WESTEND
ADVISORS

ECONOMIC ALERT

U.S. EMPLOYMENT SITUATION – OCT 2017

Released Friday, November 3, 2017

Nonfarm Payrolls: +261,000 month-over-month (Cons: +313,000), +2.00 million year-over-year

Unemployment Rate: 4.1% (Cons: 4.2%), -0.1 ppt month-over-month, -0.7 ppt year-over-year

Weekly Hours: 34.4 hours (Cons: 34.4 hours), Unchanged month-over-month, Unchanged year-over-year

Hourly Earnings: $26.53, Unchanged month-over-month (Cons: +0.2%), +2.4% year-over-year

Quick Take:

Private payroll additions rebounded in October while September and August payroll gains figures were revised upwards by 90,000 collectively. Despite the monthly volatility in payroll gains over the last three months, the average monthly payroll gains were 162,000 over that time period, which is just below the year-to-date average of 168,500.

We have expected since early 2016 that the level of monthly payroll additions would gradually come down over time, simply due to the progress that has been made in the U.S. labor markets since the financial crisis. To put it simply, labor markets are maturing in a normal, cyclical fashion. We acknowledge that there is still room for more payroll additions and an even greater reduction in the unemployment rate in the coming quarters, all else equal, however.

Despite the reduction in the unemployment rate from 10.0% in 2009 to 4.1% currently, average hourly earnings growth has remained subdued (up 2.4% year-over-year). Typically a maturing labor market leads to higher wages. Structural factors in today's labor markets such as a lower participation rate, age demographics within the labor force, globalization and technology may be stunting average hourly earnings growth. As hiring continues and the unemployment rate continues to decline, we expect that labor market tightness will put upward pressure on wages and salaries, which would contribute to more broad-based inflation in the U.S.