

October/November Employment Report

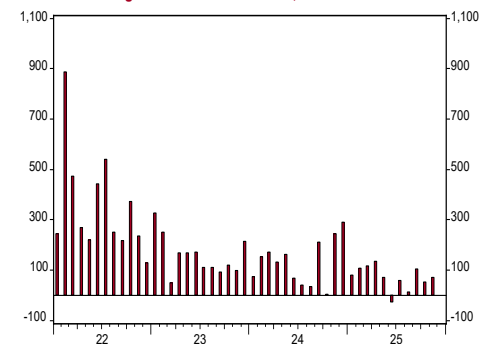
Robert Stein, CFA – Dep. Chief Economist
Brian S. Wesbury – Chief Economist

- Nonfarm payrolls increased 64,000 in November, beating the consensus expected 50,000. Including data from October (-105,000) and revisions for Aug/Sep (-33,000), payrolls posted a net decline of 74,000.
- Private sector payrolls rose 69,000 in November. Including data from October (+52,000) and revisions for Aug/Sep (-1,000), private payrolls posted a net gain of 120,000. The largest gains in November were health care & social assistance (64,000) and construction (28,000). Manufacturing and government both declined 5,000.
- The unemployment rate ticked up to 4.6% in November versus 4.4% in September (the latest data available).
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in November and are up 3.5% versus a year ago. Aggregate hours rose 0.3% in November and are up 0.8% from a year ago.

Implications: Nonfarm payrolls rose 64,000 in November itself, beating the consensus expected 50,000. However, October payrolls fell 105,000 and revisions for August and September subtracted another 33,000. As a result, combining all of this, payrolls were 74,000 lower in November than when we last glimpsed the labor market for September. But before you get panicky about jobs it's important to recognize that the downswing was largely due to a big drop in government; not the federal shutdown, but the Trump Administration's efforts to trim government jobs that resulted in "deferred resignations" that finalized in October. Federal payrolls dropped 162,000 in October and then another 6,000 in November, the tenth straight monthly decline for a total drop of 271,000 since January. Long term, these efforts should grow the private sector, including private sector jobs, more than we lose in the government. Private-sector payrolls rose a respectable 52,000 in October and then 69,000 in November. Data on civilian employment (an alternative measure of jobs that includes small business start ups) was not available for October due to the shutdown, but were available for November, when they were 96,000 higher than in September. And although the unemployment rate was 4.6% in November versus 4.4% in September, the increase was due to a welcome 323,000 gain in the labor force (people who are either working or looking for work), which is not a bad sign. These figures are also impressive in light of strict enforcement of immigration laws, as well as uncertainty around trade policy and tariffs. We also 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 (including COVID lockdowns and re-openings). This measure of "core payrolls" increased 16,000 in November following a 23,000 decline in October. While this remains relatively weak, it follows a string of large consistent declines earlier this year and signals that the private sector may be turning the corner as government payrolls shrink. On the inflation front, the Fed will be happy that average hourly earnings rose only 0.1% and are up 3.5% from a year ago. If productivity growth is near a 1.5% annualized trend in the years ahead (hopefully higher with AI!), a 3.5% growth rate for wages is consistent with the Fed's 2.0% inflation goal.

All Employees: Total Private Industries

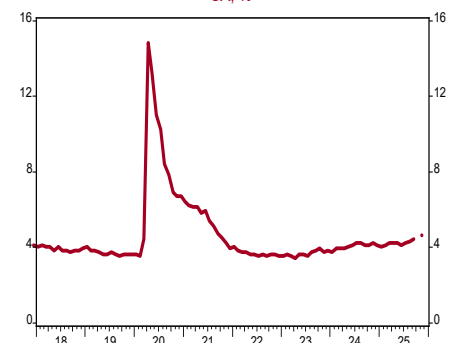
Change - Period to Period SA, Thous



Source: Bureau of Labor Statistics/Haver Analytics

Civilian Unemployment Rate: 16 yr +

SA, %



Source: Bureau of Labor Statistics/Haver Analytics

Employment Report All Data Seasonally Adjusted	Nov-25	Oct-25	Sep-25	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	4.6	NA	4.4	NA	NA	NA
Civilian Employment (monthly change in thousands)	NA	NA	251	NA	NA	NA
Nonfarm Payrolls (monthly change in thousands)	64	-105	86	15	17	78
Construction	28	-1	19	15	5	5
Manufacturing	-5	-9	-1	-5	-9	-6
Retail Trade	6	-2	26	10	6	9
Finance, Insurance and Real Estate	-2	-3	6	0	-3	3
Professional and Business Services	12	-7	-4	0	-9	-4
Education and Health Services	65	59	47	57	58	65
Leisure and Hospitality	-12	16	33	12	12	14
Government	-5	-157	-10	-57	-27	-10
Avg. Hourly Earnings: Total Private*	0.1%	0.4%	0.2%	3.1%	3.5%	3.5%
Avg. Weekly Hours: Total Private	34.3	34.2	34.2	34.2	34.2	34.2
Index of Aggregate Weekly Hours: Total Private*	0.3%	0.0%	0.1%	1.7%	0.3%	0.8%

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