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Jobs Data Weaker Than Expected

Payrolls in October totaled 150k, 30k less than expected and notably the two prior months were revised down by 101k. The private sector hired a net 99k which was 46k below expectations. Also reflecting a weakening labor market was the other metric, the household survey, which saw a job decline of 348k and combined with a 201k person drop in the size of the labor force sent the unemployment rate up by one tenth to 3.9% which is the highest since January 2022. The all in U6 measure saw a 2 tenths increase to 7.2%.

Likely overstating even the weaker than expected level of hiring was that the birth/death model added 412k. While that was about in line with October 2022 add of 455k, it is well above the October 2019 add of 274k. This figure always overstates job hiring at the peak and understates it at the trough of an economic cycle.

Also of note, and pointing to the softness in the data relative to expectations, the work week fell to 34.3 from 34.4 and that matches the lowest since April 2020. Hourly earnings was as expected when we include the September revision and combined with hours worked saw average weekly earnings down .1% m/o/m and up by 3.2% y/o/y which reflects both tough comps and moderation in itself.

Another notable part of this report was the continued rise in 'multiple job holders' which was up 205k to the most since July 2019 and we know that is reflecting the need for more money.

Here's another data point reflecting the job softening, the diffusion index, measuring the number of industries adding workers vs those losing them. It fell a sharp 9.4 pts to 52, nearing the breakeven and that is the lowest since the Covid shutdowns.

The participation rate fell one tenth m/o/m to 62.7% and the employment to population ratio was down by two tenths to 60.2 and that matches the lowest of the year. The key 25-54 aged participation rate fell by 2 tenths to 83.3%, matching the lowest since March.

There was the highest number of part time workers because of 'slack work' since May 2022, and follows the drop in hours worked.

Manufacturing was a particular spot of softness as we know this sector is in a recession. Jobs shed totaled 35k which is the most in one month since April 2021. Construction offset some of that with a gain of 23k. On the service side, private education/health led the hiring, as is typical, with an increase of 89k. It was very mixed elsewhere as leisure/hospitality added 19k and professional/business services added 15k but there was basically no job growth in trade/transport, retail and financial and another job loss in information (which includes tech). Temp jobs of 7k were added after a string of monthly losses. State and local governments did most of the hiring on the public side.

Bottom line, there were a lot of areas of labor market softness in this report as stated above and really across the board. The 3 month pace of hiring is now averaging 204k vs the 6 month average of 206k, the one yr average of 243k and the 2022 average of 399k. As the government added a bunch of people over the last few months, the moderation is more noted in the private sector.

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