

US Job Growth Slows in October, Unemployment Rate Rises



Economists' Predictions Fall Short as the Labor Market Cools

In a surprising turn of events, the United States added fewer jobs than anticipated in October, as the labor market showed signs of cooling down. The highly anticipated report from the Bureau of Labor Statistics revealed that 150,000 jobs were added last month, falling short of the 180,000 jobs expected by economists. Additionally, the unemployment rate experienced a slight uptick, rising from 3.8% to 3.9%.

Sluggish Job Growth Puts the Spotlight on Federal Reserve

Compared to September, when the US economy added an impressive 297,000 jobs (a figure later revised down from 336,000), job growth in October significantly slowed. However, this decline still marked many job additions beyond what experts had initially projected.

US stock markets reacted positively to the news, interpreting it as a potential signal that the Federal Reserve might reconsider its aggressive series of interest-rate hikes aimed at taming inflation. Over the past year, the Fed had elevated rates to a 22-year high, a strategy intended to curtail economic activity by making borrowing more expensive, thereby reducing demand and stabilizing prices. Federal Reserve Chairman Jerome Powell expressed hope for a "soft landing," aiming to quell inflation without triggering substantial layoffs.

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While caution prevails regarding reading too much into one month's job data, October's job report suggested that the elusive soft landing might be attainable. Despite the slight increase in the unemployment rate, it remains near a 50-year low, consistently at or below 4% for nearly two years, a trend that economists had anticipated would eventually subside.

Economists Skeptical About Sustained Job Growth

Dean Baker, a senior economist and co-founder of the Center for Economic and Policy Research, voiced skepticism: "It is difficult to believe that an economy with below-4% unemployment can sustain this pace of job growth."

This development comes in the wake of both the Federal Reserve and the Bank of England's decisions to keep interest rates unchanged, given the easing of inflation and the global economic deceleration.

Currently, the US is experiencing an annual inflation rate of 3.7%, down from its peak of 9.1% in June 2022. The Federal Reserve remains resolute in its commitment to reduce it back to its target rate of 2%.

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Powell cautioned that there is still a long journey ahead in the Fed's campaign to combat inflation, suggesting the possibility of further rate hikes. Similarly, in the UK, the Bank of England's Governor, Andrew Bailey, dismissed any notion of rate cuts after maintaining the current rate at 5.25% for a second consecutive time.

Job Growth Figures Revised, Strikes Impact Labor Market

In another revelation, the US Labor Department revised the job growth figures for August and September, revealing a combined

101,000 jobs lower than initially reported.

The labor market was further affected by a wave of strike actions, with manufacturing employment declining by 35,000 jobs as members of the United Auto Workers (UAW) union engaged in industrial action against automotive giants Ford, General Motors, and Stellantis. Agreements with the auto manufacturers were reached at the end of last month, leading to the resumption of work for the affected employees. Nevertheless, other sectors like transportation, warehousing, information, and finance also saw declines in employment, without any direct influence from strikes.

Economic Slowdown Evidenced in Wage Growth

Andrew Hunter, Deputy Chief US Economist at Capital Economics, drew attention to the slowing wage growth as another sign that the economy's third-quarter strength is likely to taper off in the fourth quarter. Average hourly earnings rose by 4.1% from a year ago, down from 4.3% in September.

"With wage growth also continuing to slow, it is increasingly hard to imagine the Fed hiking interest rates any further," said Hunter.

Earlier in the week, ADP, the largest payroll supplier in the US, reported that private employers added 113,000 workers in October, falling below expectations. Wages rose by 5.7% from a year ago, the smallest annual gain since October 2021. Nela Richardson, Chief Economist at ADP, remarked, "Big post-pandemic pay increases seem to be behind us." Nonetheless, the labor market, while slowing, still possesses the strength to support robust consumer spending.

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