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November Employment Report

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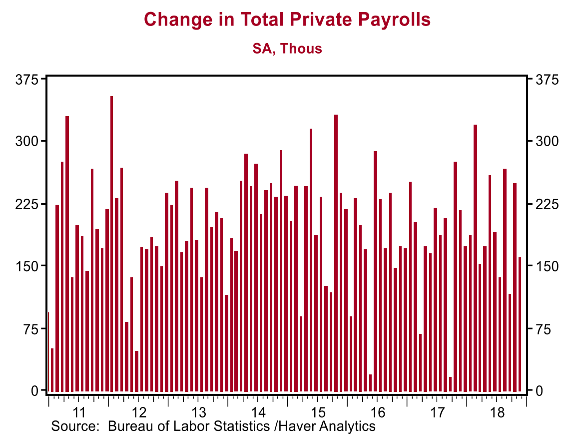
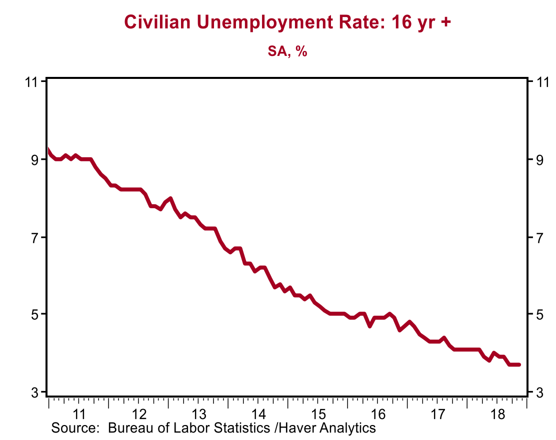
- Nonfarm payrolls rose 155,000 in November, lagging the consensus expected 198,000. Including revisions to September/October, nonfarm payrolls increased 143,000.
- Private sector payrolls rose 161,000 in November and revisions to prior months added 1,000. The largest increases in November were for health care (+32,000), professional & business services (+32,000, including temps), manufacturing (+27,000), and transportation/warehousing (+25,000). Government declined 6,000.
- The unemployment rate remained at 3.7%.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.2% in November and are up 3.1% versus a year ago.





Implications: Good, not great. That about sums up the employment report for November. The most negative news in the report was that nonfarm payrolls grew only 155,000 for the month. While that's more than enough to keep the unemployment rate gradually trending downward, it was slower than the average of 204,000 per month in the past year and weaker than any economics group was forecasting. However, civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 233,000 in November. This increase, combined with an increase in the labor force of 133,000 meant the jobless rate remained unchanged at 3.7%. Look for a December reading of 3.6% and then a decline to 3.3% in 2019, as the corporate tax cut makes capital more plentiful, thereby driving the demand for labor upward. Another sign of increasing demand for labor is wage growth. Average hourly earnings rose 0.2% in November and are up 3.1% from a year ago. (Remember, that's in spite of that measure excluding extra earnings from irregular bonuses and commissions, like the bonuses paid out after the tax cut was passed.) Meanwhile, total hours, which slipped 0.2% in November, are up 1.7% in the past year. As a result, total cash earnings are up 4.8% in the past year, which will help consumer spending continue to grow. Nothing in today's report suggests the Federal Reserve should hold off on its final rate hike of the year on December 19. The bigger issue is what the Fed will do next year. Right now, the federal funds futures market suggests only one rate hike of 25 basis points next year. We think the Fed is likely to move at least twice and possibly as many as four times, assuming the 10-year Treasury yield moves up, as well, which it should given continued healthy economic growth.

Employment Report *All Data Seasonally Adjusted*	**Nov-18**	**Oct-18**	**Sep-18**	**3-month moving avg**	**6-month moving avg**	**12-month moving avg**
Unemployment Rate	**3.7**	3.7	3.7	3.7	3.8	3.9
Civilian Employment (monthly change in thousands)	**233**	600	420	418	220	214
Nonfarm Payrolls (monthly change in thousands)	**155**	237	119	170	195	204
Construction	**5**	24	15	15	17	24
Manufacturing	**27**	26	19	24	21	24
Retail Trade	**18**	-7	-27	-5	-8	2
Finance, Insurance and Real Estate	**6**	12	17	12	10	10
Professional and Business Services	**32**	58	52	47	47	47
Education and Health Services	**34**	39	9	27	42	39
Leisure and Hospitality	**15**	56	5	25	25	22
Government	**-6**	-14	2	-6	8	4
Avg. Hourly Earnings: Total Private*	**0.2%**	0.1%	0.3%	2.7%	3.1%	3.1%
Avg. Weekly Hours: Total Private	**34.4**	34.5	34.4	34.4	34.5	34.5
Index of Aggregate Weekly Hours: Total Private*	**-0.2%**	0.5%	-0.3%	0.4%	1.3%	1.7%

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