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November Employment Report: November Could Have Been Worse, December Will Be

- › Nonfarm employment **rose** by 245,000 jobs in November; prior estimates for September/October were revised **up** by a net 11,000 jobs
- › Average hourly earnings **rose** by 0.3 percent while aggregate private sector earnings **rose** by 0.6 percent (down 0.6 percent year-on-year)
- › The unemployment rate **fell** to 6.7 percent in November (6.690 percent, unrounded); the broader U6 measure **fell** to 12.0 percent

Total nonfarm employment rose by 245,000 in November, with private sector payrolls up by 344,000 jobs and public sector payrolls down by 99,000 jobs. Prior estimates of job growth in September and October were revised up by a net 11,000 jobs for the two-month period. The unemployment rate fell to 6.7 percent, but this reflects a decline in labor force participation as household employment fell slightly. The broader U6 measure, which also accounts for underemployment, fell to 12.0 percent from 12.1 percent in October. The number of long-term unemployed rose to 3.941 million people in November, the highest number since December 2013. Average hourly earnings rose by 0.3 percent, reflecting the shifting mix of jobs, while aggregate private sector wage and salary earnings were up by 0.6 percent.

Our forecast anticipated private sector payrolls rising by 587,000 jobs, which proved far too ambitious. As we discussed in our *Economic Preview*, we had anticipated disruptions in typical seasonal patterns in a number of industry groups, which in some industry groups would lift seasonally adjusted job counts while holding them down in other industry groups. While this proved to be the case, the magnitude of these changes differed from what our forecast anticipated. For instance, on a not seasonally adjusted basis, retail trade payrolls rose by 302,000 jobs in November, a 1.99 percent increase from October. But, as this is a smaller increase than is typical for the month of November – an average increase of 2.72 percent over the prior five years – the seasonally adjusted data show retail payrolls fell by 34,700 jobs. In short, there was less seasonal hiring in November than is typical for the month, partly reflecting larger than normal gains over the prior few months as the economy continued to reopen, and in part due to lessened emphasis on in-store shopping as opposed to online shopping this holiday season. Reported job counts in leisure and hospitality services (to the good) and state/local government (to the downside) were also impacted by seasonal adjustment noise.

To our point above about changes in holiday shopping patterns, courier/messenger services – which includes commercial and residential

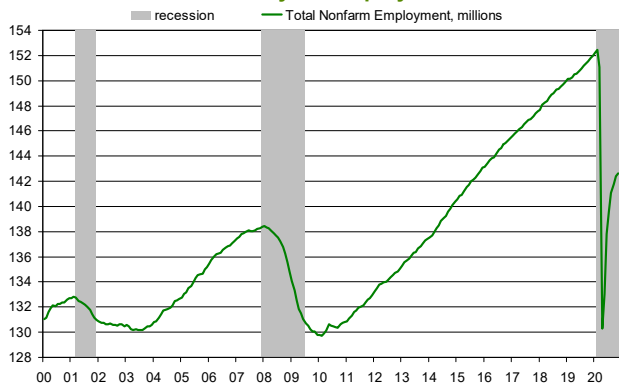
delivery services – added 81,900 jobs in November (the increase in the not seasonally adjusted data was much larger than normal), while payrolls amongst warehousing/storage services rose by 36,800 jobs. As we often note, one cannot adequately assess holiday season hiring on the basis of retail trade payrolls alone, and the outsized job gains in these two industry groups illustrate that point, as they reflect the added emphasis on online shopping this holiday season.

Data from the household survey show the labor force participation rate fell to 61.5 percent in November, with participation amongst the 25-to-54 year-old age cohort, the “prime working age population,” fell to 80.9 percent. The decline in participation helped push the unemployment rate lower, which is important to keep in mind when assessing the speed at which the jobless rate has fallen since shooting up to 14.7 percent in April. As of November, there are over 4.0 million fewer people in the labor force than there were at the start of 2020. Additionally, there were over 6.6 million people working part-time for economic reasons in November, down slightly from October but roughly 2.5 million more than was the case prior to the pandemic. As noted above, as of November, there were 3.941 million people out of work for 27 weeks or longer, and this figure will continue rising in the months ahead. The number of those who suffered a permanent job loss, as opposed to having been put on layoff, rose to 3.743 million in November, a number also likely to rise further over coming months.

While there are some indications, such as restaurant payrolls falling by 17,400 jobs, that the ongoing spike in COVID-19 cases is impacting the labor market, that the November survey period ended earlier in the month likely masked some of these effects. There are likely to be much more visible effects in the December employment report. At the same time, seasonal adjustment factors are likely to be somewhat cruel, rather than kind, to seasonally adjusted December job counts. So, while there may have been some relief that the November employment report wasn’t softer than it is, that likely won’t be the case with the December report.



Total Payroll Employment



Change In Nonfarm Payrolls

