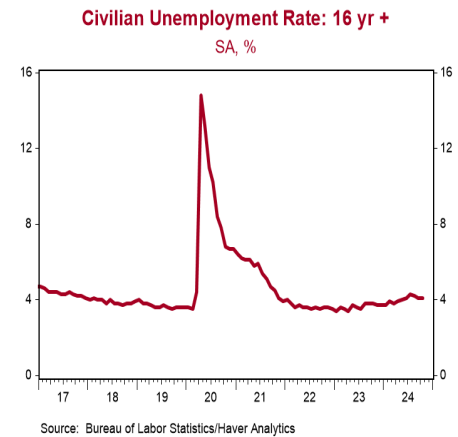
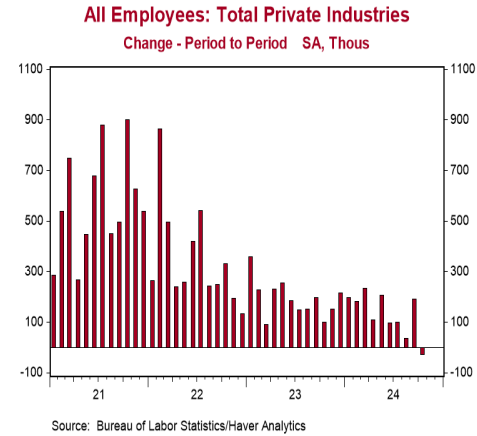


# October Employment Report

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- Nonfarm payrolls increased 12,000 in October, well below the consensus expected 100,000. Payroll gains for July and August were revised down by a total of 112,000, resulting in a net loss, including revisions, of 100,000.
- Private sector payrolls declined 28,000 in October and were revised down by 108,000 in prior months. The largest declines in October were in manufacturing (-46,000) and for temporary help services (-49,000). Health care rose 52,000 while government increased 40,000.
- The unemployment rate remained at 4.1% in October.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in October and are up 4.0% versus a year ago. Aggregate hours were unchanged in October but were up 1.2% from a year ago.

**Implications:** The job market weakened considerably in October and although there are reasons to think it could rebound next month, this could also be part of a broader downshift in the U.S. economy. Nonfarm payrolls grew a meager 12,000 in October, far weaker than the consensus expected 100,000 and – excluding 2020, the first year of COVID – the smallest gain for any month since early 2019. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups dropped 368,000. It is entirely plausible that much of the slowness is due to Hurricane Milton, which affected the Southeast during the survey week in October. The civilian employment survey showed 512,000 workers missed work due to weather, an unusually high number for October. However, revisions reduced nonfarm payrolls by 112,000 for August and September, almost all of them private-sector jobs, and Milton didn’t cause that. We like to follow payrolls excluding three sectors: government, education & health services, and leisure & hospitality, all of which are heavily influenced by government spending and regulation (that includes COVID lockdowns and reopenings for leisure & hospitality). This “core” measure of jobs dropped 81,000 in October. Excluding early 2020, that’s the worst reading since 2010 and we’ve had plenty of months of bad weather since then, which suggests Milton isn’t the whole story. Given the weakness in jobs, why didn’t the unemployment rate go up? Because the labor force (people who are either working or looking for work) declined 220,000 in October, helping keep the jobless rate at 4.1% for the month. The Federal Reserve meets next week to decide on short-term interest rates and policymakers will pay some attention to average hourly earnings, which grew 0.4% in October and are up 4.0% versus last year. That’s hotter than the Fed would like to see. But given Milton the Fed is likely to discount that data until the next meeting in December and move forward with a quarter-point rate cut next week. As always, we also like to follow the path of total private-sector hours worked, which were unchanged in October but still up a solid 1.2% from a year ago. Some investors may like to dismiss the October report as a weather-related aberration, but the signs of a downshift appear to go beyond one storm.



| <b>Employment Report</b><br><i>All Data Seasonally Adjusted</i> | <b>Oct-24</b> | <b>Sep-24</b> | <b>Aug-24</b> | <b>3-month moving avg</b> | <b>6-month moving avg</b> | <b>12-month moving avg</b> |
|---|---------------|---------------|---------------|---------------------------|---------------------------|----------------------------|
| <b>Unemployment Rate</b>  | <b>4.1</b>    | 4.1           | 4.2           | 4.1                       | 4.1                       | 4.0                        |
| <b>Civilian Employment (monthly change in thousands)</b>        | <b>-368</b>   | 430           | 168           | 77                        | 1                         | 18                         |
| <b>Nonfarm Payrolls (monthly change in thousands)</b>           | <b>12</b>     | 223           | 78            | 104                       | 132                       | 181                        |
| <b>Construction</b>   | <b>8</b>      | 27            | 28            | 21                        | 18                        | 19                         |
| <b>Manufacturing</b>  | <b>-46</b>    | -6            | -26           | -26                       | -14                       | -4                         |
| <b>Retail Trade</b>   | <b>-6</b>     | 15            | -15           | -2                        | -3                        | 4                          |
| <b>Finance, Insurance and Real Estate</b>                       | <b>0</b>      | 4             | 7             | 4                         | 5                         | 3                          |
| <b>Professional and Business Services</b>                       | <b>-47</b>    | -9            | -47           | -34                       | -11                       | 1                          |
| <b>Education and Health Services</b>                            | <b>57</b>     | 95            | 67            | 73                        | 73                        | 82                         |
| <b>Leisure and Hospitality</b>                                  | <b>-4</b>     | 40            | 9             | 15                        | 18                        | 19                         |
| <b>Government</b>   | <b>40</b>     | 31            | 41            | 37                        | 31                        | 41                         |
| <b>Avg. Hourly Earnings: Total Private*</b>                     | <b>0.4%</b>   | 0.3%          | 0.4%          | 4.5%                      | 4.1%                      | 4.0%                       |
| <b>Avg. Weekly Hours: Total Private</b>                         | <b>34.3</b>   | 34.3          | 34.3          | 34.3                      | 34.3                      | 34.3                       |
| <b>Index of Aggregate Weekly Hours: Total Private*</b>          | <b>0.0%</b>   | 0.1%          | 0.3%          | 1.7%                      | 0.9%                      | 1.2%                       |

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