

The US Labor Market in 7 Slides

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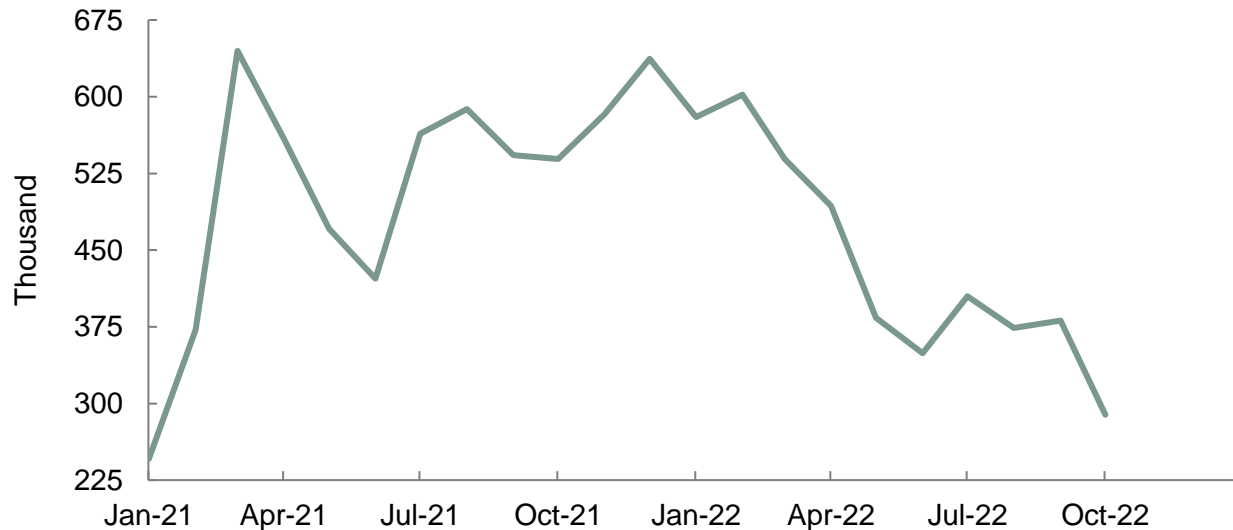
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Slowest Pace in 21 Months

Nonfarm payrolls rose 261k in October compared to the Consensus forecast of 193k. However, the better-than-expected results mask a substantial slowdown in hiring. Over the last three months, jobs are up an average of 289k, down from 381k in September and the slowest pace since January 2021.

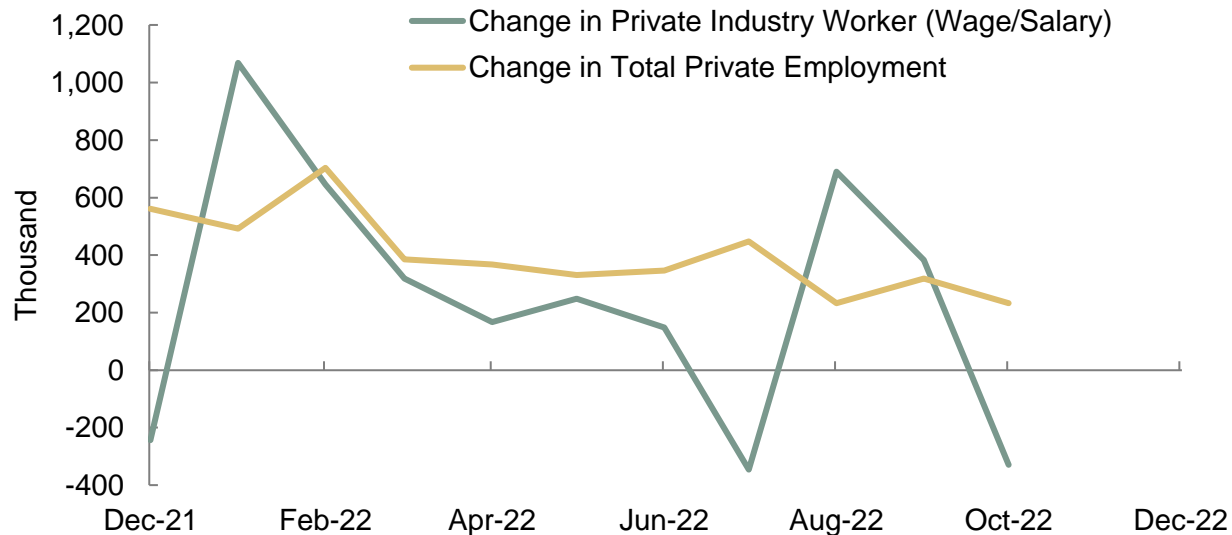
Three-month average change in nonfarm payrolls



Household Survey vs. Establishment Survey

The corresponding job series in the Household Survey is showing even more weakness than the Establishment Survey (i.e., where the payroll data are derived). Employment within private industries declined 329k, the second big drop in the last four months. Over time, both the Household and Establishment Surveys closely track one another so how this budding discrepancy resolves itself will be central to the economic and financial outlook.

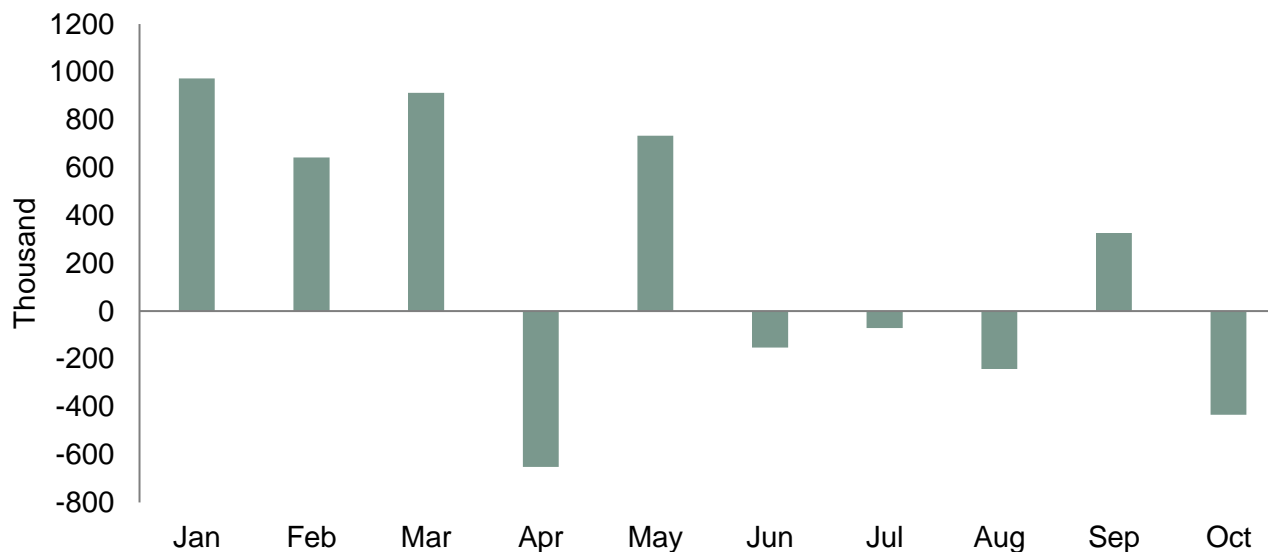
The Household Survey showed a large decline in private industry employment



Full-time Employment Losses

Job loss in the Household Survey has been concentrated in full-time employment. Last month, the economy lost 433k full-time jobs. This is the fourth decline in the last five months. The only jobs that have been created have been in the part-time sector—they rose 164k in October and in three of the last four months. This is a troubling development if it continues.

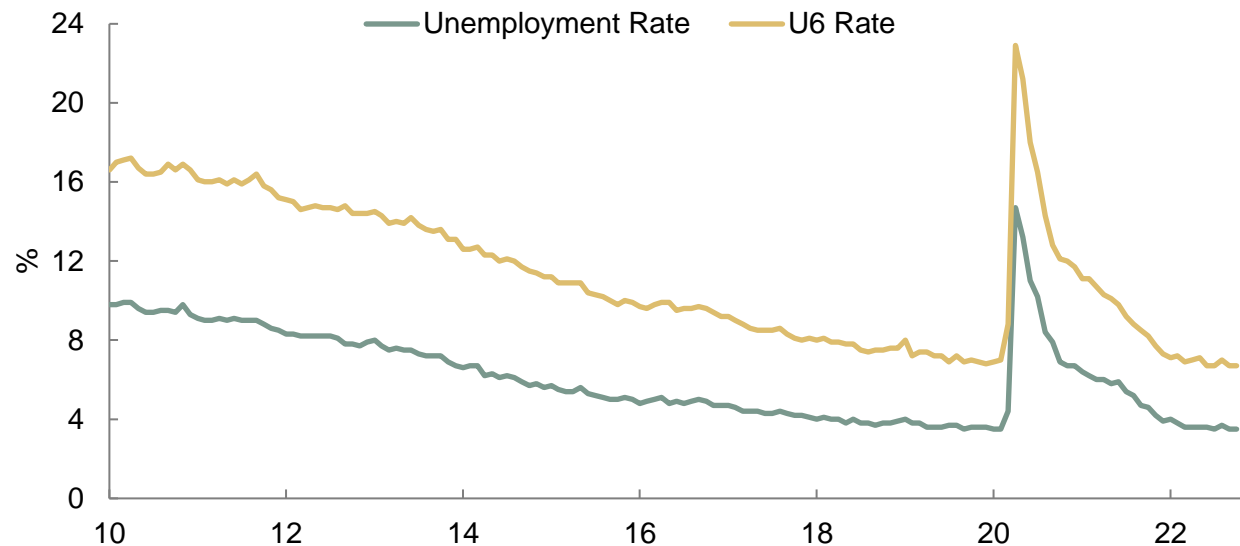
Where have all the full-time workers gone?



Two Key Measures of Labor Market Slack

The unemployment rate increased 0.2% to 3.7% because the number of people unemployed rose 306k. The U-6 which is a broader measure labor slack edged up a tenth to 6.8%. Both series are still low but will move quickly higher if the economy enters recession next year. Specifically, a mild recession would push the unemployment rate above 5% next year.

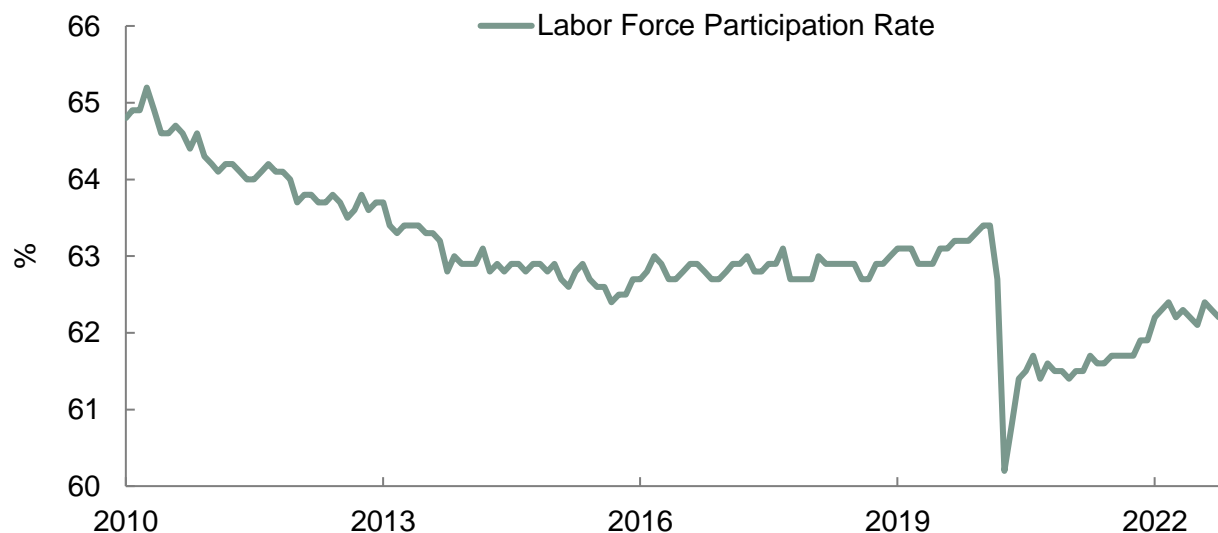
On the surface, the labor market remains extremely tight



Labor Force Participation Stuck in Neutral

The labor force participation rate fell a tenth to 62.2% in October and has been moving sideways since this January. Importantly, participation remains a substantial 1.2% below its pre-Covid peak. The upshot is that today's low unemployment rate is camouflaging an underlying deterioration in broad labor market dynamics.

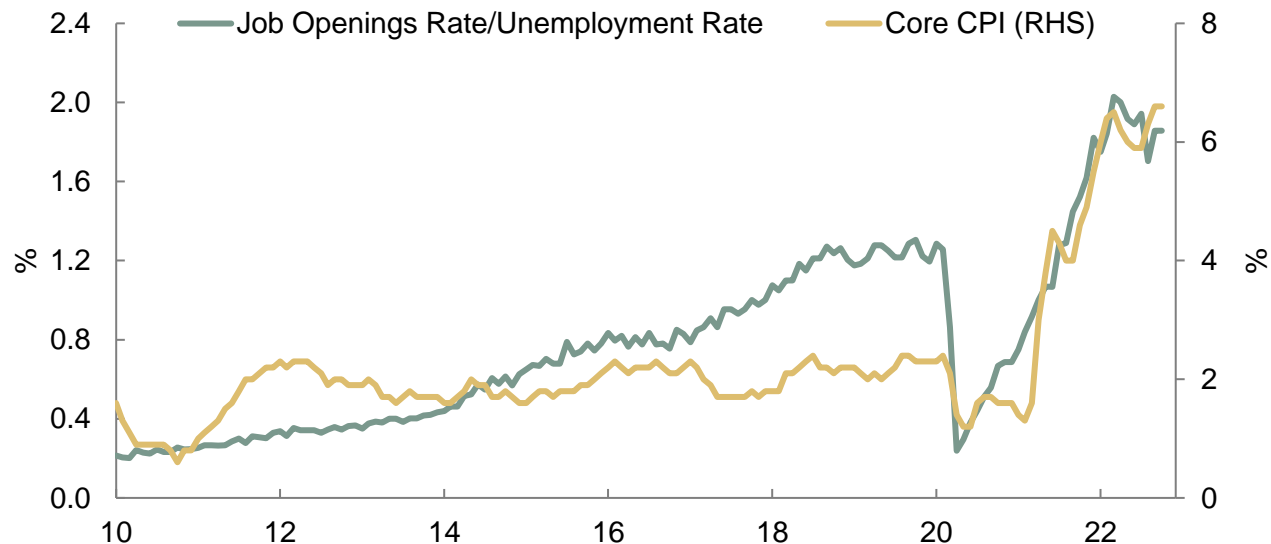
The uptrend in labor force participation has grinded to a halt



Labor Slack vs. Inflation

The ratio of the job openings rate to the unemployment rate is high but trending downward from earlier this year. If this trend continues, then underlying inflation pressure may moderate as both series have closely tracked one another for the past few years. Furthermore, since the Fed places an inordinate emphasis on the Phillips Curve (i.e., the alleged trade-off between unemployment and inflation), monetary policymakers will be paying close attention.

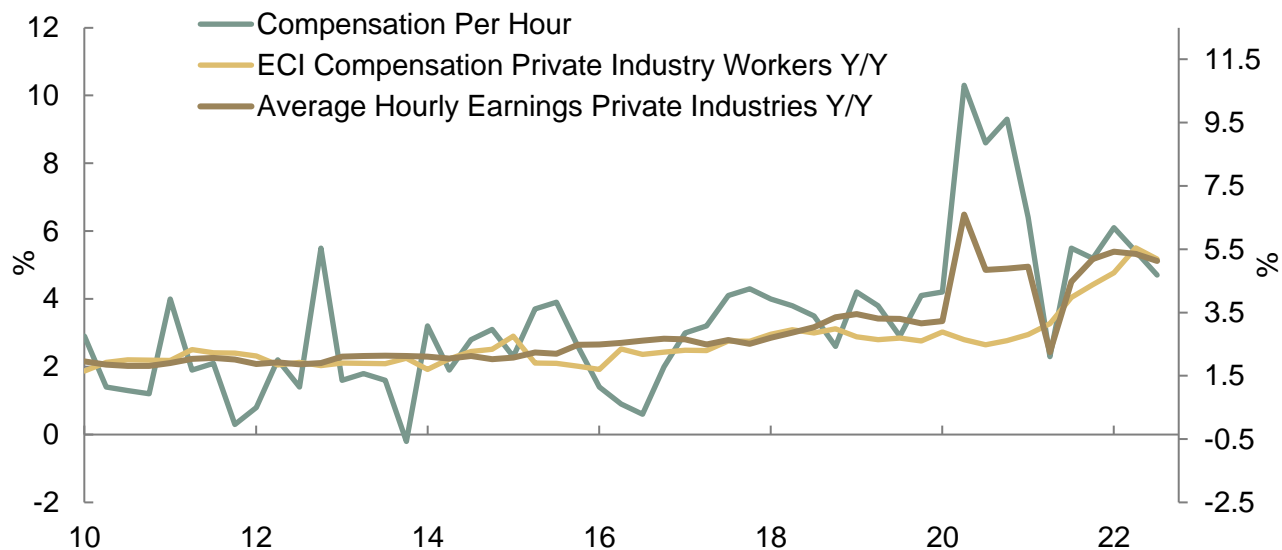
There is some tentative evidence the labor market is loosening



Worker Comp, ECI and AHE

Various metrics of worker pay are high, but the growth rates are slowing. If this continues, it will make the Fed less hawkish. For example, average hourly earnings (AHE) were up 0.4% in October and 4.7% from one year ago, down from 5.0% in the previous month. If AHE continues to moderate, as we expect, broader measure of worker pay should slow as well. Stay tuned.

The growth in worker remains elevated but appears to be slowing



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