
Oct. Non-Farm Payroll: 128k; ex census & ex GM strike 188k to 198k strong; manufacturing weak. ISM manufacturing at 48.3 in slight contraction.

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DE Assessment: Hiring slowed to 128k or 148k when excluding 20k Census-related jobs that ended. (DE: 70k; Consensus: 85k). Report also included significant upward revisions on August and September non-farm payroll, adding a net 95k. In addition, the GM strike weighed on the report. The direct effects of the strike cut job growth by between 40k and 50k for October, so ex-census, ex-GM strike the expected total would have come to almost 200k for October. That does not include indirect effects of the GM strike at 3rd party suppliers, which would additionally bolster the headline number. Construction spending is also up to 0.5% m/m showing some improvements in an interest rate sensitive sector.

Non-Farm Payroll Details

- The three-month change in jobs has slowed to 176K, well below the 223K pace of 2018, but still a significant improvement given the revisions. This doesn't include GM strike effects, which would improve the 3 month by a bit.
- Media outlets were reporting that the GM strike could result in a drop of between 40k and 50k for the month of October, roughly 20-30k below the initial estimates. Initial estimates were based on previous episodes, particularly the 1970 GM strike which was the longest previous one with decent data available.
- Wage gains picked back up to 0.2% m/m or 3% y/y. Last month revised up slightly to 3.0 from 2.9% y/y. Still down from 0.4% m/m in August. The Fed was likely paying very close attention to the acceleration in late summer in case of increased inflationary pressure.
- Private Workweek holding steady at 34.4. The factory workweek fell to 40.3 from 40.5, trade war and Boeing Max issues likely weighing down the workweek. Overtime hours still down to 3.2 compared to 3.5 one year ago.
- The unemployment rate came back up slightly at a low 3.6%.
- Census hiring was negative 20k because of temporary census workers completing their work.

ISM Manufacturing Details

- The ISM manufacturing index came in at 48.3 this morning. (DE: 48.2; Consensus: 48.9)
- The manufacturing sector is still suffering from continuing supply chain pressures due to retaliatory tariffs on U.S. goods, however the Trump administration stalling further increases will help stave off a more significant decline.

Bottom line: Strong report this late in the expansion. It is expected that job growth would decelerate somewhat when near full employment as we've seen. The numbers today are somewhat supportive of the Fed's decision to signal a pause on rate cuts for the meantime, as it is in accordance with the outlook that Powell gave on the 30th of October during the press conference.