

United States

Employment Situation

Date Published

Nov 4, 2022 ▼



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Actual	261,000 m/m
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Previous *	263,000 m/m
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Consensus	200,000 m/m
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Coverage	Oct. 2022
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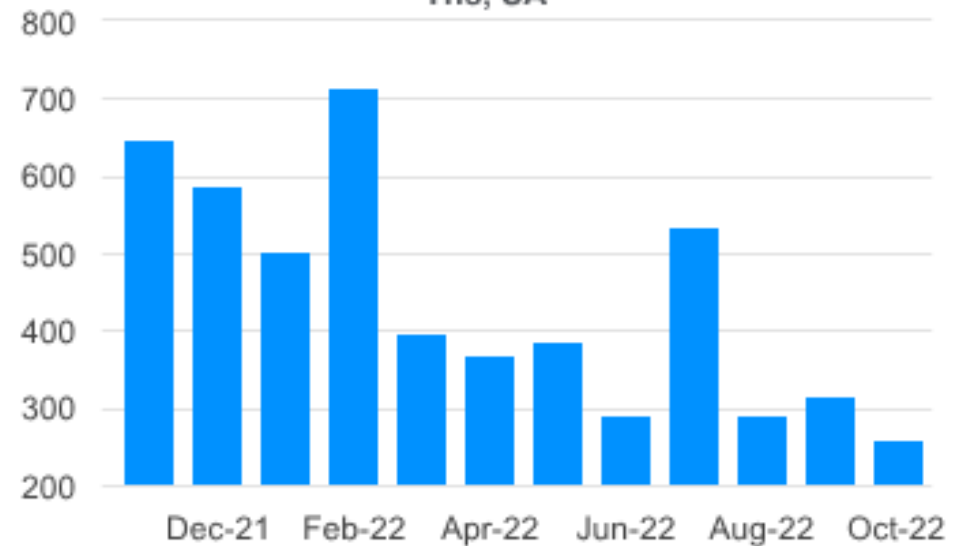
Next Release	Dec 02, 2022
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Updated	Nov 4, 2022
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Definition	Source
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Net Change in U.S. Nonfarm Payrolls

Ths, SA


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First Take

The October employment report sent mixed messages with a healthy payroll report negated by a weak household report. Payroll employment rose by 261,000 in October, more than either we or the consensus predicted, while gains for September were revised higher by 52,000. The largest service industries and manufacturing remained buoyant. The unemployment rate rose to 3.7% from 3.5% as household employment, calculated from a different survey than payroll employment, fell flat. Participation weakened as

well.

Employment Situation, SA

	Oct 22	Sep 22	Aug 22	Jul 22	Jun 22	May 22	Apr 22	Mar 22
Establishment survey								
Nonfarm payrolls, change, ths	261	315	292	537	293	386	368	398
3-mo MA	289	381	374	405	349	384	493	539
Revisions between...								
First and second estimates, ths		52	0	-2	26	-6	8	-3
Second and third estimates, ths			-23	11	-105	2	-68	-30
Industry detail								
Goods-producing	33	48	43	63	43	61	64	85
Services	228	267	249	474	250	325	304	313
Private	233	319	233	448	346	331	368	385
Average hourly earnings, all employees, % change	0.4	0.3	0.3	0.5	0.4	0.4	0.3	0.5
Average workweek, all employees, hrs	34.5	34.5	34.5	34.5	34.5	34.6	34.6	34.6
Index of aggregate weekly hours, all employees	113.4	113.2	112.9	112.7	112.4	112.4	112.1	111.8
1-mo diffusion index	61.7	64.3	59.8	70.7	71.1	67.6	72.1	74.2
Household survey								
Unemployment rate, %	3.7	3.5	3.7	3.5	3.6	3.6	3.6	3.6
Labor force, change, ths	-22	-57	786	-63	-353	330	-363	418
Labor force participation rate, %	62.2	62.3	62.4	62.1	62.2	62.3	62.2	62.4

The Numbers

The Numbers

- Payrolls advanced by 261,000 in October with fairly broad-based gains. September losses in retail and transportation/warehousing were mostly reversed, while such stalwart contributors as professional/businesses and education/healthcare made solid gains. Leisure/hospitality, always the wild card, added one-third fewer jobs than in September, however.
- Government payrolls more than made up for the September loss, gaining 28,000, thanks to local government gains totaling 29,000. State government payrolls dipped by 7,000.
- The breadth of job creation diminished somewhat to 61.7 but remained in firmly expansionary territory. The workweek was unchanged, at 34.5. Average hourly earnings for all workers increased by 8 cents over the month, or year-over-year growth of 4.7%. This suggests that wage pressures are diminishing.
- Sending a completely different message, household employment fell by 328,000 in October, following a gain of about 200,000 in September. Moreover, the civilian labor force contracted slightly and participation edged down, accordingly, to 62.2%. Thus, the labor force is not providing relief to the tight labor market. The combined impact resulted in a 20-basis point increase in the unemployment rate to 3.7%. The unemployment rate increased for less educated workers and workers of color.
- However, fewer workers were employed part-time involuntarily and fewer workers were discouraged from joining the labor force.

Behind the Numbers

The October employment report will cause a lot of head-scratching. The two surveys, the payroll survey and the household survey, sent very different messages with the payroll employment beating expectations and household employment rolling back.

Generally, we consider the payroll survey more credible because of its far-larger sample. The household survey can be temperamental with month-to-month volatility. While we would like to ignore it, it may hold some value when the labor market is at a turning point. The household survey, for example, can capture the impact of firm closures, something that the payroll survey is less successful in capturing. Also, we may not want to ignore the household survey because it may show that the Fed's

aggressive monetary policy is starting to bite as intended.

Payroll employment rose by 261,000. While this is higher than what we expected, it does show a modest slowdown from previous months. In the first half of the year, payrolls grew by 444,000 per month, on average. During the past three months, gains have averaged 289,000. Gains are moderating across industries, especially leisure/hospitality, which has been behind big payroll movements since the pandemic. While manufacturing and white-collar industries have continued to expand, consumer industries are contributing less, perhaps reflecting the bite of inflation on consumer wherewithal. Interest- and resource-constrained construction grew by only 1,000 in October. Another factor to keep in mind is that the seasonal adjustment is huge in October because of the beginning of seasonal hiring.

In addition, average hourly earnings, which are the big concern for reining in inflation, have decelerated to 4.7% year over year from a peak of 5.6% in March. This suggests that the bargaining power of workers is diminishing somewhat amid the many uncertainties facing the economy. However, we need to get gains down closer to 100,000-150,000 to meaningfully bring down the inflation pressures emanating from the labor market.

The payroll survey is showing some slowing under the weight of higher interest rates and inflation, and household employment seems to have amplified that impact. However, as indicated, these data are subject to volatility and should be consumed with caution.

Moody's Analytics expects that payroll gains will continue to moderate in the coming quarter, falling below 100,000 by the second quarter of 2023. At the same time, we expect the unemployment rate to increase by half a percentage point in 2023. At this point, we don't forecast a recession in our baseline, but we do expect growth to weaken significantly in 2023. The fully employed labor force and consumer spending will be key in keeping the economy above water. The odds of a recession are now 50/50.

Friday's report will not largely affect the Fed, which will be more focused on the CPI report and the November employment report, both of which will come before the December Federal Open Market Committee meeting. The report does show that the labor market is moving in the right direction, however slowly.