ECONOMIC UPDATE

REGIONS

November 1, 2024

October Employment Report: A Hodgepodge Of Noise That Tells Us Little, If Anything

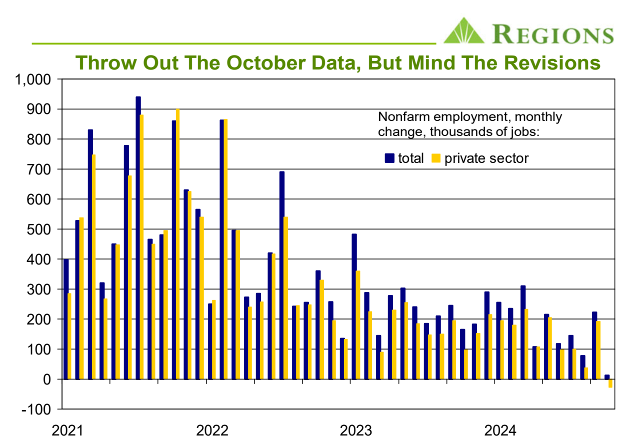
- Nonfarm employment rose by 12,000 jobs in October; prior estimates for August and September were revised down by a net 112,000 jobs
- Average hourly earnings rose by 0.4 percent, while aggregate private sector earnings rose by 0.3 percent (up 5.3 percent year-on-year)
- The unemployment rate was unchanged at 4.1 percent in September (4.125 percent, unrounded); the broader U6 measure held at 7.7 percent

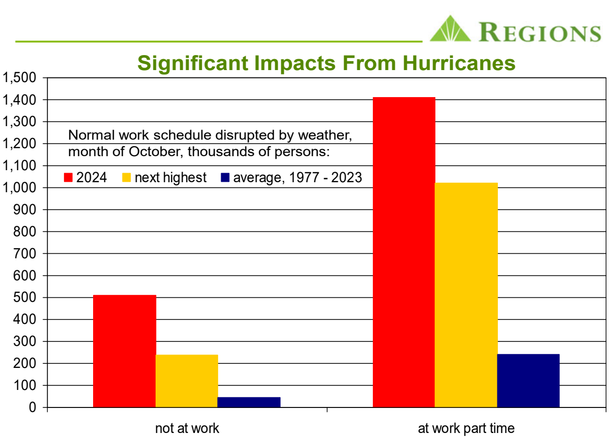
Between the cumulative effects of the Boeing strike, Hurricanes Helene and Milton, and what we figured would be unfavorable seasonal adjustment, we knew how we expected the October employment report to look. How it would actually look was a different matter entirely. As it turns out, it was a mixed bag. Total nonfarm payrolls rose by just 12,000 jobs, closer to our forecast of 44,000 jobs than to the consensus forecast of 105,000 jobs, with private sector payrolls down by 28,000 jobs (we had expected an increase of 18,000 jobs) and public sector payrolls up by 40,000 jobs. While that part makes sense to us, what is much harder to grasp is that there were no changes reported in average weekly hours, the unemployment rate, or the broader U6 measure while the number of those reporting to be on temporary layoff fell. Though not related to the factors impacting the October data, prior estimates of job growth in August and September were revised down by a net 112,000 jobs for the two-month period, with estimates of private sector payrolls taking almost all of that hit and the August data seeing a much larger revision than the September data. To us, the October employment report is a hodgepodge of noise that says little, if anything, about underlying labor market conditions and which will have no bearing on next week's FOMC meeting.

The initial collection rate to the October establishment survey was 47.4 percent, the lowest in any month since January 1991. Moreover, BLS notes similar collection rates in areas impacted by the hurricanes and in areas not impacted by the hurricanes. That statement is far more telling than BLS probably realizes. We have for some time pointed to notably low collection rates as significantly compromising initial estimates of nonfarm payrolls, hours, and earnings in any given month, and a long string of sizable revisions, mostly downward, reinforces our argument. BLS further notes that the establishment survey is not geared to isolate the effects of extreme weather events, which is why we have reservations around the estimates of hours worked and average hourly earnings. We can, however, point to the household survey to help gauge the effects of the hurricanes. In October, 512,000 people did not work during the survey week due to adverse weather while 1.409 million worked part-time hours rather than full-time hours due to adverse weather, each easily the highest on record for the month of October. Though the establishment and household surveys differ in scope and design, it is nonetheless hard to look at these numbers and believe that average weekly hours as measured in the establishment survey did not change in October. Recall that the July data, in the wake of Hurricane Beryl, showed a jump in the number of those on temporary layoff, which we argued at least to some degree reflected effects from the storm, i.e., businesses being temporarily closed. The October data show a decline in the number on temporary layoff, but a spike in the number reporting to be on permanent layoff which, at least to some degree, could reflect those in the paths of Helene and/or Milton having worked for establishments destroyed by the storms and not likely to open again.

As for the effects of the Boeing strike, manufacturing payrolls fell by 46,000 jobs in October. This includes the 33,000 Boeing machinists on strike (striking workers are counted as employed in the household survey but not in the establishment survey) and somewhere, by our estimate, around 5,000 ancillary layoffs. These jobs will, of course, come back on the books once the strike is settled, perhaps in time for the November survey week, which will bolster the estimate of private sector job growth at that time. We will, however, note a further decline in employment amongst producers of motor vehicles, reflecting cuts in EV production and rising retail inventories of new motor vehicles.

Given the considerable degree of noise in the data, it is harder to assess the degree to which weaker than normal seasonal hiring in October held down measured job growth. That we expected this to be the case was one factor behind our well below-consensus forecast of October job growth. We pointed to retail trade and warehousing/delivery services as two places where this effect would be visible. We do know that the October increases in these two industry groups, as well as in total private sector payrolls in the not seasonally adjusted data were well smaller than the typical October increases. This contributed to the seasonally adjusted data showing declines in these areas, but what we cannot determine from the data is the extent to which the hurricanes contributed to this. Either way, we expect holiday season hiring this year to be weaker than that seen over the past several years.





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