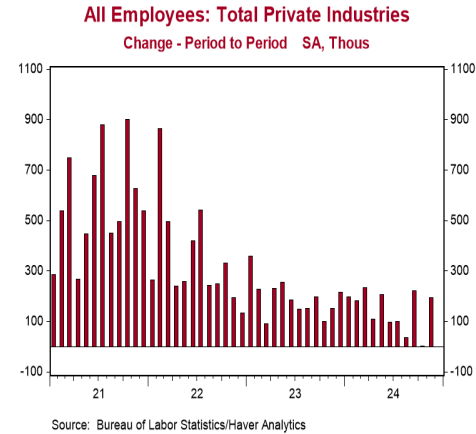


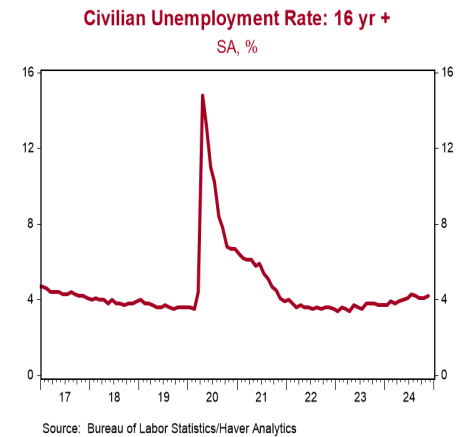
# November Employment Report

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- Nonfarm payrolls increased 227,000 in November, slightly above the consensus expected 220,000. Payroll gains for September and October were revised up by a total of 56,000, resulting in a net gain, including revisions, of 283,000.
- Private sector payrolls rose 194,000 in November and were revised up by 56,000 in prior months. The largest gains in November were in health care & social assistance (72,000) and leisure & hospitality (53,000). Manufacturing rose 22,000 while government increased 33,000.
- The unemployment rate ticked up to 4.2% in November from 4.1% in October.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in November and are up 4.0% versus a year ago. Aggregate hours increased 0.4% in November and are up 1.0% from a year ago.



**Implications:** Payroll growth rebounded sharply in November after a hurricane-ravaged October, but the trend in the labor market is toward slower growth. First the good news: nonfarm payrolls expanded 227,000 in November while revisions to prior months added an additional 56,000. As a result, total private-sector hours worked grew 0.4% and are up a solid 1.0% from a year ago. However, to account for bad weather in October, we can average the past two months together and get payroll growth of 132,000 per month, which is noticeably below the 190,000 monthly trend of the past year. Meanwhile, civilian employment, an alternative measure of jobs that includes small-business start-ups dropped 355,000 in November and is down 60,000 per month in the past twelve months. That’s an unusually large gap and signals that the payroll survey may still be overestimating job growth. In addition, weakness in civilian employment helped push up the unemployment rate to 4.2% in spite of a decline in the labor force, with the participation rate (the share of adults who are either working or looking for work) down to 62.5%. 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 rose 62,000 in November after tumbling 71,000 in October. As a result, it’s still down even if we average the two months to take out the effect of bad October weather. However, some details were more positive. Average hourly earnings rose 0.4% in November and are up 4.0% from a year ago, which is beating consumer price inflation and which means “real” earnings are going up. That, combined with more hours worked, means workers do have more purchasing power. What will the Federal Reserve make of all this? Seeing the slowing trend in the labor market, and given its Keynesian worldview, that it probably has enough room to cut rates again by a quarter point on December 18, but markets will have to wait and see whether the process of rate cuts will continue in January. Our forecast right now: the Fed will see that inflation is still a threat and slow the pace of rate cuts, starting with a pause in January.



<b>Employment Report</b> <i>All Data Seasonally Adjusted</i>	<b>Nov-24</b>	<b>Oct-24</b>	<b>Sep-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>4.2</b>	4.1	4.1	4.1	4.2	4.0
<b>Civilian Employment (monthly change in thousands)</b>	<b>-355</b>	-368	430	-98	10	-60
<b>Nonfarm Payrolls (monthly change in thousands)</b>	<b>227</b>	36	255	173	143	190
<b>Construction</b>	<b>10</b>	2	26	13	16	18
<b>Manufacturing</b>	<b>22</b>	-48	-12	-13	-12	-5
<b>Retail Trade</b>	<b>-28</b>	-4	7	-8	-10	4
<b>Finance, Insurance and Real Estate</b>	<b>17</b>	6	6	10	8	4
<b>Professional and Business Services</b>	<b>26</b>	-23	22	8	-6	7
<b>Education and Health Services</b>	<b>79</b>	67	91	79	76	80
<b>Leisure and Hospitality</b>	<b>53</b>	2	61	39	28	25
<b>Government</b>	<b>33</b>	38	33	35	35	41
<b>Avg. Hourly Earnings: Total Private*</b>	<b>0.4%</b>	0.4%	0.3%	4.5%	4.2%	4.0%
<b>Avg. Weekly Hours: Total Private</b>	<b>34.3</b>	34.2	34.3	34.3	34.3	34.3
<b>Index of Aggregate Weekly Hours: Total Private*</b>	<b>0.4%</b>	-0.3%	0.2%	1.0%	0.9%	1.0%

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