

The Men Who Stare At Long Jobless Lines

U.S. nonfarm payrolls fell a larger-than-expected 190,000 in October (versus consensus 175,000), though a net upward revision of 91,000 in the previous two months more than offset the miss. Still, the report is disappointing on several fronts. The payroll losses have slowed only modestly from the prior month (-219k) and the third quarter (-226k). Despite the upturn in production, manufacturers cut more jobs in October (-61k) than they did in September or (on average) in Q3. Further, the household survey reported a second-straight half-million-plus loss of jobs. Consequently, the unemployment rate jumped four-tenths to a new 26-year high of 10.2% (and within reach of the postwar high of 10.8% in 1982). The only reason the jobless rate didn't rise further is that the participation rate sank to a 23-year low of 65.1%, a sign of growing discouragement. The average duration of joblessness rose to a record-high 26.9 weeks (the recent UI benefits extension couldn't have come soon enough), while the employment rate fell to a quarter-century low of 58.5%. Average hourly earnings growth moderated to a five-year low of 2.4%. The only redeeming factor in the report is that temporary help services rose 34,000, building on minimal gains in the prior two months. If history is any guide, this could flag a very modest increase in employment at the turn of the year.

The index of aggregate weekly hours slipped further and is down 2.4% annualized from Q3, suggesting we need to see another stellar gain in productivity to reach our 3% Q4 GDP growth estimate. Total job losses since December 2007 amount to 7.3 million or 5.3%, the largest percentage decline since 1945. Worse, the BLS's preliminary estimates to its annual payroll revisions (due in February 2010) suggest an additional 824,000 jobs were cut in the year to March 2009.

(thousands)	Oct	Sep	Aug	(average change)	
				3 months	12 months
Nonfarm Payrolls	-190	-219	-154	-188	-459
Goods Producing	-129	-114	-130	-124	-227
Service Producing	-61	-105	-24	-63	-232
Manufacturing	-61	-45	-55	-54	-127
Construction	-62	-68	-66	-65	-92
Retail Trade	-40	-44	-21	-35	-48
Avg. Hourly Earnings (% chng)	0.3	0.1	0.4	2.8 ***	2.4 ****
Private Workweek (hours)	33.0	33.0	33.1	33.1 *	33.5 *
Mfg. Workweek (hours)	40.0	39.9	39.9	39.9 *	40.4 *
Aggr. Hours Worked (% chng)	-0.2	-0.5	-0.2	-3.6 ***	-6.4 ****
Unemployment Rate (%)	10.2	9.8	9.7	9.4 *	6.6 *

* 3 and 12 months ago *** 3-month % change **** year/year % change

The Bottom Line: While it's encouraging to see a further slowing in job losses and an upturn in temporary help, the grinding pace of progress in labour markets likely flags a tepid economic recovery.

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