

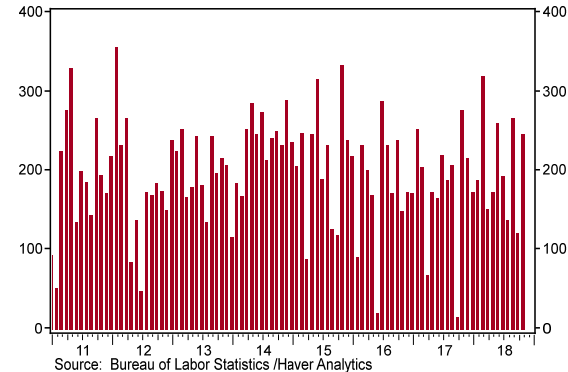
October Employment Report

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- Nonfarm payrolls rose 250,000 in October, beating the consensus expected 200,000. There were zero net revisions to payroll growth in August/September.
- Private sector payrolls rose 246,000 in October and revisions to prior months added 13,000. The largest increases in September were for health care (+36,000), professional & business services (+35,000, including temps), restaurants & bars (+34,000), and manufacturing (+32,000). Government rose 4,000.
- The unemployment rate remained at 3.7%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in October and are up 3.1% versus a year ago.

Implications: The labor market is still firing on all cylinders after absorbing a blow from Hurricane Florence in September. In our view, the corporate tax cut from last year is having exactly the positive effects on the economy that supply-siders predicted. Nonfarm payrolls rose 250,000 in October, beating consensus expectations and marking a sharp rebound from September, when Florence held down payroll growth to 118,000. The gains in October were widespread, with no major sector showing a decline. Notably, restaurants & bars, which lost 10,000 jobs in September, rose 34,000 in October, showing the effects of the hurricane. Civilian employment, an alternative measure of jobs that includes small-business start-ups soared 600,000 in October. The two surveys – payrolls and civilian employment – now show similar robust job creation in the past year: averages of 210,000 and 200,000 jobs per month, respectively. Meanwhile, today’s report shows a clearer picture of accelerating wage growth, with average hourly earnings up 0.2% in October and 3.1% higher than a year ago, the fastest pace of wage gains for any 12-month period since 2009. (Remember, that’s in spite of that measure excluding extra earnings from irregular bonuses and commissions, like those paid out after the tax cut was passed.) Meanwhile, total hours worked are up 2.3% in the past year. As a result, total cash earnings are up 5.5% in the past year, also the fastest so far in the expansion and more than enough to keep pushing consumer spending higher. The rest of the figures on the labor market report were generally good news. The unemployment rate remained at 3.7% in October, while the labor market absorbed an increase in the labor force of 711,000. In the past year, the labor force is up 1.9 million. At present, we’re projecting an unemployment rate of 3.6% at year end and 3.2% at the end of 2019, which is part of the reason why we think the Federal Reserve will raise rates four times next year, not three times like the current “dot plot” suggests or twice like the bond market appears to think. More good news included an increase in the participation rate to 62.9%, which is in the higher portion of the range it’s been in since 2014 (62.3% to 63.1%). Also, the employment-to-population ratio increased to 60.6%, the highest in almost ten years. Not every month is going to show such widespread improvement, but expect the labor market to keep showing gains for the foreseeable future.

Change in Total Private Payrolls
SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-18	Sep-18	Aug-18	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	3.7	3.7	3.9	3.8	3.8	4.0
Civilian Employment (monthly change in thousands)	600	420	-423	199	230	200
Nonfarm Payrolls (monthly change in thousands)	250	118	286	218	216	210
Construction	30	20	31	27	23	28
Manufacturing	32	18	11	20	21	25
Retail Trade	2	-32	9	-7	-5	3
Finance, Insurance and Real Estate	7	15	9	10	10	10
Professional and Business Services	35	46	54	45	45	43
Education and Health Services	44	26	67	46	47	42
Leisure and Hospitality	42	0	30	24	25	21
Government	4	-3	19	7	12	6
Avg. Hourly Earnings: Total Private*	0.2%	0.3%	0.4%	3.4%	3.3%	3.1%
Avg. Weekly Hours: Total Private	34.5	34.4	34.5	34.5	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	0.5%	-0.3%	0.3%	2.2%	2.0%	2.3%

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