UNITED STATES

October’s budget stalemate barely affected the job market

HIGHLIGHTS

- The establishment survey shows 204,000 net hires for October, following a gain of 163,000 jobs (revised from 148,000) in September and 238,000 jobs (revised from 193,000) in August.
- The private sector added 212,000 jobs, on the heels of September’s 150,000 hires. Public sector employment fell by 8,000 jobs.
- The construction sector added 11,000 jobs, while manufacturing gained 19,000.
- Private sector services created 177,000 jobs. Retail hires remain strong, with 44,400 jobs added. We are seeing a rebound by employment after September’s weak growth in food, education and health services. The number of workers in professional services increased 44,000.
- The rise by the jobless rate is modest, given that the household survey should better reflect the budget impasse. The rate went from 7.2% to 7.3%. According to this survey, 735,000 jobs were lost, but the labour force contracted by 720,000.

COMMENTS

October’s employment figures are astonishing. The hires compiled by the establishment survey are almost double what was expected. It was already clear that the survey should not show any direct effects of the forced leave by federal workers, as they should be paid all the same. However, the indirect effects on suppliers and businesses working with the government could have slowed the pace of hiring, which was already somewhat sluggish. But no! Private services bounced back with better growth after slowing somewhat in September. Manufacturing posted its best growth since February, while retailers made their largest number of hires since July.

The jobless rate, which gained just one tenth of a point, is even harder to understand. In this case, we could have expected massive job losses, as employees who did not work should have been recorded as unemployed, even if they were paid. We can see the repercussions of this in the 735,000 jobs lost according to this survey, the worst monthly contraction since March 2009, in the middle of the recession. This number includes the 448,000 workers who were temporarily laid off, a number which was probably underestimated, as the Bureau of Labor Statistics mentioned that there were anomalies in responses from federal workers surveyed. It is therefore the labour force contraction, the largest since December 2009, that saved the day: without this contraction, the jobless rate would have gone to 7.7% in October before descending again in November.

Implications: Following October’s fears about employment and the larger effects the budget impasse would have on the economy, the figures released today show some resilience. Private job creation posted its best performance since February. It seems that the labour market has survived the challenges caused by U.S. politicians. This will reassure Federal Reserve leaders, but they should still wait before announcing a reduction to their asset purchases.

Francis Généreux
Senior Economist

Sources: Bureau of Labor Statistics and Desjardins, Economic Studies

Note to readers: The letters k, M and B are used in texts and tables to refer to thousands, millions and billions respectively.