Ed's Eye on the Economy

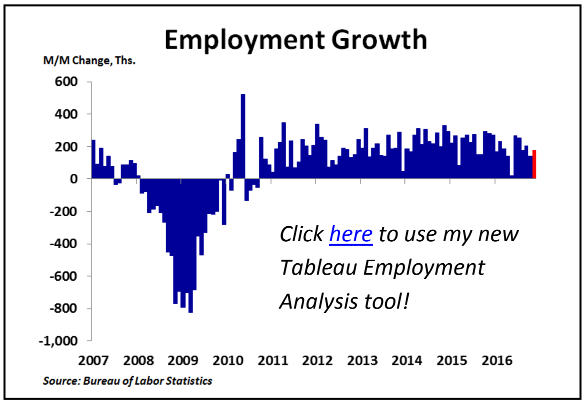
December 2, 2016

November Employment Report

Professional and business services and healthcare drive job growth

 Job growth picked up in November as the economy generated 178K new jobs, up from the 142K increase in September and more than the 170K consensus forecast. The downward revision for October was offset by an upward revision for September. The rate of job growth fell to 1.6% y/y, the slowest in almost 3 years.

Professional and business services led

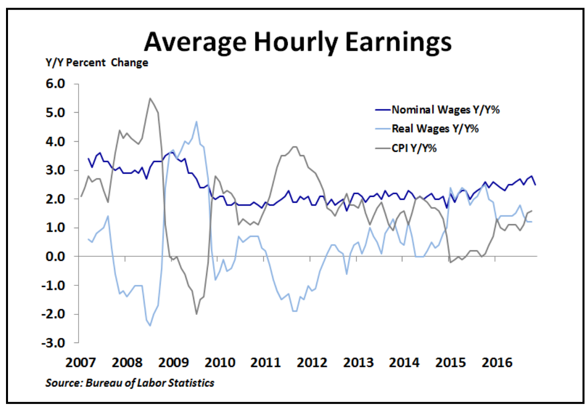


the way again in November as 63K new jobs were created, even more than the 48K created in October. Temporary help services only accounted for 14K of the increase. Healthcare services followed with 35K new positions, while education services added 10K more people to the payrolls. Job growth in leisure and hospitality services doubled for the second consecutive month, putting 29K more people to work. What was thought to be an unusually strong month for government in October was much weaker after revisions, but November saw a solid increase of 22K new jobs. The construction industry rebounded to add 19K new workers. Following a nice rebound in October, transportation and warehousing added just 9K jobs in November.

On the downside, information services lost 10K jobs, a fairly large number for that sector. Retail trade also had a down month as 8K jobs were lost. It was the second straight negative reading for retail, which is likely suffering from unusually warm temperatures that are keeping consumers from buying winter items. Manufacturing lost another 4K jobs, the fourth consecutive down month. The recent surge in the dollar suggests more export-related manufacturing job losses may be on the horizon.

The unemployment rate dropped to 4.6% from 4.9%, but this was largely due to a 226K decline in the labor force, which was greater than the 161K increase in employment, according to the household survey.

Average hourly earnings fell 0.1% on the month, the first decline since last December, and were up 2.5% from a year ago. However, with inflation moving up recently, real wage growth has dipped to 1.2% y/y, the worst rate of growth in two years.



After a post-election surge, the stock market saw little reaction from today's report. Interest rates have also been on a tear since Trump was elected president, which could hamper the housing market and general economy in the months to come if sustained. Still, the Fed is poised to raise interest rates later this month in an effort to combat inflation.

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