



Employment report October 2024

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Strikes and hurricanes exacerbate the ongoing labor market softening

- The October jobs report showed a material weakening in job growth with the economy only adding 12,000 jobs amid disruptions from the ongoing strike at a major aircraft manufacturer and Hurricane Helene and Milton. While this report makes it difficult to distinguish between the noise from temporary disruptions and the underlying signal, large downward revisions to payroll data in the prior two months point to softening labor demand with the three-month average of payrolls slowing to 148,000 in September.
- In October, the hiring slowdown was broad-based with goods employment falling by 37,000 and services employment only up by 9,000. Weather-sensitive industries such as retail, leisure and hospitality, and transportation reported modest job losses and manufacturing payrolls fell by 46,000 due to a 38,000 jobs drag from striking workers. Employment services contracted sharply due to the hurricanes with temporary workers down 49,000 jobs. In contrast, the health care and government sectors were the key drivers of job creation with employment rising by 52,000 and 40,000, respectively.
- The Bureau of Labor Statistics' (BLS) Household Survey showed some hurricane disruptions in October, with the number of individuals with a job but not at work due to bad weather surging by 512,000. However, these workers were still counted as employed. The unemployment rate held steady at 4.1% in October, even if it effectively rose from 4.05% to 4.14% – consistent with a resilient but slowing labor market.
- The labor force participation rate ticked down to 62.6% amid a decline in the labor supply and after holding steady at 62.7% for three consecutive months. The participation rate for prime-age workers (those aged 25 to 54) also fell from 83.8% to 83.5% and is now 0.5 percentage points (ppt) below its July peak of 84%. Immigration has been a powerful catalyst in rebalancing the labor market, but recent data points to moderating immigration flows.
- On the wage front, average hourly earnings were stronger than expected, rising 0.4% month over month (m/m) and lifting wage growth 0.1ppt higher to 4% year over year (y/y). Given the solid uptrend in productivity growth in recent quarters, wage growth is arguably below the pace consistent with 2% inflation. Moreover, the latest Employment Cost Index shows ongoing moderation in wage pressures as well as the continued downtrend in the quits rate – a leading indicator of wage growth.



- Looking ahead, we expect job growth to settle below trend in coming months as the labor market continues its gentle descent. Yet, a labor market downturn isn't on the near-term horizon judging by still historically low layoffs and companies' more strategic management of their workforce via wage compression and strategic resizing efforts. We foresee the unemployment rate rising further toward 4.3% by year-end and 4.5% in 2025.
- Overall, the October jobs report likely keeps the Fed on track for a cautious 25 basis points (bps) rate cut at next week's policy meeting. Fed officials will likely look through the "noisy" payroll figures and rely on the totality of labor market data, which continues to point to cooler labor market dynamics and ongoing wage growth disinflation.

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