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US Non-farm payrolls: A jump that wasn't a pick-up

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Employment change (thousands, unless otherwise noted)	Nov 24	Oct 24	Sep 24	Aug 24	Jul 24
Unemployment rate (%)	4.2	4.1	4.1	4.2	4.3
Avg. hrly earn all (Monthly % Chg)	0.4%	0.4%	0.3%	0.4%	0.2%
Avg. wkly hour all (Monthly % Chg)	0.7%	0.1%	0.3%	0.7%	-0.1%
Nonfarm employment	227	36	255	78	144
Total private	194	-2	222	37	99
Goods-producing	34	-44	15	2	21
Construction	10	2	26	28	14
Manufacturing	22	-48	-12	-26	6
Priv. Serv providing	160	42	207	35	78
Wholesale trade	1.6	4.1	2.4	7	5
Retail trade	-28	-3.7	7.3	-15	-4
Transp. & Warehousing	3.4	-4	7.8	11	-2
Information	0	-6	1	-8	-16
Financial	17	6	6	7	-4
Business services	26	-23	22	-47	-4
Temporary help	1.6	-33.3	4.8	-23	-19
Education, health	79	67	91	67	67
Leisure, hospitality	53	2	61	9	38
Government	33	38	33	41	45
Federal Government	-2	2	4	1	0

Source: Haver Analytics

- US payrolls rebounded after being soaked by storms and stricken with strikes, but the November data still left a cooling trend in place. The 227K gain in payrolls, coupled with a cumulative upward revision of 56K to prior months, left staffing levels a bit above consensus forecasts, but close in line to our projection for the month. Put November and October's paltry 36K together, and the two month tally was still below the prior 12 month's average. Moreover, the latest month's gains leaned on non-cyclical sectors like health care and government, with the rebound in factory jobs simply capturing the end of a strike. An uptick in average weekly hours was also merely a recovery from weather impacts in the prior month.
- The household survey showed a further drop in employment, continuing a trend that left employment down over the past year. The result was an uptick in the jobless rate to 4.2%. That's only a few decimal places above our estimate of the full-employment rate, but still will be an important factor in motivating the Fed, which has a dual mandate, to deliver another quarter point rate cut this month as long as upcoming inflation data don't hold any nasty surprises.

Note that the unemployment rate would have moved up more materially in the past year if not for a drop in labour force participation, which has fallen from 60.4% a year ago to 59.8% this November.

- The only real hot spot in the data was in average hourly earnings, which topped expectations with a 0.4% advance, leaving that average up 4.0% over the past year. Average earnings for private sector production workers saw a more moderate 0.3% advance this month. That said, we still expect to see an easing in year-on-year wage gains as we get into 2025, with softer inflation leaving employers less certain about their ability pass on pay hikes in their prices, and a bit more labour market slack making it easier to fill jobs these days. Some of the wage gains we're seeing this year are still catch-up increases for unionized workers who had been locked into contracts with more modest pay hikes when inflation escalated in 2022.

Implications & actions

Re: Economic forecast — The Fed has reason enough to cut rates a further quarter point in December. If, as we expect, we start to see a deceleration in wages in 2025 and the moderation in hiring continues, a quarter point per meeting would still be a reasonable pace until rates are closer to neutral, in the mid-3% range. That said, expect the Fed to warn about the potential for a pause on that path, just to underscore that rate decisions are not set in stone.

Re: Markets — Bond yields moved lower, as investors looked through the one-time rebound from strikes and storms, and gained confidence that the Fed had room to ease rates further in the months ahead.