

Economics Group

Sarah House, Senior Economist
sarah.house@wellsfargo.com • (704) 410-3282

What Hiring Slowdown?

Employers added 266K new jobs in November, blowing past expectations. The trend in hiring has turned decidedly higher since the summer, but we do not expect the recent pace to last.

Hiring Defies Expectations in November

The November employment report backed up October's surprisingly strong release with another impressive showing. Employers added 266K new jobs in November, blowing past even our above-consensus call of 190K. What's more, previous months' hiring figures were revised noticeably higher again (+41K after +95K in October). In short, the trend in hiring has rebounded significantly since the middle of the year (top chart).

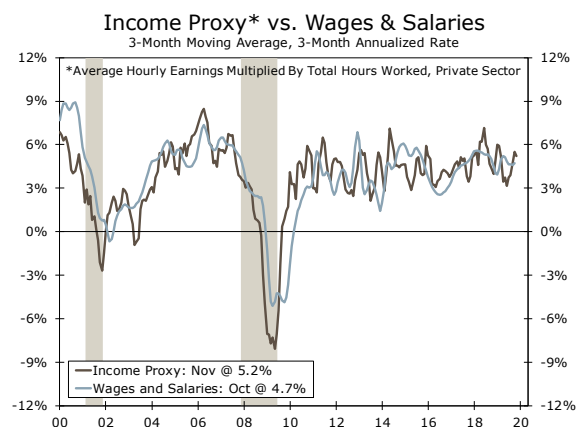
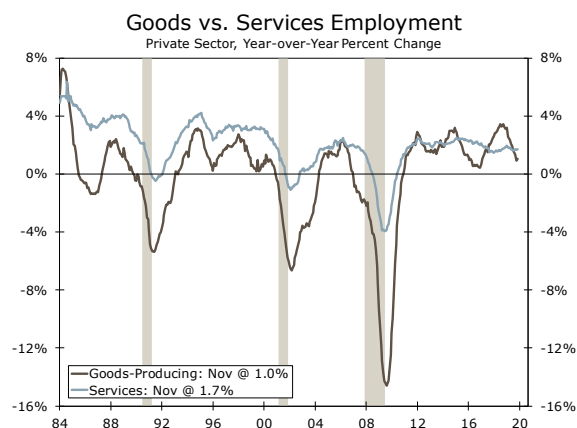
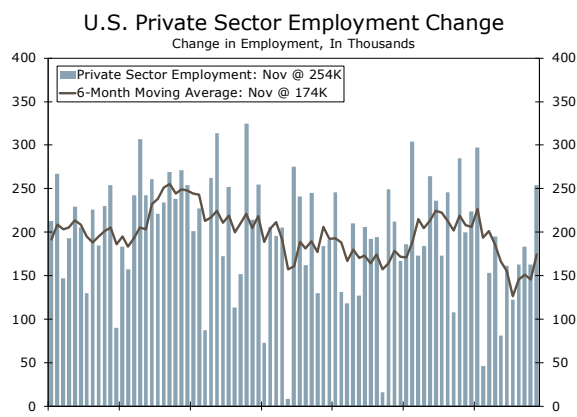
Part of the impressive headline gain came from the end of the GM strike. Hiring at motor vehicle & parts manufacturers increased 41K, almost fully reversing last month's drop (-43K). Overall, manufacturing hiring was up by 54K, with most of the strength coming from nondurables. Elsewhere in the goods sector, construction hiring slowed and employment in the mining industry fell.

The service sector continues to show few signs of spillovers from weakness in the goods sector (middle chart). Transportation & warehousing employment jumped 16K, although that may have been exaggerated by seasonal factors having difficulty keeping pace with the ongoing shift to online holiday sales and delivery needs. Traditional retail hiring increased by only 2K last month. Professional & business services, which along with transportation & warehousing bears the most exposure to weakness in the goods sector and global growth, rose a trend-like 38K, while education & health and leisure & hospitality also saw sizeable gains (+74K and +45K, respectively).

Overall, the labor market remains tight. The unemployment rate ticked back down to match its 50-year low of 3.5% despite a slowing in the household survey measure of employment. Average hourly earnings came in 0.1 percentage point weaker than expected, but October's increase was revised higher. Average hourly earnings are now up 3.1% year-over-year, and along with the renewed strength in hiring, suggests income growth from wages & salaries should remain close to 5%. That should keep real consumer spending in good shape in the coming months despite our expectation for a moderate pickup in inflation and the flat trend in consumer confidence.

To some extent, the strength in hiring looks hard to square with other labor market data. Yes, the trend in claims remains flat and the ISM non-manufacturing index has rebounded sharply since September. But job openings are near a one and a half year low and small business hiring plans remain below last year's level. As a result, the 200K pace of private payroll growth the past three months is unlikely to be maintained, especially as companies continue to cite a high degree of difficulty finding workers.

The Fed has signaled it will be on hold for at least its upcoming meeting after its 75 bps of insurance cuts since this summer. With the labor market more than holding up, we see no reason for that to change now.



Source: U.S. Department of Labor, U.S. Department of Commerce and Wells Fargo Securities

Wells Fargo Securities Economics Group

Jay H. Bryson, Ph.D.	Acting Chief Economist	(704) 410-3274	jay.bryson@wellsfargo.com
Mark Vitner	Senior Economist	(704) 410-3277	mark.vitner@wellsfargo.com
Sam Bullard	Senior Economist	(704) 410-3280	sam.bullard@wellsfargo.com
Nick Bennenbroek	Macro Strategist	(212) 214-5636	nicholas.bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	(704) 410-3283	tim.quinlan@wellsfargo.com
Azhar Iqbal	Econometrician	(212) 214-2029	azhar.iqbal@wellsfargo.com
Sarah House	Senior Economist	(704) 410-3282	sarah.house@wellsfargo.com
Charlie Dougherty	Economist	(704) 410-6542	charles.dougherty@wellsfargo.com
Erik Nelson	Macro Strategist	(212) 214-5652	erik.f.nelson@wellsfargo.com
Michael Pugliese	Economist	(212) 214-5058	michael.d.pugliese@wellsfargo.com
Brendan McKenna	Macro Strategist	(212) 214-5637	brendan.mckenna@wellsfargo.com
Shannon Seery	Economic Analyst	(704) 410-1681	shannon.seery@wellsfargo.com
Matthew Honnold	Economic Analyst	(704) 410-3059	matthew.honnold@wellsfargo.com
Jen Lisis	Economic Analyst	(704) 410-1309	jennifer.lisis@wellsfargo.com
Hop Mathews	Economic Analyst	(704) 383-5312	hop.mathews@wellsfargo.com
Coren Burton	Administrative Assistant	(704) 410-6010	coren.burton@wellsfargo.com

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Canada, Ltd., Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. Wells Fargo Securities, LLC is registered with the Commodities Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. Wells Fargo Bank, N.A. is registered with the Commodities Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and Wells Fargo Bank, N.A. are generally engaged in the trading of futures and derivative products, any of which may be discussed within this publication. Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm which includes, but is not limited to investment banking revenue. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2019 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 ("the Act"), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE