

Economics

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US Non-farm payrolls: Losing a little sizzle

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Employment change (thousands, unless otherwise noted)	Oct 23	Sep 23	Aug 23	Jul 23	Jun 23
Unemployment rate (%)	3.9	3.8	3.8	3.5	3.6
Avg. hrly earn all (Monthly % Chg)	0.2%	0.3%	0.3%	0.4%	0.4%
Avg. wkly hour all (Monthly % Chg)	-0.1%	0.3%	0.6%	0.1%	0.7%
Nonfarm employment	150	297	165	236	105
Total private	99	246	114	145	86
Goods-producing	-11	28	28	12	32
Construction	23	13	30	12	29
Manufacturing	-35	14	-2	-2	4
Priv. Serv providing	110	218	86	133	54
Wholesale trade	9.4	16	3	15	-7
Retail trade	0.7	13	-6	13	-23
Transp. & Warehousing	-12.1	13	-27	-7	-19
Information	-9	-4	-22	-19	-10
Financial	-2	2	1	15	2
Business services	15	17	8	-29	-1
Temporary help	6.6	-9	-10	-17	-36
Education, health	89	78	105	104	79
Leisure, hospitality	19	74	8	38	26
Government	51	51	51	91	19
Federal Government	3	4	9	10	6

Source: Haver Analytics

- A little bit of the sizzle came off of the US job market in today's October report with job growth slowing and the unemployment rate picking up, partly due to the UAW strike. Employment rose 150K, down from 297K the month prior. There were also -101K in net revisions over the previous two months, making the consensus expectations of 180K job gains incomparable. According to the BLS, there were 30K workers newly on strike implying that abstracting from the auto strike, employment gains would have been a solid 180K. The unemployment rate rose a notch to 3.9%, whereas consensus was for no change. The participation rate ticked down this month to 62.7%. Nominal wage growth remained subdued at 0.2% m/m in October, but was revised up a notch in September to 0.3%. Overall, even abstracting from the UAW strike, today's report suggests labour demand has been a bit cooler than the data was telling us in September and labour supply stalled at least momentarily. Combined with Powell's call for more patience, today's data puts our December call for another Fed rate hike at risk with the emphasis squarely on the evolution of financial conditions and upcoming inflation readings.

- Job gains were led by the private services sector, which accounted for over 70% of hiring in the month and government hiring the remainder as employment in the goods sector contracted due to the UAW strike. Employment in motor vehicles and parts fell by 33K, compared to an increase of 9K the month prior. The BLS reported that 30K new workers went on strike in the month. In the service sector, there was a broad based slowdown in hiring with leisure and hospitality, transportation and warehousing and retail sales sectors seeing the slower job gains. Health care and social assistance employment continued to be strong and combined with government, have accounted for about 60% of the jobs created in 2023 on average despite representing about 30% of employment. These sectors are effectively putting a high floor on labour market.
- The payroll survey showed wage growth was soft at 0.2% and average weekly hours worked ticked down to 34.3 in the month. Four sectors saw outright declines in the level of their wages in October: mining and logging, non-durable goods manufacturing, wholesale and retail trade. Wage growth was concentrated in other services, construction and leisure and hospitality. Average weekly hours worked has stayed around its pre-pandemic level since April 2023.
- For two months now, the more volatile household survey has painted a much cooler picture of the labour market. Hiring decreased by 348K after a tepid increase of 86K in September. While population growth continued to accelerate, the labour force actually contracted with over 200K less people looking for work. The modest size of the UAW strike can't fully explain this unless there was significant mismeasurement this month in the payroll survey. The fall in the labour force was concentrated in males as the male participation rate dropped four ticks to 67.9% while the female participation rate rose by a one notch to 57.6%. The unemployment rate now is within earshot of the FOMC's median of the long-run unemployment rate of 4.0%. Our main takeaway from the household survey is there was probably more progress in rebalancing in labour market with labour demand showing somewhat more weakness than the weakness in labour supply. That is a process the Fed will be likely be encouraged by.

Implications & actions

Re: Economic forecast — The October labour market data suggest some fading of the resilience in the economy and combined with Powell's desire for more patient, puts at risk our call of the Fed hiking in December. Our attention, much like the FOMC, will remain focused on the evolution of financial conditions and further inflation readings.

Re: Markets — Bond yields and the broad dollar both pulled back and sustained their declines through the early morning.

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