
SOLID US OCTOBER JOBS REPORT

The September employment report was all-round solid, with net new 161k jobs and revisions to August and September adding +44k. Average hourly wage growth picked up to 0.4% on the month (+2.8% yr/yr) and aggregate hours worked advanced 0.2%. Both point to solid gains in total personal incomes in October which should support private consumption.

The solid improvement in wages and employment gains point decidedly toward a hike by the FOMC in December.

The household survey was mixed with its measure of employment down by 43k after a big 354k gain in the prior month, while unemployment declined 152k pushing the unemployment rate down 0.1pp to 4.9%. The labor force participation rate ticked down to 62.8% and appears to have stabilized to just below 63%, providing more evidence of minimal labor market slack (see Chart 2).

The pickup in average hourly earnings 2.8% yr/yr was the fastest during this economic recovery (see Chart 3). Note that a calendar quirk in October probably biased wage growth to the upside, so a reversal in November is possible. That said, the improvement in wage growth is encouraging. Also, based on the Fed's FRB-US model the solid wage number reinforces the Fed's confidence that inflation will continue to rise toward its 2% target.

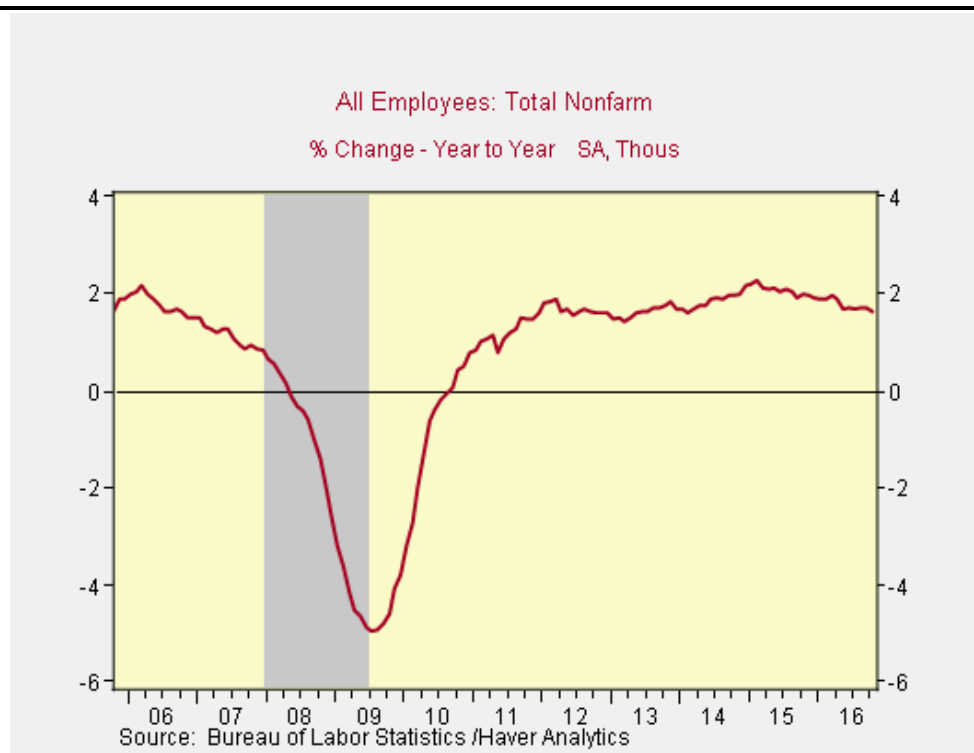
Government employment rose by a solid 19k, as the federal government added its most jobs since May (+12k). State and local government employment job gains rose by only 7k, after the sizable addition of education jobs in the summer. Prospects for new infrastructure spending in the medium term could lead to more local government hiring in the medium term.

Goods employment was flat in October, as mining and logging employment declined for the 25th consecutive month and the manufacturing sector shedding a total of 33k jobs in the last three months. This tempers expectations for a strong rebound in manufacturing. The construction sector added 11k jobs.

Service sector employment was up 142k. The slight 1k increase in retail trade jobs raises concerns about retail activity in October and the upcoming holiday shopping season, especially as stores are usually increasing hiring this time of the year. Leisure and hospitality employment also remained weak rising by only 10k.

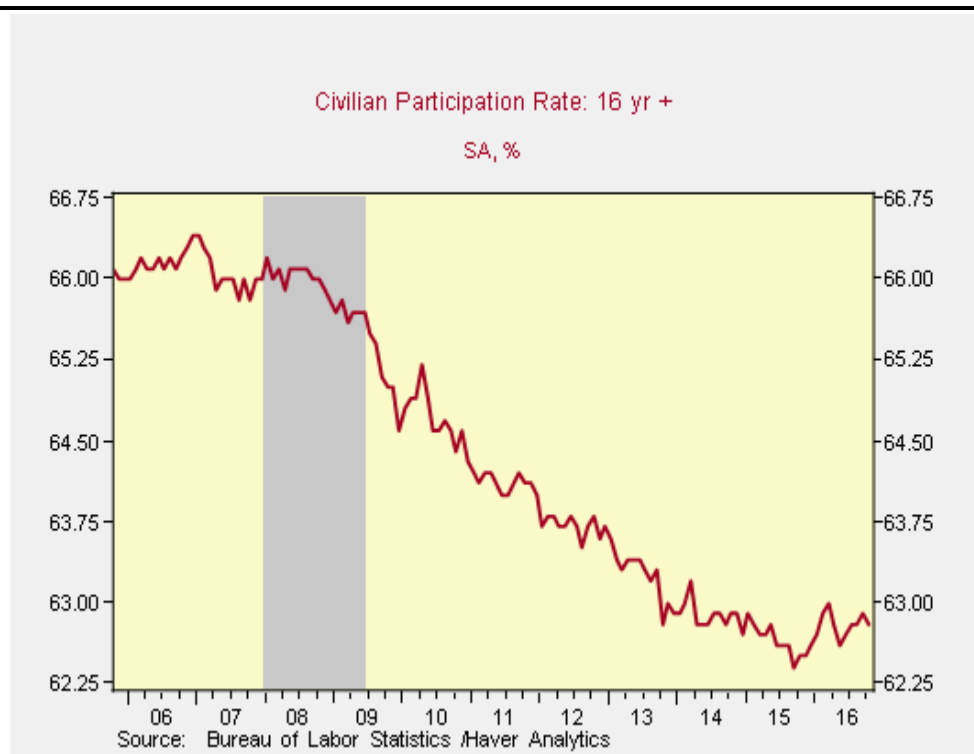
04 November 2016

Chart 1: Total nonfarm employment (yoy, %)



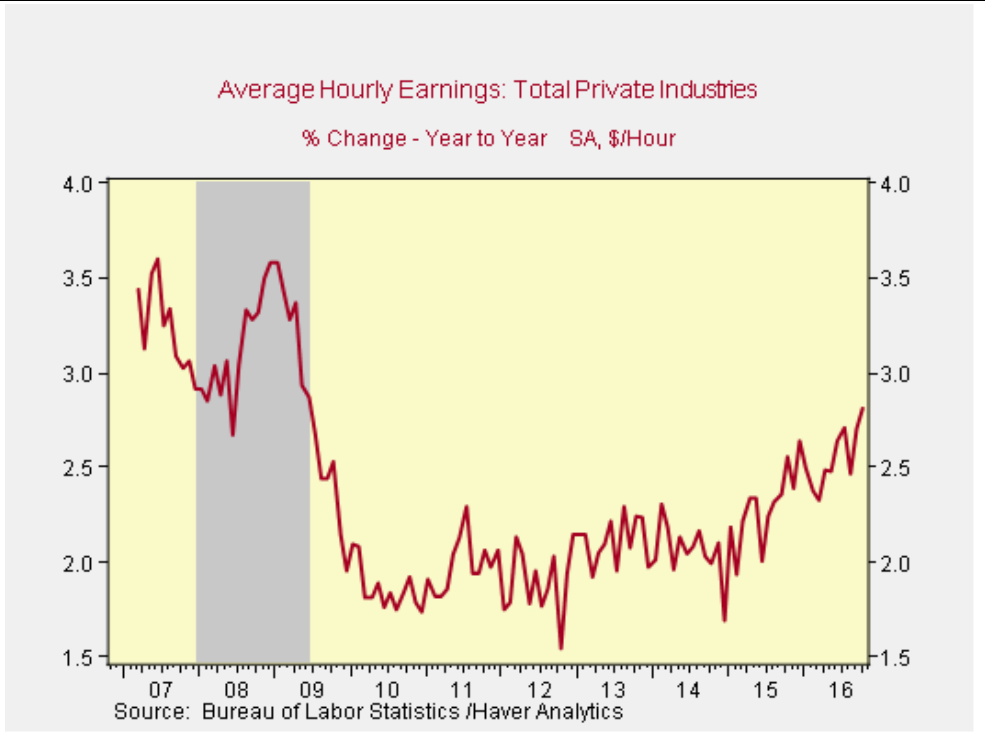
Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 2: Labor force participation rate



Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

Chart 3: Average hourly earnings for private industries (yoy, %)



Source: Monthly data. Source: Bureau of Labor Statistics and Haver Analytics

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