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TD Economics

Data Release: Hiring remains robust in November, as unemployment plummets

- Non-farm payrolls increased by 178k in November, or just shy of the 180k expected by the street. Revisions to the previous two months were largely a wash, down 2k positions in aggregate – subtracting 19k from the October tally but adding 21k to September's print, which is now north of 200k.

- Private payrolls disappointed, rising by 156k, nearly 20k below consensus. Private hiring was led by professional & business services (+63k) – of which about a quarter were temporary help positions – health care & education (+44k) and leisure & hospitality (+29k). Goods-producing industries saw a fairly decent month on account of construction (+19k). Mining added 2k while manufacturing was down 4k positions given durable industry weakness. Government had a great month (+22k) with all three branches contributing to the hiring.

- The unemployment rate fell by 0.3 percentage points to 4.6% as people exited the labor force for the second consecutive month after strong gains earlier in the year. The retracement has sent the participation rate down another 0.1pp to 62.7% – a six month low. Broader underemployment measures also suggested lessening slack, with the broadest measure (U-6) down 0.2pp to 9.3%.

- Average hourly earnings fell by 0.1% during the month, with the year-over-year wage growth decelerating from 2.8% to 2.5% in November.

- Average weekly hours were unchanged at 34.4.

Key Implications

- This morning's report was not overly uplifting. The headline print came in largely as expected, with the pace of hiring more than enough to eat up existing slack in the labor market. The details were somewhat less rosy with private sector hiring disappointing, while one-tenth of newly created private sector positions were temporary.

- The decline in underutilization, both in the headline and broader measures, is certainly a welcome development, but came largely on account of people leaving the labor force. Somewhat counterintuitively, the decline in unemployment failed to manifest in higher wages, with retirement of highly-experienced and highly-paid baby boomers together with compositional effects of holiday season temporary hiring likely playing a part in keeping wages down. Still, we don't expect this trend to last, with wages likely to accelerate after the holiday season is behind us.

- This report is a mixed bag as far as the Fed is concerned. For one, the rising participation rate that many officials were pointing to as people re-entered the labor force appears to be at an inflection point. Should this be the case, and with both the headline and broader measures of underutilization declining, the Fed will likely want to get ahead of the curve and communicate a more hawkish bias. On the other hand, the slight downtick in wages this month offers some ammunition for doves, who may instead argue that retiring baby-boomers will likely continue to pressure the wage metric down for some time to come. On the whole, we don't expect this report to dissuade the Fed from raising rates mid-month, but the future path remains somewhat murky with the Fed likely to focus on incoming data – especially given the significant tightening already embedded in the recent run-up in rates and the dollar.

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