

U.S. Data Review

- Employment: marked improvement

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The Labor Market

We have seen stronger employment reports in the current recovery, but this one certainly was a favorable. Nonfarm payrolls rose 531,000 in October, better than the expected increase of 450,000, and this advance was joined by revisions totaling 235,000. The unemployment rate fell 0.2 percentage point to 4.6 percent, reflecting job growth as measured by the household survey that exceeded the increase in the size of the labor force (359,000 and 104,000). Average hourly earnings posted a solid gain (up 0.4 percent, which left the year-over-year advance at 4.9 percent).

The increase in employment was broadly based, as shown by a reading of 71.8 percent in the employment diffusion index, the third best of the current expansion (constructed like the ISM index; 50 percent signals an equal balance between expanding and contracting industries). The goods producing sector performed well, with construction (up 0.6 percent), manufacturing (up 0.5 percent) and mining (up 0.6 percent) all posting increases greater than the total employment gain of 0.4 percent. The manufacturing sector was helped by a jump of 3.0 percent in auto employment, suggesting that manufacturers were learning to cope with chip shortages. In the service sector, employment in transportation-related areas was strong (0.8 percent), signaling that individuals were getting out and about. Employment in private-education-related areas rebounded after a drop in the prior month (although employment in public-sector education fell again). Employment in the leisure and hospitality sector rose 1.1 percent, more than double the average of 0.5 percent in the prior two months although shy of the average of 2.5 percent from February through July.

Employment Report*

	Nonfarm Payrolls (Chg., Thousands)	Private- Sector Payrolls	Unemp. Rate (Percent)	Broad Unemp. Rate (Percent)	Household Emp. (Chg., Thousands)	Labor Force	Emp.- Population Ratio (P ct.)	Median Duration of Unemp. (Weeks)	Part-Time Econ. Reasons (Thou.)	Avg. Hourly Earnings % Chg.	Avg. Workweek (Hours)
Annual Average											
2019	168	150	3.7	7.2	166	121	60.8	9.2	4,408	0.2	34.4
2020	-785	-679	8.1	13.7	-742	-334	56.8	12.6	7,227	0.5	34.6
2021	582	535	5.6	9.8	421	89	58.1	16.7	5,085	0.3	34.8
Qtrly. Average											
20-Q3	1,342	1,174	8.8	14.5	1,814	94	56.1	16.5	7,405	0.2	34.7
20-Q4	213	346	6.8	11.9	762	163	57.4	18.2	6,493	0.5	34.8
21-Q1	518	489	6.2	11.0	339	-3	57.6	17.8	5,956	0.1	34.8
21-Q2	615	530	5.9	10.1	251	430	58.0	19.6	5,047	0.5	34.8
21-Q3	629	562	5.1	8.8	693	89	58.5	14.4	4,473	0.4	34.7
2021 Monthly											
Jan.	233	122	6.3	11.1	201	-406	57.5	15.3	5,954	0.0	35.0
Feb.	536	622	6.2	11.1	208	50	57.6	18.3	6,088	0.3	34.6
Mar.	785	724	6.0	10.7	609	347	57.8	19.7	5,826	-0.1	34.9
Apr.	269	226	6.1	10.4	328	430	57.9	19.8	5,243	0.7	34.9
May	614	555	5.8	10.2	444	-53	58.0	19.3	5,271	0.5	34.8
June	962	808	5.9	9.8	-18	151	58.0	19.8	4,627	0.4	34.7
July	1,091	816	5.4	9.2	1,043	261	58.4	15.2	4,483	0.4	34.7
Aug.	483 (366)	504	5.2	8.8	509	190	58.5	14.7	4,469	0.4	34.6
Sept.	312 (194)	365	4.8	8.5	526	-183	58.7	13.3	4,468	0.6	34.8
Oct.	531	604	4.6	8.3	359	104	58.8	12.0	4,423	0.4	34.7

* Preliminary readings on nonfarm payrolls are shown in parenthesis.

Source: Bureau of Labor Statistics via Haver Analytics

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The drop of 0.2 percentage point in the unemployment rate was a “strong” shift, as both employment as measured by the household survey and the size of the labor force increased. However, the increase in the size of the labor force was modest at 104,000 and the labor force participation rate was unchanged at 61.6 percent. The broad unemployment rate fell 0.2 percentage points to 8.3 percent. The number of involuntary part-time workers and the number of marginally attached individuals both declined slightly and joined the influence of the change in the narrow jobless rate to push the broad measure lower.

The only disappointing aspect of the report was a dip of 0.1 hour in the length of the average workweek. This decline dampened the effect of the solid employment gain on total hours worked, leaving an increase of 0.2 percent in the index of total work time. This gain is respectable, but less notable than other aspects of the report.