



December 2, 2016

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.

Michael Dolega, Senior Economist
416-983-0500



DISCLAIMER

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.