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### November Employment Report: Slowing Trend Rate Of Job Growth Lies Beneath The Noise

- › Nonfarm employment rose by 227,000 jobs in November; prior estimates for September and October were revised up by a net 56,000 jobs
- › Average hourly earnings rose by 0.4 percent, while aggregate private sector earnings rose by 0.8 percent (up 5.1 percent year-on-year)
- › The unemployment rate rose to 4.2 percent in November (4.246 percent, unrounded); the broader U6 measure rose to 7.8 percent

Total nonfarm employment rose by 227,000 jobs in November, in line with the consensus forecast but short of the 274,000 jobs increase we expected, with private sector payrolls up by 194,000 jobs and public sector payrolls up by 33,000 jobs. Previous estimates of job growth in September and October were revised up by a net 56,000 jobs for the two-month period. While an upward revision to September private sector job growth is the biggest component of this revision, we will note that was entirely due to a more accommodative September seasonal factor being applied to the raw data than was initially the case as the not seasonally adjusted data show a larger September decline in private sector payrolls than had been previously reported. The unemployment rate rose to 4.2 percent and the broader U6 measure, which also accounts for underemployment, rose to 7.8 percent. Average hourly earnings rose by 0.4 percent, good for a year-on-year increase of 4.0 percent, while aggregate private sector wage and salary earnings, the largest component of personal income, rose by 0.8 percent, yielding a year-on-year increase of 5.1 percent. Note that average weekly hours worked in October were revised down by one-tenth of an hour, which resulted in a corresponding downward revision in growth of aggregate wage and salary earnings; that average weekly hours rose back to 34.3 hours in November played a big role in the outsized increase in aggregate wage and salary earnings.

It was widely expected that the November data would bring payback for the considerable distortions in the October data stemming from the Boeing strike and Hurricanes Helene and Milton, though the BLS was unable to quantify these effects in the October employment report. While our forecast of the November was well above the consensus forecast, we noted that after accounting for our estimates of the strike and the hurricanes, our forecast netted out into an increase in job growth that would be in keeping with the premise of a cooling but not collapsing labor market. We and most others noted that the best way to assess the labor market data would be to take average job growth over the two-month period, which allowed for some revision to the initial October estimates. As the data now stand, nonfarm payrolls increased by an average of 132,000 jobs over October and November, while our forecast of the November data would have put that average at 143,000 jobs. So, in that

sense, the November employment report isn't all that out of line with our assessment of labor market conditions.

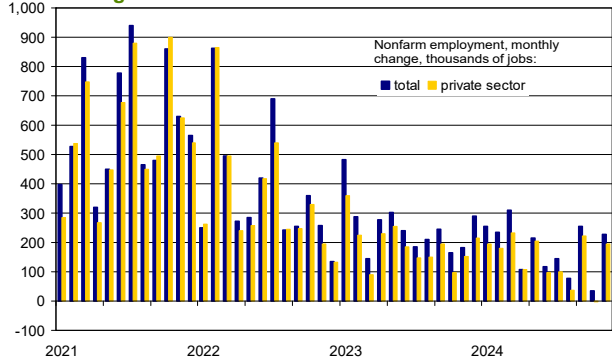
One thing that does stand out in the November data is that manufacturing payrolls rose by only 22,000 jobs after having declined by 48,000 jobs in October. Recall that the Boeing strike directly took 33,000 jobs off factory sector payrolls in October, and our estimate was that roughly 5,000 additional job losses were tied to the strike. With the strike having been settled ahead of the November survey period, we assumed all of those jobs would come back on the books, but that proved to not be the case. The increase in payrolls in transportation equipment manufacturing last month was smaller than the decline in October, but at the same time was larger than the increase in total manufacturing payrolls. In other words, the ongoing weakness in the manufacturing sector resulted in further job losses in November.

As we discussed in our preview of the November data, we anticipated softer than normal seasonal hiring in warehousing/delivery services and retail trade would lead to the seasonally adjusted data showing declining payrolls in these segments. That proved to be the case. The unadjusted data show retail trade payrolls rose by 281,000 jobs in November, but on a percentage change basis this is smaller than the typical November increase, hence the decline of 28,000 jobs reported in the seasonally adjusted data. Unadjusted payrolls in warehousing/delivery services rose by a combined 159,100 jobs, which translated into a decline of 3,600 jobs in the seasonally adjusted data. That there wasn't a bigger November bounce after the distortions in the October data is in keeping with our premise that seasonal hiring this year would be weaker than has been the case over the past few years.

At 47.4 percent, the initial collection rate for the October establishment survey was the lowest in any month since January 1991. Note, however, that the second-month collection rate for the October survey rose to 92.0 percent, not out of line with typical rates. That gives greater confidence in the revised estimates of the October data. At the same time, however, the initial November collection rate of 67.4 percent continues the long-running pattern of low initial rates, which leaves open the possibility, if not likelihood, of sizable revisions to the initial November estimates.



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Part-Time For Economic Reasons  
three-month moving averages, millions of people

