

US Daily: November Payrolls Preview (Hill/Walker)

- We estimate nonfarm payrolls rose by 238k in November, above consensus of 186k and reflecting a 200k underlying gain plus a 38k boost from the return of striking workers (mom sa). Alternative measures of employment growth indicate another month of robust job growth on average, government hiring likely remained strong, and layoffs remain low.
- We estimate that the unemployment rate declined to 3.8%—compared to consensus of 3.9%. Our forecast reflects a rebound in household employment after a sharp decline in the prior month and unchanged labor force participation at 62.7%. We estimate a 0.25% increase in average hourly earnings (mom sa) that lowers the year-on-year rate to 3.9%, reflecting waning wage pressures and neutral calendar effects. Consensus for average hourly earnings is +0.3% month-over-month and +4.0% year-over-year.

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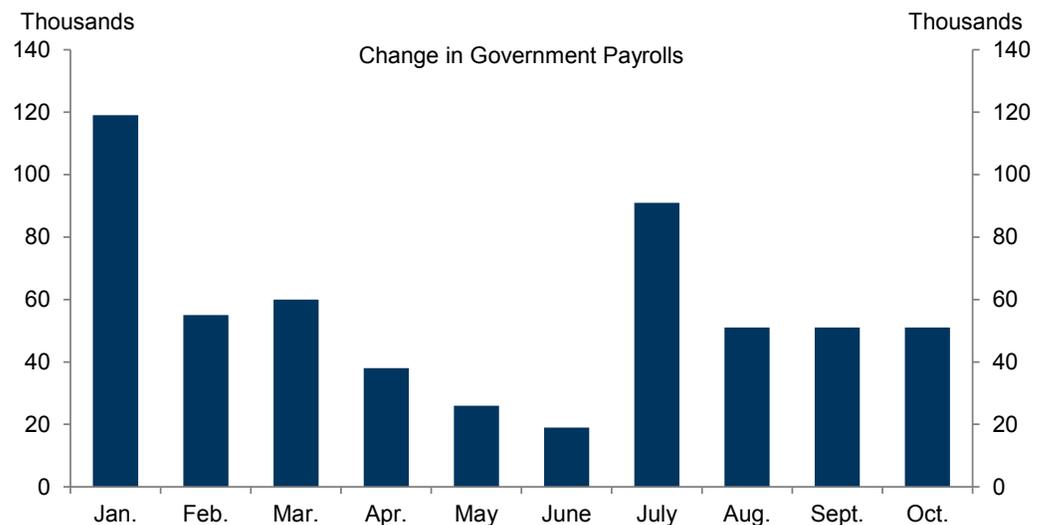
November Payrolls Preview

We estimate nonfarm payrolls rose 238k in November (mom sa), above consensus of +186k and slightly above the +204k average pace of the previous three months. We estimate private payrolls rose 198k (vs. consensus +160k), reflecting a rise in public education payrolls and continued strength in other government categories.

Arguing for a stronger-than-expected report:

- **Worker strikes.** The end of the United Auto Workers (UAW) and Screen Actors Guild (GAS-AFTRA) strikes will contribute to a net 38k boost to payroll growth from strikes. In contrast to nonfarm payrolls, striking workers are counted as employed in the household survey (and as a result, their return to work will not affect the unemployment rate calculation).
- **Government hiring.** While falling state and local tax revenues are likely to weigh on government hiring over the next year, a still-elevated level of job openings suggests government hiring is likely to remain elevated in the near term. Government payrolls have contributed around 50k jobs per month over the last three months (Exhibit 1).

Exhibit 1: Government Payrolls Have Contributed Around 50k Jobs Per Month Over the Last Three Months

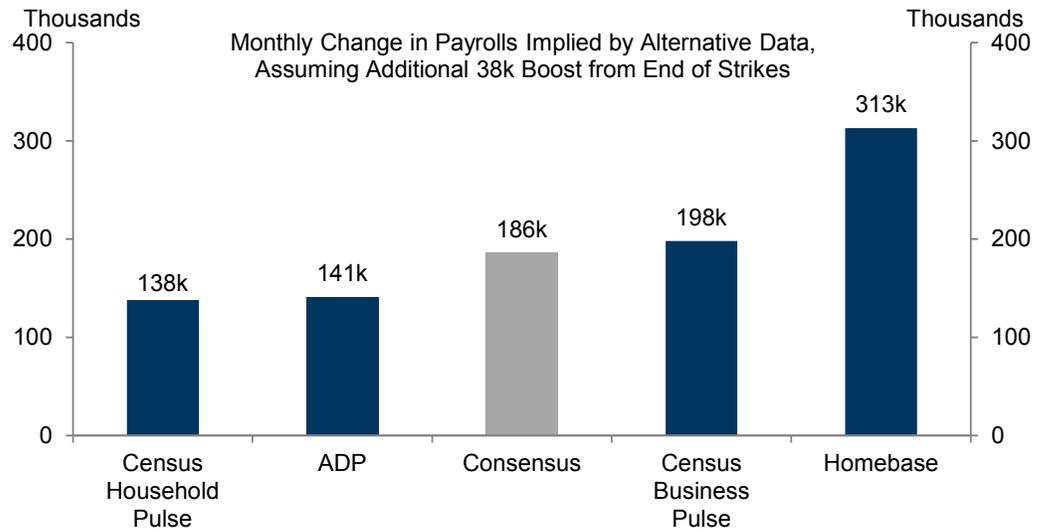


Source: Department of Labor, Goldman Sachs Global Investment Research

Neutral/mixed factors:

- **Big Data.** Alternative measures of employment growth indicate robust November job gains, with an average pace of +198k across the four indicators we track after adding 38k to account for the return of striking workers (see Exhibit 2). This is similar to but slightly below the +208k average of these measures in October.

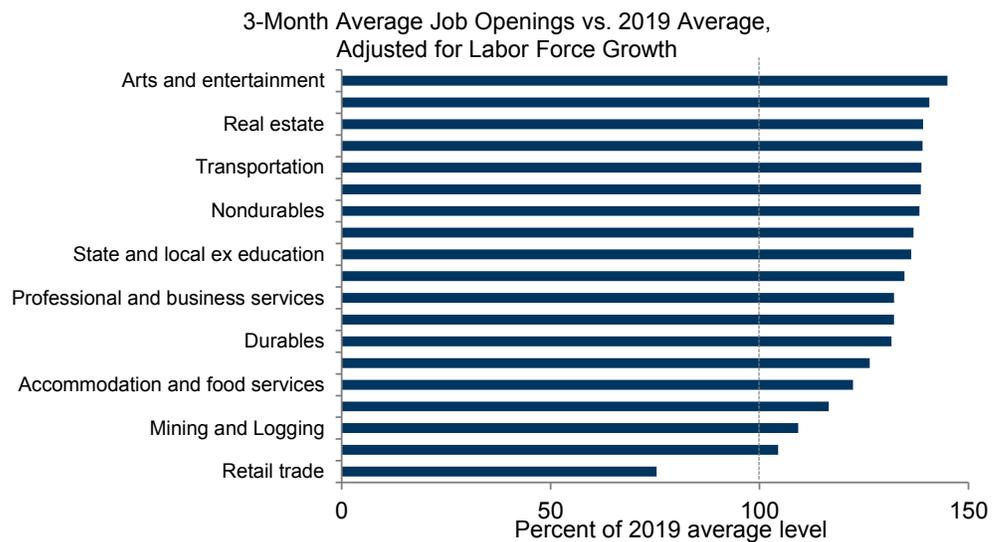
Exhibit 2: On Average, Alternative Employment Indicators Indicate Another Month of Robust Job Growth



Source: Department of Commerce, ADP, Bloomberg, Homebase, Goldman Sachs Global Investment Research

- Job availability.** JOLTS job openings declined 0.6mn month-over-month to 8.7mn in October, below consensus expectations for a more modest decline, and online measures have continued to trend lower (Exhibit 3). While labor demand has fallen meaningfully on net, it remains elevated by 1-2mn relative to 2019 and represents a positive factor for job growth, in our view. Indeed, job openings remain above their 2019 levels in nearly every industry (Exhibit 3). The Conference Board labor differential—the difference between the percent of respondents saying jobs are plentiful and those saying jobs are hard to get—edged up by 0.1pt to +23.9 in November.

Exhibit 3: Job Openings Have Trended Lower but Remain Somewhat Elevated



Source: Department of Labor, Indeed, LinkUp, Goldman Sachs Global Investment Research

- **Employer surveys.** The employment components of business surveys were mixed in November at roughly neutral levels. The employment component of our manufacturing survey tracker declined to 49.1 while the employment component of our services survey tracker edged up to 51.0. Our manufacturing and nonmanufacturing survey trackers both remain below their 2018-2019 average levels of 54.6 and 54.7, respectively.

Arguing for a weaker-than-expected report:

- **Layoffs.** The pace of layoffs increased sequentially but remained low. Announced layoffs reported by Challenger, Gray & Christmas increased in November (+13k to 56k, SA by GS), compared to 40k on average in the first half of 2023. Initial jobless claims increased to an average of 221k in the November payroll month, up from 206k in the previous month. The JOLTS layoff rate was unchanged at 0.1pp to 1.0% in October.

We estimate that the unemployment rate declined by 0.1pp to 3.8%—compared to consensus of 3.9%—reflecting a rebound in household employment following its sharp drop in October and an unchanged labor force participation rate of 62.7%. We expect a continued labor supply tailwind from immigration worth roughly +40k workers per month, relative to the long-term trend. We also note that in contrast to nonfarm payrolls, striking workers are counted as employed by the household survey—and therefore do not affect the unemployment rate or participation rate statistics. We remain skeptical that the reported rise in the unemployment since April points to an upward trend and expect the unemployment rate to edge down further over the next year.

We estimate a 0.25% increase in average hourly earnings (mom sa) that lowers the year-on-year rate by two tenths to 3.9%, reflecting waning wage pressures and neutral calendar effects. Consensus for average hourly earnings is +0.3% mom and +4.0% yoy. We also note that the ADP measure of wage growth slowed further in November (+5.6% yoy for job stayers, down from +5.8% in October and +6.9% in the first half of the year).

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Disclosure Appendix

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We, Jan Hatzius, Alec Phillips, David Mericle, Spencer Hill, CFA, Ronnie Walker, Tim Krupa and Manuel Abecasis, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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