October Jobs Report
U.S. Job Growth Expected to Cool

The latest data on the labor market, distorted by autoworker strikes, is predicted to show a slower pace of hiring, although recent readings have surprised economists.

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New York Times

Some are gloomy, but the overall economic picture remains bright.

The jobs report for October is landing as the economy continues to defy forecasts of a downturn, even as inflation lingers.

Financial markets have been volatile in the past month, and consumer sentiment is gloomier than it was just before the pandemic. That's partly because the bottom one-third of households have exhausted savings accumulated during the pandemic and have increased borrowing to stay afloat. And the mammoth increase in interest rates since early 2022 looms over everything.

But analysts are increasingly telling clients that unless a major shock occurs, or household savings drain faster than expected, the economy is likely to keep chugging along.

After nearly two years of lagging behind inflation, recent wage gains have on average been surpassing the pace of price increases, and workers are still in demand.

Layoffs are well below historical averages. Labor force participation for adults in their prime working years is higher than it was before the pandemic as well. That has led more experts and policymakers — including the Federal Reserve chair, Jerome H. Powell — to say the economy may be able to remain hot longer than previously thought possible. Measures of labor force productivity have made impressive gains.

Last fall, a vast majority of economists in mainstream surveys had a high level of confidence that recession was ahead. This fall, forecasts for the coming year are more mixed.

In a CNBC survey of economists, Wall Street strategists and market analysts, 49 percent said they still expected a recession in the next 12 months — while 42 percent predicted a "soft landing," in which inflation continues to cool without a broad contraction.

Labor costs are on executives’ minds as the market loosens.

Many employers are still struggling to find available workers, but the labor market is loosening. At the same time, companies are balancing cost concerns — especially as interest rates remain elevated — with the need to entice employees.

Overall, labor market churn has decreased. The share of employees quitting their jobs has trended down for 18 months, and the rate of layoffs has stayed relatively low.

“We are committed and continue to hire,” Karen S. Lynch, the president and chief executive of CVS Health, said this week in an earnings call. “It’s a tight labor market, but we’ve been having very good success in hiring.”

Demand remains high for skilled workers.

“The competition for talent, especially the best talent, remains very, very strong,” said David Solomon, the chief executive of Goldman Sachs, during its latest earnings call. He added that during a recent search at the bank, which has gone through multiple rounds of layoffs this year, the company had received 260,000 applications for 2,600 available positions.

Companies are also increasingly vigilant of their labor and wage expenses.

During S&P Global’s recent call with investors and analysts, the company’s chief financial officer, Ewout Steenbergen, said it expected margins to improve starting next quarter thanks in part to “tight management of head count and other expenses.”

For Meta, which has ended a hiring freeze, a significant amount of hiring planned for 2023 will now happen in 2024, said Susan Li, the company’s chief financial officer.

And during the latest earnings call for Southwest Airlines, Tammy Romo, the carrier’s chief financial officer, said it was expecting “increased headwinds” in 2024, largely because of higher labor costs.

Amid worries that the labor tightness is increasing skill mismatches, many companies are beefing up their artificial intelligence abilities.

“We want to make sure that we harness that opportunity and make the right level of investments in A.I.,” said Gary Swidler, chief financial officer of Match Group, the online dating company that owns Tinder, Hinge and other services, during its most recent earnings call. “We’re still trying to calibrate what that means in terms of hiring.”

The prospect of a government shutdown hangs over the economy.

Enjoy today's jobs report. It could be the last one we get for a while.

Congress narrowly averted a government shutdown earlier this fall, passing a stopgap funding measure hours before a midnight deadline. But that money runs out in mid-November, and if Congress doesn't pass either another extension or a complete appropriations package before then, most federal operations will be suspended after Nov. 17.

Among the casualties if a shutdown happens: government data. All of the major federal statistical agencies, including the Bureau of Labor Statistics, the Bureau of Economic Analysis and the Census Bureau, would go dark.

Fortunately for data users, the Current Population Survey — one of the two sources of data for the monthly jobs report — will be completed before Nov. 17. (The survey will be conducted a week earlier than usual because of the timing of Thanksgiving.) But the shutdown would occur when government employees would normally be processing the data. That could delay the November jobs report, which is scheduled for Dec. 8.

Other major data releases, such as October figures on income and spending (scheduled for Nov. 30) and the November Consumer Price Index (scheduled for Dec. 12), could also be delayed.

A shutdown could also have farther-reaching consequences for the economy, taking both a direct toll, as hundreds of thousand of federal workers are forced to go without a paycheck, and an indirect one, as government dysfunction shakes consumer and business confidence. In a news conference on Wednesday, Jerome H. Powell, the Federal Reserve chair, cited a lapse in funding as one of several threats facing the economy in coming weeks.

"There's plenty of risk out there," he said.

A gain of 180,000 jobs is foreseen after a surge a month earlier.

Government data on Friday is projected to show that U.S. employment increased by about 180,000 jobs in October, according to the median forecast of economists surveyed by Bloomberg.

The report is also expected to find that gains in average hourly earnings were solid but decelerated to 4 percent from a year earlier.

The September report showed an unexpectedly strong gain of 336,000 jobs — a figure that will be revised Friday — and a year-over-year wage gain of 4.2 percent.

The October numbers may be held down because the survey was taken during major work stoppages — notably the strikes by the United Automobile Workers and related layoffs. Since then, the U.A.W. has reached tentative contract agreements with the three major U.S. automakers and told striking members to return to their jobs.

“We expect the October employment report to show a large deceleration in job growth, although the moderation will be overstated by the impact of striking autoworkers,” Nancy Vanden Houten, lead U.S. economist at Oxford Economics, said in a note. “Excluding those workers,” she added, “job growth will still be relatively robust, although narrowly based.”

Since early 2022, the benchmark interest rate set by the Federal Reserve has surged from near zero to more than 5 percent. The total number of business bankruptcy filings has increased for three straight quarters, according to court statistics. But overall corporate defaults are still considered tamer than prepandemic norms.

Some analysts say such trends can hold and become merely a sign of normalization. Others point out that such cracks can portend a larger breakdown.

The Fed chair, Jerome H. Powell, and his fellow policymakers have decided to monitor economic signals before adjusting borrowing costs further.

“So far, the economy has been surprising in its resilience,” Mr. Powell said at a news conference Wednesday. “Given how far we have come,” he added, “along with the uncertainties and risks we face, the committee is proceeding carefully.”