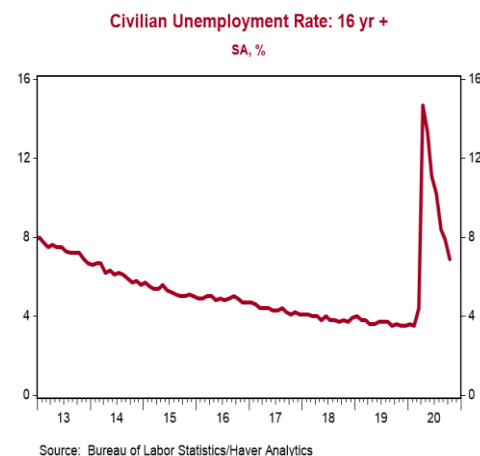
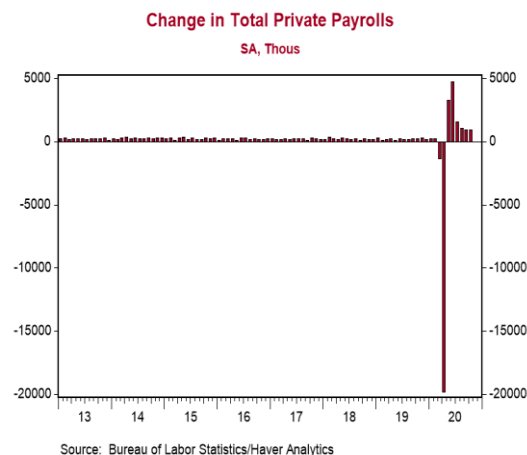


October Employment Report

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- Nonfarm payrolls rose 638,000 in October, close to the consensus expected 580,000.
- Private sector payrolls rose 906,000 in October. The largest increases were for leisure & hospitality (271,000), professional & business services (208,000, including temps), and retail (104,000). Manufacturing rose 38,000 while government declined 268,000.
- The unemployment rate dropped to 6.9% in October from 7.9% in September.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in October and are up 4.5% versus a year ago. Aggregate hours worked rose 0.8% in October but are down 5.1% from a year ago.

Implications: The job market is continuing to recover at a robust pace from the COVID-19 disaster. Nonfarm payrolls rose 638,000 in October versus a consensus expected 580,000. More importantly, *private-sector* payrolls rose 906,000, easily beating the consensus expected 680,000. As in September, the key drag on job creation was in the government, where temporary Census jobs went away and school systems employed fewer workers than is typical this time of year. It's also important to recognize that average weekly hours in the private sector ticked up (again!) to 34.8 in October versus an originally reported 34.7 in September, the equivalent of about 350,000 jobs. In other words, the details in the payroll report suggest on ongoing rapid recovery in the demand for private-sector workers. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 2.2 million in October. After peaking in February, nonfarm payrolls plummeted by 22.2 million in March and April. In the past six months, payrolls have grown 12.1 million, making up 54% of the jobs lost earlier in the year. Over the same timeframe, civilian employment has recovered 65% of the jobs lost earlier this year. The best news in today's report was the drop in the unemployment rate to 6.9%, which is still a high level but well below the peak of 14.7% in April. Average hourly earnings rose a modest 0.1% in October but are up 4.5% from a year ago. Total earnings, which we calculate by multiplying average hourly earnings by the number of hours worked, rose a healthy 0.9% in October. Although total earnings are down 0.9% from a year ago, they dropped steeply early this year and have since recovered 80% of those losses. The road to a full recovery remains a long one. It's not just a matter of getting back to the level of jobs we had in February because, in the absence of the shutdowns related to COVID-19, jobs would have been rising since then. We think a full recovery means getting back to an unemployment rate of 4.0% or below, which is where it was before COVID-19. And that looks like it won't happen for at least a couple more years. That said, there should be no doubt we are headed in the right direction.



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-20	Sep-20	Aug-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	6.9	7.9	8.4	7.7	9.6	7.6
Civilian Employment (monthly change in thousands)	2,243	275	3,756	2,091	2,734	-687
Nonfarm Payrolls (monthly change in thousands)	638	672	1493	934	2012	-765
Construction	84	35	24	48	132	-16
Manufacturing	38	60	30	43	124	-48
Retail Trade	104	23	261	129	314	-39
Finance, Insurance and Real Estate	31	37	28	32	25	-6
Professional and Business Services	208	122	184	171	191	-87
Education and Health Services	57	49	175	94	243	-92
Leisure and Hospitality	271	406	138	272	805	-277
Government	-268	-220	465	-8	-41	-93
Avg. Hourly Earnings: Total Private*	0.1%	0.0%	0.3%	2.1%	-3.5%	4.5%
Avg. Weekly Hours: Total Private	34.8	34.8	34.7	34.8	34.7	34.5
Index of Aggregate Weekly Hours: Total Private*	0.8%	1.1%	1.2%	12.7%	28.4%	-5.1%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized