

TRENDMACRO LIVE!

On the October Jobs Report

Friday, November 3, 2017

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So much noisy data, so little time. Payrolls looked like a miss, but they were really a beat.

Though [this morning's October Employment Situation report](#) seemed like a miss with only 261,000 net payrolls gained – versus a consensus for 313,000 – upward revisions of 51,000 in September and 39,000 in August actually make it a beat. The September revision was enough to move the prior month's payroll change from a loss to a gain. Jobs reports have seemed screwy to us all year anyway, but the hurricanes in Texas and Florida have made the last two months all the more so.

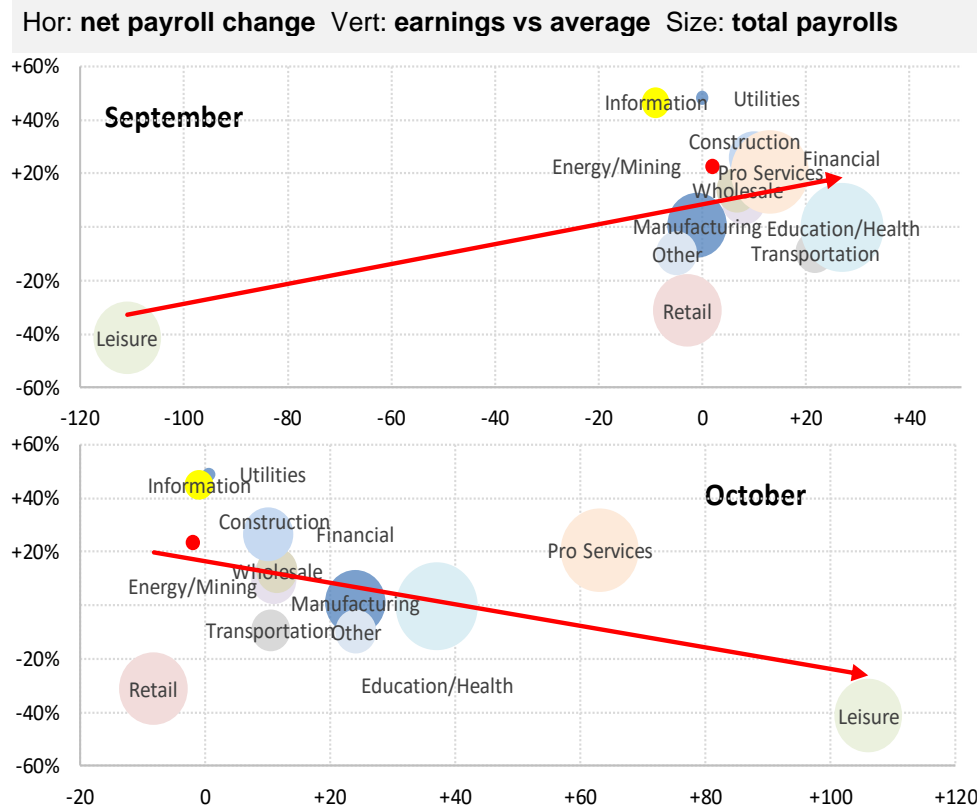
- October's zero growth in average hourly earnings is neither alarming nor likely to keep the Fed from executing chair Janet Yellen's farewell rate hike in December. It is the product of re-hirings in Florida and Texas in the low-wage leisure sector, which brings the average down (please see the bottom chart below). The

Update to strategic view

US MACRO, US FED:

October payrolls looked like a big miss, but with large upward revisions to September and August, they were actually a beat. Zero-growth in average hourly wages was an artifact of large re-hirings in Florida and Texas in the low-wage leisure sector, which brought the average down (just as lay-offs had created an illusory jump in September's average). Massive fluctuations in the reported size of the labor force cast doubt on the downtick in the unemployment rate to new cycle lows. The Fed knows this is all noise, and nothing here will deter Yellen from a farewell rate hike in December.

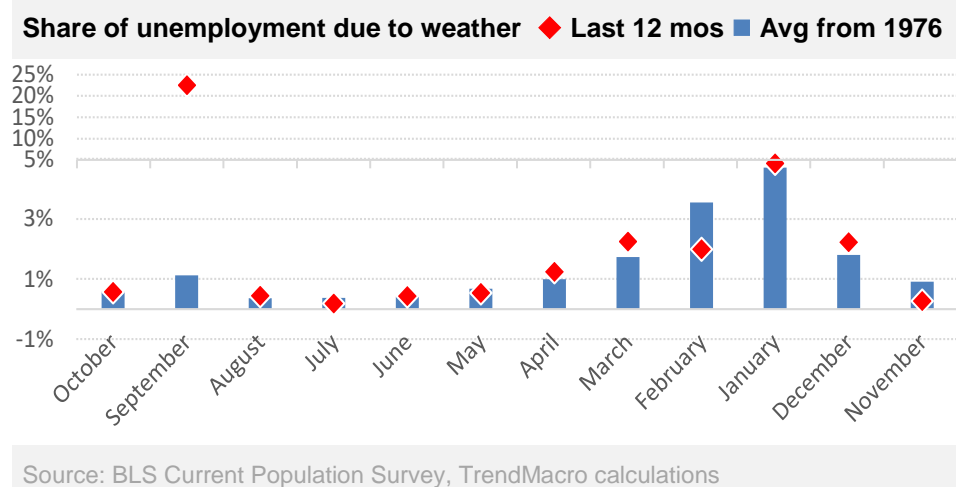
[\[Strategy dashboard\]](#)



Source: BLS, TrendMacro calculations

opposite happened last month thanks to massive layoffs in that sector (see the top chart on the previous page, and [“On the September Jobs Report”](#) October 6, 2017).

- Supposedly 765,000 persons left the labor force in October, one third of whom were unemployed (see [“Data Insights: Jobs”](#) November 3, 2017) – so the unemployment rate showed a downtick to 4.07% from 4.23%, a new cycle low. Is that real? Who knows? But does a massive exodus from the labor force make sense so long after the hurricanes – when, in their immediate aftermath the prior month, supposedly the labor force *grew* by 575,000 (again, see [“On the September Jobs Report”](#))?
- *How is this even possible*, especially considering that unemployment due to weather has now returned to unremarkable levels, after last month’s historic spike (please see the chart below, and again [“On the September Jobs Report”](#))?



Bottom line

October payrolls looked like a big miss, but with large upward revisions to September and August, they were actually a beat. Zero-growth in average hourly wages was an artifact of large re-hirings in Florida and Texas in the low-wage leisure sector, which brought the average down (just as lay-offs had created an illusory jump in September’s average). Massive fluctuations in the reported size of the labor force cast doubt on the downtick in the unemployment rate to new cycle lows. The Fed knows this is all noise, and nothing here will deter Yellen from a farewell rate hike in December. ▶

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