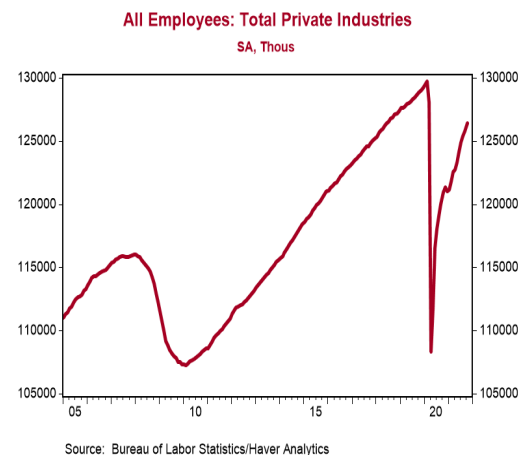


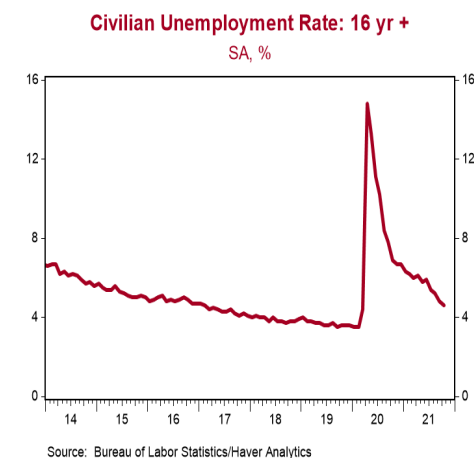
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October Employment Report

- Nonfarm payrolls increased 531,000 in October, beating the consensus expected 450,000. Payroll gains for August and September were revised up by a total of 235,000, bringing the net gain, including revisions, to 766,000.
- Private sector payrolls rose 604,000 in October, while revisions to prior months added 220,000. The largest increases in October were for hotels and restaurants (+143,000), professional & business services (+100,000, including temps), education & health care (+64,000), manufacturing (+60,000), transportation & warehousing (+54,000), and construction (+44,000). Government declined 73,000.
- The unemployment rate dropped to 4.6% in October from 4.8% in September.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in October and are up 4.9% versus a year ago. Aggregate hours worked rose 0.2% in October and are up 4.2% from a year ago.



Implications: For the first time in a while, the payroll data beat the consensus estimate. As we suspected, the end of excess unemployment benefits is making it easier for employers to fill jobs, and this should continue in the months ahead. However, it's almost as if the Biden Administration is looking for a way to slow this growth by using OSHA to impose vaccine and mask mandates on private companies. This could create more turmoil in the labor market, which we have seen at airlines and hospitals, as employees fight mandates in court and argue over natural immunity. Competing headwinds and tailwinds should make economic data interesting in the months ahead. Payrolls rose 531,000 in October, beating the consensus expected 450,000, while job growth in the prior two months was revised up 235,000, almost all in the private sector. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 359,000, which helped push the unemployment rate down to 4.6%, the lowest since March 2020. Another piece of good news was that average hourly earnings rose 0.4% in October and are up 4.9% in the past year. Total hours worked rose 0.2% in October and are up 4.2% in the past year. Combining hourly pay and the number of hours worked, total worker pay (excluding irregular bonuses) have increased 9.2% in the past year and are up 6.8% since February 2020 (pre-COVID). This is important because it means that the growth in total worker pay is outstripping inflation. Still, the labor market is far from fully healed. Payrolls remain 4.2 million below where there were in February 2020 while civilian employment is 4.7 million below. Meanwhile, the labor force (people who are either working or looking for work) is 3.0 million below pre-COVID levels. The labor force participation rate came in at 61.6% in October, the same as September, and has been hovering near that level for the past seventeen months, well below the pre-COVID peak of 63.4%. We don't expect that to climb in any significant way in the near future unless and until workers and businesses can have confidence the Biden Administration's OSHA rules won't be implemented.



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-21	Sep-21	Aug-21	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.6	4.8	5.2	4.9	5.3	5.8
Civilian Employment (monthly change in thousands)	359	526	509	465	477	379
Nonfarm Payrolls (monthly change in thousands)	531	312	483	442	666	481
Construction	44	30	-1	24	10	14
Manufacturing	60	31	49	47	44	31
Retail Trade	35	57	22	38	43	28
Finance, Insurance and Real Estate	21	7	17	15	13	11
Professional and Business Services	100	76	139	105	88	80
Education and Health Services	64	13	72	50	59	45
Leisure and Hospitality	164	88	71	108	241	159
Government	-73	-53	-21	-49	57	29
Avg. Hourly Earnings: Total Private*	0.4%	0.6%	0.4%	5.5%	5.3%	4.9%
Avg. Weekly Hours: Total Private	34.7	34.8	34.6	34.7	34.7	34.8
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.9%	0.1%	4.9%	4.9%	4.2%

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