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October Employment Report

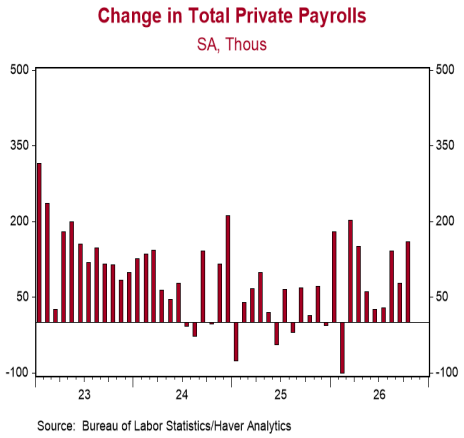
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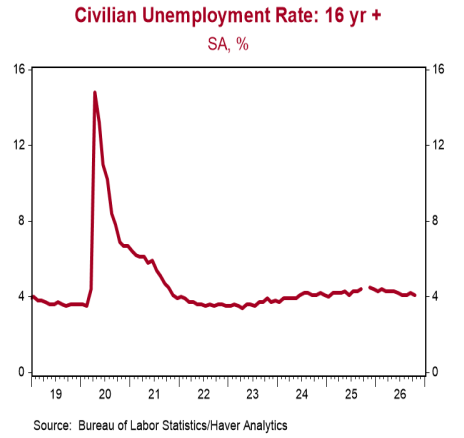
- Nonfarm payrolls increased 165,000 in October, easily beating the consensus expected gain of 70,000. Payroll gains for August and September were revised up by a total of 84,000, resulting in a net gain, including revisions, of 249,000.

- Private sector payrolls rose 159,000 in October and were revised up by 85,000 in prior months. The largest gains in October were in professional & business services (+70,000), healthcare and social assistance (+55,000), and transportation & warehousing (+25,000). Manufacturing rose 19,000 while government increased 6,000.

- The unemployment rate ticked down to 4.1% in October from 4.2% in September.

- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.4% in October and are up 3.1% versus a year ago. Aggregate hours rose 0.1% in October but are up 1.3% from a year ago.





Implications: The job market was hot in October, with plenty of good news to go around. Nonfarm payrolls rose 165,000, beating the forecast from every Economics Group on Bloomberg. In addition, payrolls were revised up by 84,000 for prior months, bringing the net gain to 249,000. Civilian employment, an alternative measure of jobs that includes small-business start-ups, rose 463,000 in October, while the labor force (people who are working or looking for work) gained 421,000. This helped push the headline unemployment rate down a tick to 4.1% from 4.2%, but it was really a rounding issue, with the precise rate barely budging to 4.141% from a prior 4.175%. More good news: average hourly earnings increased 0.4% in October, which outpaced consensus expectations for inflation for the month. Meanwhile, wages are up 3.1% from a year ago, which is lagging consumer price inflation but could help the Federal Reserve justify not raising short-term interest rates as much as the market now expects. In the past year, private payrolls are up 79,000 per month, defying fears of an AI-related job apocalypse, with manufacturing and construction combined up 16,000 in October and up 196,000 so far this year. By contrast, government jobs are down 58,000 in the past year and -225,000 since January 2025. In other recent news, new claims for jobless benefits declined 6,000 last week to 189,000. The four-week moving average is now 189,000, the lowest since 1969. Continuing claims rose 23,000 but remain low at 1.718 million. Also, productivity (output per hour worked) in the nonfarm business sector increased at a 3.6% annual rate in Q3 and is up 2.1% from a year ago. Unit labor costs (how much workers are paid per unit of output) declined at a 0.7% rate in Q3 while still up 2.4% from a year ago. The drop in Q3 doesn't mean workers' earnings are outright falling; they just didn't rise in Q3 as fast as production.

Employment Report *All Data Seasonally Adjusted*	Oct-26	Sep-26	Aug-26	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	**4.1**	4.2	4.1	4.1	4.2	4.3
Civilian Employment (monthly change in thousands)	**463**	406	569	479	166	N/A
Nonfarm Payrolls (monthly change in thousands)	**165**	60	186	137	83	74
Construction	**-3**	16	17	10	9	10
Manufacturing	**19**	13	21	18	14	7
Retail Trade	**6**	13	3	7	7	5
Finance, Insurance and Real Estate	**7**	-14	-6	-4	-7	-8
Professional and Business Services	**70**	8	30	36	24	22
Education and Health Services	**53**	21	37	37	33	44
Leisure and Hospitality	**-13**	13	42	14	-1	1
Government	**6**	-18	44	11	0	-5
Avg. Hourly Earnings: Total Private*	**0.4%**	0.3%	0.3%	3.9%	3.2%	3.1%
Avg. Weekly Hours: Total Private	**34.4**	34.4	34.4	34.4	34.4	34.3
Index of Aggregate Weekly Hours: Total Private*	**0.1%**	0.1%	0.4%	2.4%	1.4%	1.3%

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

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