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Economic Research

Economic Briefing

US labor market hit by hurricanes

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The US labor market was affected by hurricanes and strikes in September. As a result, employment rose by only 12,000. However, even without these special factors, the figures would probably not have been impressive. Ultimately, we will have to wait for the employment reports for November and December to assess the true state of the labor market. The Federal Reserve is likely to cut interest rates further, with the next move coming next Thursday.

The data ...

In October, the US job market added 12,000 jobs. This was below expectations (consensus 110,000, Commerzbank 90,000). In addition, the figures for August and September were revised downwards to 78,000 and 223,000 respectively (previously reported: 159,000 and 254,000). The unemployment rate remained at 4.1%. Average hourly earnings increased by a surprisingly strong 0.4% compared to September. However, earlier data were revised downwards. In year-on-year terms, wages rose by 4.0% (as previously reported for September).

... and the background

After the surprisingly favorable employment report for September, we had already warned that one should not read too much into a single month's figure and that the "true" situation probably lies somewhere between the weaker data from the summer and the September figures. Indeed, today's report was softer again.

To be sure, the increase of 12,000 is distorted downward by strikes and storms. However, we estimate that both effects only account for a maximum of 50,000 each. The adjusted increase would therefore be only slightly above 100,000. In addition, the payrolls gains in August and September were revised downward by a total of 112,000.

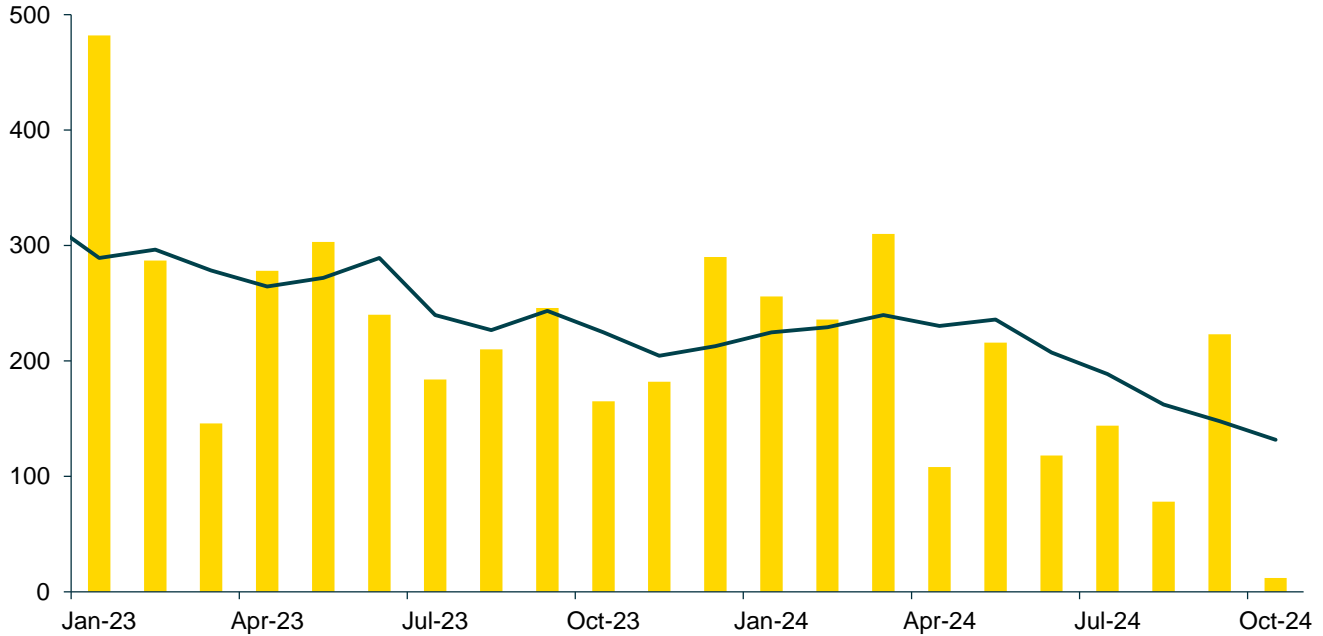
Measured by the six-month average, the rise in employment is slowing down, even if October is excluded (Chart 1). This fits with other labor market data, such as the decline in job openings reported earlier this week. On the one hand, there is still no sign of a slump in the labor market, while on the other hand today's figures are likely to dampen speculation of a overheating of the US economy.

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Chart 1 - Employment growth slowing even if October data are distorted

nonfarm payrolls, month-on-month change in thousands. Line: six-month moving average



Source: BLS, S&P Global, Commerzbank Research

Fed nearing next rate cut

There are increasing signs of a slowdown in the labor market. The number of job openings has fallen markedly in recent months and is now back to pre-pandemic levels. Employees are more hesitant to change jobs, and the rise in labor costs slowed to a 0.8% quarter-on-quarter increase in the third quarter as was reported yesterday. The Federal Reserve will therefore no longer be overly concerned about wage-driven inflationary pressures.

It will therefore be more important for the Fed to ensure that the full employment part of its mandate is met. We continue to expect it to cut key rates by 25 basis points at its meeting next Thursday.

Table 1 - US employment report

	Oct-24	Consensus	Sep-24	Aug-24	Jul-24	six month average
Nonfarm payrolls	12	110	223	78	144	132
Unemployment rate	4.1	4.1	4.1	4.2	4.3	4.1

Source: BLS, Bloomberg, S&P Global, Commerzbank Research



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