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US Labor Market Sticks to Trend Ahead of Election

Comment on U.S. Bureau of Labor Statistics Employment Situation Report
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A solid increase of 161,000 jobs in October, along with upwardly revised figures in September and August, confirm that the labor market is still growing robustly, even if slower than last year. This number is in line with expectations and is unlikely to affect the results of the presidential election.

Hourly earnings have grown by 2.8 percent during the past year, the fastest rate observed since the end of the Great Recession, and the unemployment rate fell back to 4.9 percent, another indication that labor markets are now sufficiently tight and firms will have to wait longer to find qualified workers for openings. Third quarter GDP numbers showed overall robust growth but were driven by temporary factors. Consumption growth slowed while business investment remained weak. This month's job numbers suggest that consumption growth should remain solid and could even pick up in the fourth quarter.

One sour note was that growth in core services jobs (excluding education and health care) slowed in October. A larger gain could have provided an early signal of strong holiday season sales. Still, the overall growth trend in these jobs is relatively strong. Whereas part of the decline in manufacturing and mining jobs relates to structural rather than cyclical factors, core services employment should expand over time, so continued growth in these job categories helps confirm that the labor market's growth trajectory remains robust.

Current employment growth continues what has been a long period of expansion. Private sector employment has now increased in 72 of the last 73 months. Combined with sustained economic growth, the current condition of the labor market is likely to provide the Federal Reserve with sufficient evidence to justify a December rate increase.

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