ECONOMIC UPDATE
REGIONS
December 8, 2023

November Employment Report: Check Back In Two Months

- Nonfarm employment rose by 199,000 jobs in November; prior estimates for September and October were revised down by a net 35,000 jobs
- Average hourly earnings rose by 0.4 percent, while aggregate private sector earnings rose by 0.8 percent (up 5.3 percent year-on-year)
- The unemployment rate fell to 3.7 percent in November (3.739 percent, unrounded); the broader U6 measure fell to 7.0 percent

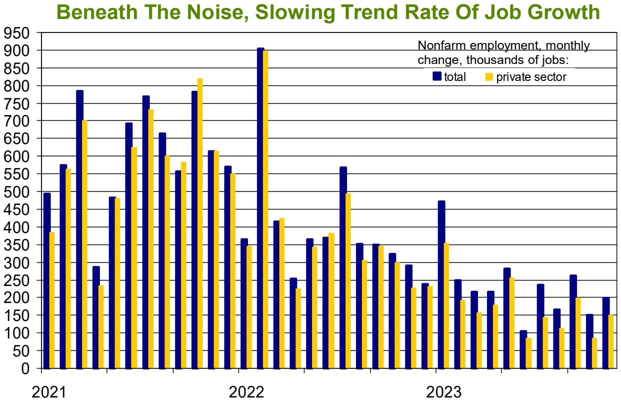
Total nonfarm employment rose by 199,000 jobs in November, slightly ahead of expectations, with private sector payrolls up by 150,000 jobs and public sector payrolls up by 49,000 jobs. Prior estimates of job growth in September and October were revised down by a net 35,000 jobs for the two-month period, with the net gain in private sector payrolls revised down by 61,000 jobs and the net gain in public sector payrolls revised up by 26,000 jobs. The November data from the household survey show surges in both the size of the labor force and the level of household employment, with the net result being the unemployment rate falling to 3.7 percent (we had expected a decline to 3.8 percent), while the broader U6 measure, which also accounts for underemployment, fell to 7.0 percent from 7.2 percent in October.

To be sure, those intent on going no further than the headline numbers as the basis on which to draw sweeping conclusions around the labor market, the broader economy, monetary policy, and what's wrong with the Pittsburgh Steelers are already in full throat. As for us, in this week's *Economic Preview*, we noted three elements of the data that should be accounted for in assessing the November employment report – the return of striking workers, seasonal adjustment, and revisions to prior estimates of job growth. As for the first of these elements, the return of striking writers/actors added 17,200 jobs to payrolls in information services while the return of striking UAW works and others impacted by the strike added 30,000 jobs to manufacturing payrolls, with these increases merely reversing the declines recorded when the strikes began. We also noted that the seasonally adjusted estimates of hiring in warehousing and delivery services and retail trade would likely look weak should the not seasonally adjusted data show less seasonal hiring in these areas than is typical for the month of November. This indeed proved to be the case; seasonally adjusted retail trade payrolls are reported to have declined by 38,000 jobs despite unadjusted payrolls having risen by 264,000 jobs, while seasonally adjusted payrolls in warehousing and delivery services are reported to have fallen by 7,900 jobs despite unadjusted payrolls having risen by 146,500 jobs. To be sure, weaker than normal seasonal hiring reflects expectations of an uninspired holiday shopping season, but that doesn't mean the effects of seasonal adjustment in the November employment data should go unaccounted for. By the same token, however, seasonally adjusted payrolls in leisure and hospitality services are reported to have risen by 40,000 jobs in November despite unadjusted payrolls having fallen by 180,000 jobs. This has in fact been a consistent pattern in the data, i.e.., smaller than normal seasonal declines in leisure and hospitality services payrolls over the past several months turning into gains in the seasonally adjusted data.

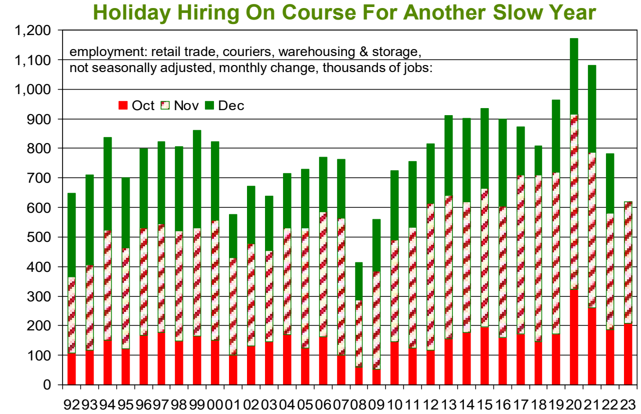
These two factors were largely a wash in the November data, but we'd submit, humbly of course, that the bigger issue is the revisions to the data. September is the last month for which we now have three estimates of monthly job growth, and in each month the revision between the first and third estimates has been down, and significantly so in the case of private sector job growth, with an average downward revision of 55,000 jobs. At the same time, estimates of the one-month hiring diffusion index, a gauge of the breadth of hiring across private sector industry groups, have also been revised lower. In other words, job growth has in each month of 2023 been subsequently shown to be slower and less broadly based than first reported, which in large measure owes to notably low response rates to the BLS's establishment survey. While it could be that the third estimate of job growth is where it needs to be, it is the initial estimates that most analysts, market participants, and policy makers are reacting to.

We'll close with some random thoughts. We see the reported November increases in the labor force and household employment as being wholly implausible, and instead see them as simply countering some of the oddly weak prints in these series over the prior two months. This of course still leaves us with a notably low unemployment rate, which in part reflects participation remaining below pre-pandemic norms. The return of striking UAW workers likely helped prop up average hourly earnings, so we don't read too much into the November print. To an earlier point, this is, unsurprisingly, shaping up to be a lackluster year for holiday season hiring, and we don't expect December hiring to change that. All in all, and through the noise, we continue to see a labor market that is cooling but not on the verge of rolling over.

Beneath The Noise, Slowing Trend Rate Of Job Growth



Holiday Hiring On Course For Another Slow Year



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