

A Conversation About the October Payrolls Report

November 19, 2020

Contributors: Stephen Douglass



Overheard on the NISA trading floor, Friday, November 6, 2020.

Jess Yawitz: "Another strong payrolls report this morning, eh?"

Stephen Douglass: "Yep, the jobs recovery continues to surprise to the upside. The details were even better than the headline figure too."

JY: "How so?"

SD: "Well the headline figure showed a 638,000 gain in nonfarm payrolls in October but the government sector subtracted 268,000 jobs. So private payrolls increased by 906,000 which was well above expectations. And 147,000 of the decline in government employment was caused by laying off census workers that had been temporarily hired over the summer."

JY: "Interesting. What parts of the private sector performed the best in October?"

SD: "The strongest growth was in the service sectors that have been most impacted by the pandemic: restaurants, accommodation, retail, even transportation. Of the 906,000 in private sector job growth, 783,000 came from services industries."

JY: "Wow, so all those temporary layoffs from the springtime are turning out to be... temporary?"

SD: "So far so good. We've recovered almost 15 million of the 17.3 million increase in temporary layoffs that occurred in March and April. As [we've been saying](#), this was not a normal business cycle recession, it was a voluntary shutdown of an otherwise healthy economy.

Even more promising for the outlook going forward: the raw number of permanently unemployed workers actually *declined* in October for the first time since the recession began. This should alleviate, for this month at least, concerns that permanent job destruction would spike as uncertainty from the pandemic drags on. While the recent surge in the virus raises the risk that the labor market will deteriorate before a vaccine is widely available, it has not yet shown up in the data."

JY: "I also noticed that the unemployment rate fell by a full percentage point. How is that possible if there were only 638,000 jobs added?"

SD: "The monthly payrolls report, officially called the Employment Situation Report, consists of two separate surveys. The establishment survey collects data from 145,000 firms and produces the nonfarm payrolls figure as well as hours worked and earnings across all industries in the economy. The household survey samples 60,000 households to produce estimates of the labor force and employment status of all Americans. In October, the household survey reflected job growth of 2.2 million, well above the 638,000 job growth from the establishment survey. This caused the unemployment rate to fall to 6.9% despite a 724,000 person increase in the labor force."

JY: "Wow, 2.2 million?! This all sounds like great news! Why doesn't the media report it that way? Do they not understand it?"

SD: "No clue, and no comment."

Disclosure Information

By accepting this material, you acknowledge, understand and accept the following:

This material has been prepared by NISA Investment Advisors, LLC ("NISA"). This material is subject to change without notice. This document is for information and illustrative purposes only. It is not, and should not be regarded as "investment advice" or as a "recommendation" regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) NISA is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to NISA that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. NISA does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. NISA shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of NISA except for your internal use. This material is being provided to you at no cost and any fees paid by you to NISA are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of NISA and (ii) the terms contained in any applicable investment management agreement or similar contract between you and NISA.