury by year-end.

FHLMC

The agency said its Q3 profit declined 91% vs. one year ago and it said it would pay $2.8B to the Treasury.

Customer Capabilities

An Efma-Infosys study finds banks rate the following capabilities as the most important to when seeking to provide an enhanced customer experience across all delivery channels: unified user experience across all channels (80%), self service tools (70%), actionable customer insight (68%), personalization of product offerings (66%) and the ability to direct the user experience by segment (58%).

Regulatory Focus

The NY superintendent of financial services said he thinks placing independent monitors/outside experts in banks is a good way to prevent bad behavior and as such, he plans to deploy more of them for firms he regulates.

Bullish

Fed St. Louis President Jim Bullard told Fox he expects the unemployment rate to decline further, sees 3% GDP and projects a much better economy in the next few years (than what we have seen in the past 3 or 4 years).

TBTF

Fed Richmond President Jeffrey Lacker is asking the government to modify the bankruptcy code around too big to fail banks to remove the implicit government guarantee.

Not Yet

Fed Minneapolis President Kocherlakota said a rate hike in 2015 is unlikely given a low inflation outlook.

Top PCs

The latest report from research firm International Data Corp finds the top five PC sellers in the US and their respective market share percentages are: HP (28%), Dell (24%), Apple (13%), Lenovo (11%) and Acer (6%).