

TRENDMACRO LIVE!

On the October Jobs Report

Friday, November 1, 2019

Donald Luskin

A massive recession-defying beat, yet totally dove-friendly for the Fed.

[This morning's October Employment Situation report](#), with 128,000 net new payrolls is, in every sense, a blockbuster.

- It handily beat the consensus estimate for only 85,000.
- That seemingly recessionary consensus surely included some estimate of the negative effects of the General Motors strike – and as it turned out, that temporary factor did subtract 42,000 jobs.
- But the consensus likely didn't anticipate that 20,000 decennial census workers would be let go, so the upside surprise at 128,000 is even greater to that degree.
- And the consensus probably didn't build in the huge upward revisions of 95,000 payrolls to the two prior months – 44,000 for September and 51,000 for August (although we fully anticipated it – see [“On the September Jobs Report”](#) October 4, 2019 and [“On the August Jobs Report”](#) September 6, 2019).
- *With all those adjustments, it wouldn't be too much of a stretch to say that today's seeming beat by 43,000 payrolls was in fact by 158,000.*
- *If you're looking for evidence of imminent recession, all we can say is look elsewhere* (see [“Data Insights: GDP”](#) October 30, 2019).
- *The deeper you look, the more there is to like* (see [“Data Insights: Jobs”](#) November 1, 2019).
- The labor force expanded by 325,000, moving the labor force participation rate up to 63.3% – a new high for this expansion. Of the new entrants 240,000 found jobs and 86,000 didn't – so the unemployment rate ticked up by half-a-percent to 3.56% from 3.51% (it is reported at a rounded 3.6%).
- We now estimate that the pool of potential prime-age workers still uncounted outside the formal labor force is now down to 1.1 million – still a lot of people, but an inventory that has been cut in half over the year as the economy just keeps on expanding despite a low headline unemployment rate.
- Average hourly earnings grew a sluggish 0.21% on the month, which is slightly better than it looks because it comes on the back of a small upward revision of 0.07% to September. *But this, and the uptick in the unemployment rate – especially following yesterday's downtick in reported core PCE inflation – is very dove-friendly for the Fed* (see [“On the October FOMC”](#) October 30, 2019).

Update to strategic view

US MACRO, US FED: A big beat is actually a huge one, by as much as 158,000 payrolls. The consensus probably didn't embed the 20,000 drop in census workers, nor the 95,000 upward revisions to prior months (which we had anticipated). There is no recession evidence here. Quite the contrary, with the labor force participation rate making new expansion highs. That drove the unemployment rate slightly higher. Combined with sluggish wage growth and yesterday's downtick in core PCE inflation, we couldn't ask for a more dove-friendly way to have a big upside surprise in jobs.

Contact TrendMacro

Donald Luskin
Chicago IL
312 273 6766
don@trendmacro.com

Thomas Demas
Charlotte NC
704 552 3625
tdemas@trendmacro.com

Michael Warren
Houston TX
713 893 1377
mike@trendmacro.energy