

November 22, 2024 10:30 PM GMT

US Economics | North America

Employment Report Preview: Rebound

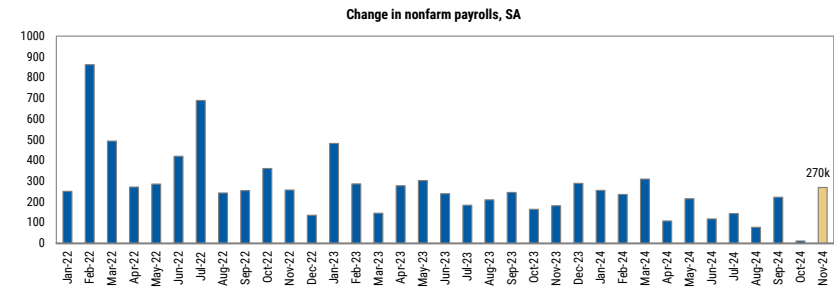
Our 270k forecast for November payrolls includes +100k from strike- and storm-affected employment and a stronger underlying pace than in recent months. We also expect upward revisions. The UE rate inches up to 4.2% and AHE rises 0.3%.

Exhibit 1: Employment forecast details

Employment Report: Forecasts & Recent History	Est.	Consensus	Actual			
	Nov-24	Nov-24	Oct-24	Sep-24	3MMA	Year-Ago
Change in nonfarm payrolls (thous.)	270	175	12	223	104	182
Private payrolls	240		-28	192	67	152
Unemployment rate (%)	4.2	4.1	4.1	4.1	4.2	3.7
Labor force participation rate (%)	62.7		62.6	62.7	62.7	62.8
Average weekly hours	34.3		34.3	34.3	34.3	34.4
Average hourly earnings (%M)	0.3		0.4	0.3	0.4	0.4
%Y	3.9		4.0	3.9	3.9	4.3

Source: Bureau of Labor Statistics, (BLS), Bloomberg, Morgan Stanley Research forecasts

Exhibit 2: We project payrolls rose 270k in November, boosted by the return of 40k in strikers and 60k in storm-affected employment.



Source: BLS, Morgan Stanley Research forecasts

MORGAN STANLEY & CO. LLC

Sam D Coffin

Economist

Sam.Coffin@morganstanley.com

+1 212 761-4630

Diego Anzoategui

Economist

Diego.Anzoategui@morganstanley.com

+1 212 761-8573

Lenoy Dujon

US/Canada Economist

Lenoy.Dujon@morganstanley.com

+1 212 761-2779

Heather Berger

Economist

Heather.Berger@morganstanley.com

+1 212 761-2296

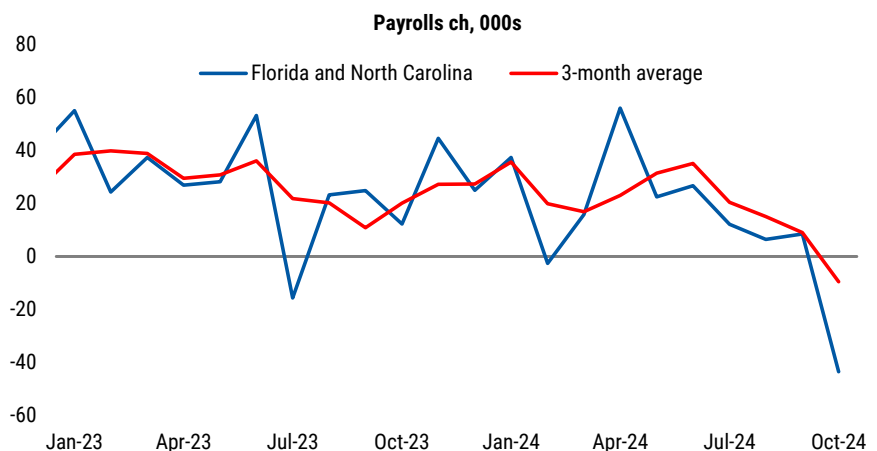
For important disclosures, refer to the Disclosure Section, located at the end of this report.

Payrolls Forecast

Our 270k forecast for October payrolls reflects 40k in returning strikers, 60k in returning hurricane-affected workers, and a somewhat stronger underlying pace than in recent months. Holiday hiring plans look strong. The late timing of Thanksgiving this year may be a slight boost. Other labor market indicators have been inconsistent, with falling new claims (low layoffs) but higher continuing claims (slower re-employment, or more eligible claimants). We also expect noticeable upward revision to the past two months: a net 50k in upward revisions.

Hurricanes appear to have subtracted 60k from payrolls in October. Payrolls fell 38k in Florida and 6k in North Carolina. Payrolls in those two states had been rising a total of about 15k per month before the storms. We expect those workers' return in November.

Exhibit 3: Payrolls fell 38k in Florida and 6k in North Carolina—they appear to have subtracted about 60k from October payrolls



Source: BLS, Morgan Stanley Research

Strike resolutions at Boeing (33k), Textron (5k), and some hotels (2k) add another 40k to November payrolls.

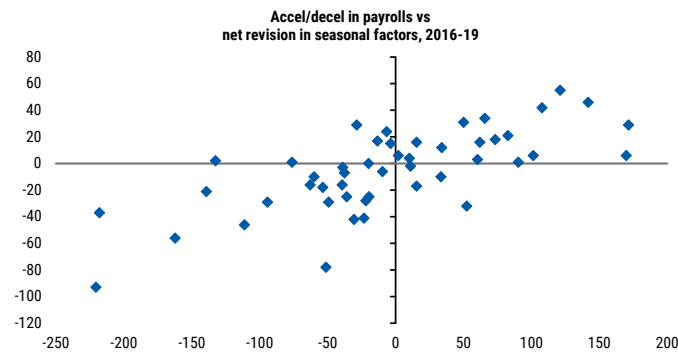
Holiday hiring plans look strong. Retailers and transport companies appear to be hiring in anticipation of strong sales volumes. In the two months through October, retail hiring plans of 534k were 96k higher than a year earlier. Transportation hiring plans, at 126k, were 26k above 2023 and 2022.

Seasonal factors may also be a slight boost. Thanksgiving swings from November 23 last year to November 28 this year. On similar calendar-timing swings in 2013 and 2019, payrolls were 12k and 55k above trend, although in 2002, they came in 1k below trend. There are few points of comparison, but they have tended toward an upward bias.

We also expect upward revision to September and October payrolls of about 50k in total. Last month's net downward revisions to August-September payrolls probably exaggerated weakness. Decelerations in payrolls like October's tend to be associated with downward revision to the prior two months via less-supportive seasonal factors.

Between 2016 and 2019, on average, 25% of the swing in payrolls was mimicked in downward revision via the seasonal factors of the prior couple months: A 100k slowdown in payrolls with respect to the prior three-month average tended to be matched by a 25k downward revision to the prior two months via seasonal factors. Since 2022, the effect has been even larger: a 100k slowdown in payrolls tended to be matched with 41k in downward revision. With exaggerated re-acceleration in payrolls in November, we also expect solid upward revision.

Exhibit 4: Month-to-month slowdowns in payrolls tend to be associated with downward revision to prior months

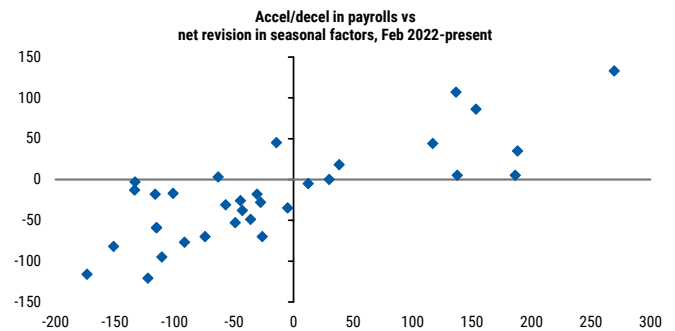


Source: BLS, Morgan Stanley Research

Acceleration in payrolls: Current month payrolls minus the average of the prior three months that was reported a month earlier.

Net revision in seasonal factors: Contribution of seasonal factor revision to the net revision in payrolls.

Exhibit 5: Since the pandemic, there have tended to be even sharper downward revisions as payrolls slowed



Source: BLS, Morgan Stanley Research

Hours and earnings

We suspect that average hourly earnings were biased up slightly last month by the interruption to hours worked and forecast a return to 0.3% m/m gains and a slowdown to 3.9% from 4.0% on a 12-month basis.

Unemployment Rate and Labor Force Participation

The September-October hurricanes likely depressed labor force participation slightly and held down the unemployment rate. In turn, we expect both rise a tenth to 62.7% and 4.2%.

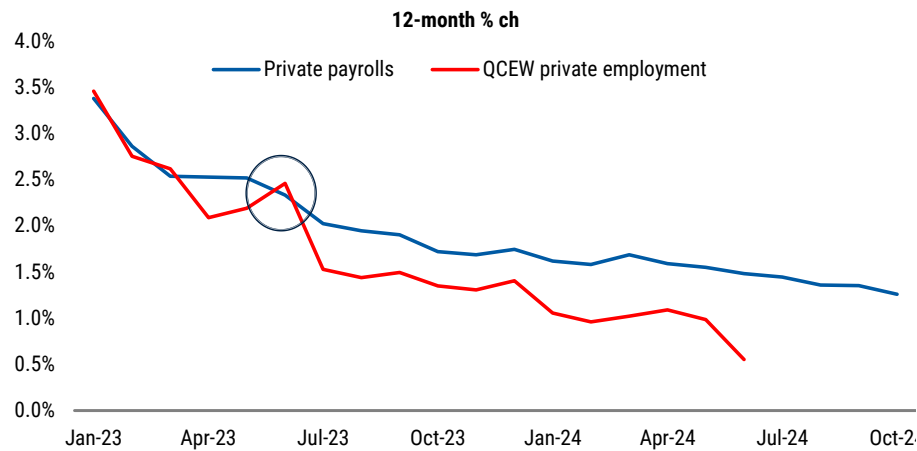
2Q QCEW

The 2Q Census of Employment and Wages (QCEW) reported further slowing in employment growth in 2Q. We believe that slowdown is already reflected in payrolls.

Private payrolls slowed from 1.72% growth in the 12 months through March 2024 to 1.47% in the 12 months through June: 0.25 pct pt in slowing. The QCEW estimate slowed from 1.02% growth in the 12 months through March 2024 to 0.55% in the 12 months through June: a larger, 0.47 pct pt deceleration. However, the QCEW had a hard comparison in June 2024. In June 2023 it had spiked, then immediately reversed, with no equivalent swing in payrolls (see chart). Adjusted for that temporary swing in QCEW, the two series suggest

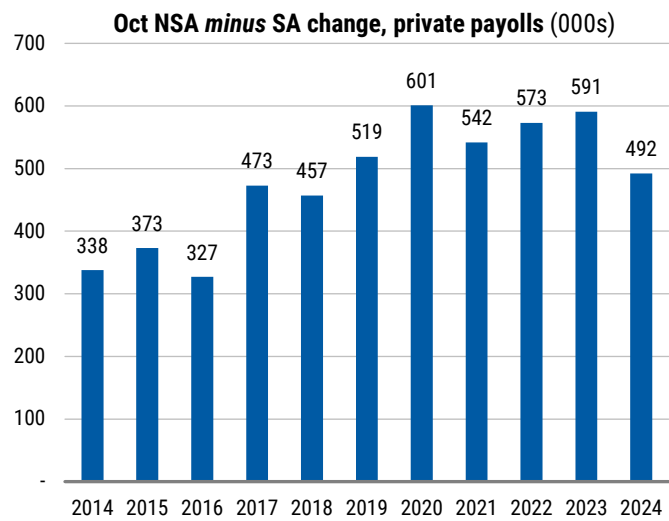
similar deceleration since March.

Exhibit 6: QCEW and private payrolls



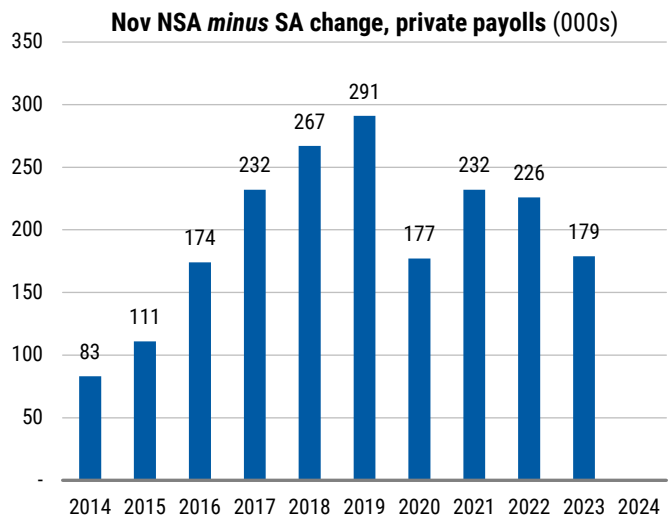
Source: BLS, Morgan Stanley Research

Exhibit 7: Seasonal factors subtracted more from NSA private payrolls in October than they did prepandemic but less than in recent years



Source: BLS, Morgan Stanley Research

Exhibit 8: They subtract somewhat less from November payrolls than they did prepandemic

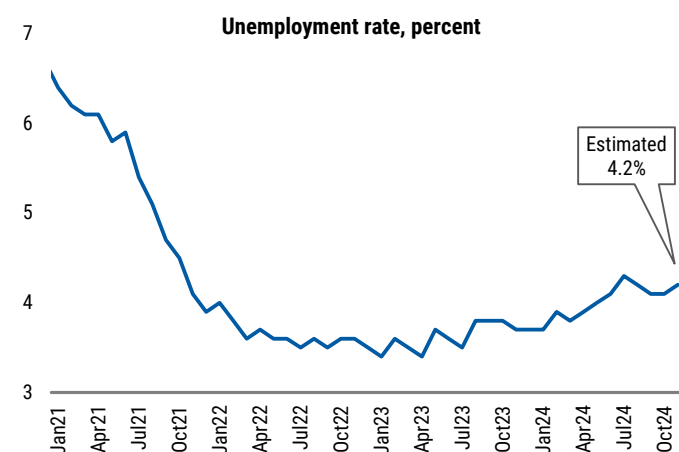


Source: BLS, Morgan Stanley Research

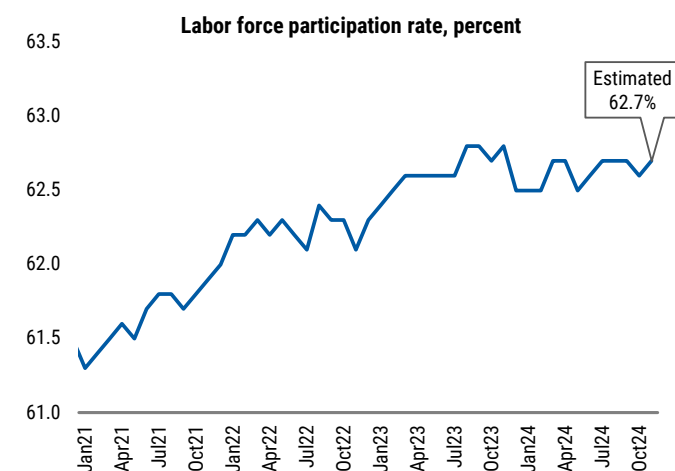
Exhibit 9: Industry breakdown of payrolls, and our November forecast

	Average monthly change							
monthly change, 000s	1Q24	2Q24	3Q24		Aug	Sep	Oct	Nov est
Nonfarm	267	147	148		78	223	12	270
Private	203	137	109		37	192	-28	240
Goods-producing	26	4	15		2	23	-37	68
Mining and logging	0	-3	1		0	2	1	0
Construction	29	9	23		28	27	8	23
Manufacturing	-3	-2	-9		-26	-6	-46	45
Motor veh.	1	3	-5		-16	-4	-6	
Service-producing	177	133	94		35	169	9	172
Wholesale	0	4	6		7	6	10	6
Retail	20	1	-1		-15	15	-6	11
Trans. & warehousing	11	19	4		11	3	-4	9
Utilities	1	1	1		0	3	-2	2
Information	2	-1	-7		-8	3	3	0
Financial	-2	7	2		7	4	0	2
Professional & business services	24	9	-20		-47	-9	-47	50
Temp help	-3	-13	-21		-23	-20	-49	
Education	5	3	10		12	14	6	7
Health care, social assistance	81	80	66		55	80	51	50
Leisure & hospitality	26	4	29		9	40	-4	30
Other services	11	6	3		4	9	1	5
Government	64	10	39		41	31	40	30
Federal	11	1	2		1	4	1	
State and local	54	9	37		40	27	39	

Source: BLS, Morgan Stanley Research forecasts

Exhibit 10: We forecast the unemployment rate increases a tenth to 4.2%

Source: Bureau of Labor Statistics, Morgan Stanley Research forecasts

Exhibit 11: We expect labor force participation increases a tenth to 62.7%

Source: Bureau of Labor Statistics, Morgan Stanley Research forecasts

Disclosure Section

The information and opinions in Morgan Stanley Research were prepared by Morgan Stanley & Co. LLC, and/or Morgan Stanley C.T.V.M. S.A., and/or Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., and/or Morgan Stanley Canada Limited. As used in this disclosure section, "Morgan Stanley" includes Morgan Stanley & Co. LLC, Morgan Stanley C.T.V.M. S.A., Morgan Stanley Mexico, Casa de Bolsa, S.A. de C.V., Morgan Stanley Canada Limited and their affiliates as necessary.

For important disclosures, stock price charts and equity rating histories regarding companies that are the subject of this report, please see the Morgan Stanley Research Disclosure Website at www.morganstanley.com/researchdisclosures, or contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY, 10036 USA.

For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 800 303-2495; Hong Kong +852 2848-5999; Latin America +1 718 754-5444 (U.S.); London +44 (0)20-7425-8169; Singapore +65 6834-6860; Sydney +61 (0)2-9770-1505; Tokyo +81 (0)3-6836-9000. Alternatively you may contact your investment representative or Morgan Stanley Research at 1585 Broadway, (Attention: Research Management), New York, NY 10036 USA.

Global Research Conflict Management Policy

Morgan Stanley Research has been published in accordance with our conflict management policy, which is available at www.morganstanley.com/institutional/research/conflict/policies. A Portuguese version of the policy can be found at www.morganstanley.com.br

Important Disclosures

Morgan Stanley is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Morgan Stanley Research does not provide individually tailored investment advice. Morgan Stanley Research has been prepared without regard to the circumstances and objectives of those who receive it. Morgan Stanley recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor's circumstances and objectives. The securities, instruments, or strategies discussed in Morgan Stanley Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Morgan Stanley Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company's securities/instruments.

The fixed income research analysts, strategists or economists principally responsible for the preparation of Morgan Stanley Research have received compensation based upon various factors, including quality, accuracy and value of research, firm profitability or revenues (which include fixed income trading and capital markets profitability or revenues), client feedback and competitive factors. Fixed Income Research analysts', strategists' or economists' compensation is not linked to investment banking or capital markets transactions performed by Morgan Stanley or the profitability or revenues of particular trading desks.

With the exception of information regarding Morgan Stanley, Morgan Stanley Research is based on public information. Morgan Stanley makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in Morgan Stanley Research change apart from when we intend to discontinue equity research coverage of a subject company. Facts and views presented in Morgan Stanley Research have not been reviewed by, and may not reflect information known to, professionals in other Morgan Stanley business areas, including investment banking personnel.

Morgan Stanley may make investment decisions that are inconsistent with the recommendations or views in this report.

To our readers based in Taiwan or trading in Taiwan securities/instruments: Information on securities/instruments that trade in Taiwan is distributed by Morgan Stanley Taiwan Limited ("MSTL"). Such information is for your reference only. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Morgan Stanley Research may not be distributed to the public media or quoted or used by the public media without the express written consent of Morgan Stanley. Any non-customer reader within the scope of Article 7-1 of the Taiwan Stock Exchange Recommendation Regulations accessing and/or receiving Morgan Stanley Research is not permitted to provide Morgan Stanley Research to any third party (including but not limited to related parties, affiliated companies and any other third parties) or engage in any activities regarding Morgan Stanley Research which may create or give the appearance of creating a conflict of interest. Information on securities/instruments that do not trade in Taiwan is for informational purposes only and is not to be construed as a recommendation or a solicitation to trade in such securities/instruments. MSTL may not execute transactions for clients in these securities/instruments.

Morgan Stanley is not incorporated under PRC law and the research in relation to this report is conducted outside the PRC. Morgan Stanley Research does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. PRC investors shall have the relevant qualifications to invest in such securities and shall be responsible for obtaining all relevant approvals, licenses, verifications and/or registrations from the relevant governmental authorities themselves. Neither this report nor any part of it is intended as, or shall constitute, provision of any consultancy or advisory service of securities investment as defined under PRC law. Such information is provided for your reference only.

Morgan Stanley Research is disseminated in Brazil by Morgan Stanley C.T.V.M. S.A. located at Av. Brigadeiro Faria Lima, 3600, 6th floor, São Paulo - SP, Brazil; and is regulated by the Comissão de Valores Mobiliários; in Mexico by Morgan Stanley México, Casa de Bolsa, S.A. de C.V. which is regulated by Comisión Nacional Bancaria y de Valores. Paseo de los Tamarindos 90, Torre 1, Col. Bosques de las Lomas Floor 29, 05120 Mexico City; in Japan by Morgan Stanley MUFG Securities Co., Ltd. and, for Commodities related research reports only, Morgan Stanley Capital Group Japan Co., Ltd; in Hong Kong by Morgan Stanley Asia Limited (which accepts responsibility for its contents) and by Morgan Stanley Bank Asia Limited; in Singapore by Morgan Stanley Asia (Singapore) Pte. (Registration number 199206298Z) and/or Morgan Stanley Asia (Singapore) Securities Pte Ltd (Registration number 200008434H), regulated by the Monetary Authority of Singapore (which accepts legal responsibility for its contents and should be contacted with respect to any matters arising from, or in connection with, Morgan Stanley Research) and by Morgan Stanley Bank Asia Limited, Singapore Branch (Registration number T14FCO118); in Australia to "wholesale clients" within the meaning of the Australian Corporations Act by Morgan Stanley Australia Limited A.B.N. 67 003 734 576, holder of Australian financial services license No. 233742, which accepts responsibility for its contents; in Australia to "wholesale clients" and "retail clients" within the meaning of the Australian Corporations Act by Morgan Stanley Wealth Management Australia Pty Ltd (A.B.N. 19 009 145 555, holder of Australian financial services license No. 240813, which accepts responsibility for its contents; in Korea by Morgan Stanley & Co International plc, Seoul Branch; in India by Morgan Stanley India Company Private Limited having Corporate Identification No (CIN) U22990MH1998PTC115305, regulated by the Securities and Exchange Board of India ("SEBI") and holder of licenses as a Research Analyst (SEBI Registration No. INH000001105); Stock Broker (SEBI Stock Broker Registration No. INZ000244438), Merchant Banker (SEBI Registration No. INM0000011203), and depository participant with National Securities Depository Limited (SEBI Registration No. IN-DP-NSDL-567-2021) having registered office at 18th Floor, Tower 2, One World Center, Plot- 841, Jupiter Textile Mill Compound, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India Telephone no. +91-22-61181000; Compliance Officer Details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: tejarshi.hardas@morgan

stanley.com; Grievance officer details: Mr. Tejarshi Hardas, Tel. No.: +91-22-61181000 or Email: msic-compliance@morganstanley.com; in Canada by Morgan Stanley Canada Limited; in Germany and the European Economic Area where required by Morgan Stanley Europe S.E., regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin) under the reference number 149169; in the United States by Morgan Stanley & Co. LLC, which accepts responsibility for its contents. Morgan Stanley & Co. International plc, authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority, disseminates in the UK research that it has prepared, and research which has been prepared by any of its affiliates, only to persons who (i) are investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Order"); (ii) are persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order; or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, as amended) may otherwise lawfully be communicated or caused to be communicated. RMB Morgan Stanley Proprietary Limited is a member of the JSE Limited and A2X (Pty) Ltd. RMB Morgan Stanley Proprietary Limited is a joint venture owned equally by Morgan Stanley International Holdings Inc. and RMB Investment Advisory (Proprietary) Limited, which is wholly owned by FirstRand Limited. The information in Morgan Stanley Research is being disseminated by Morgan Stanley Saudi Arabia, regulated by the Capital Market Authority in the Kingdom of Saudi Arabia, and is directed at Sophisticated investors only.

The trademarks and service marks contained in Morgan Stanley Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data. The Global Industry Classification Standard (GICS) was developed by and is the exclusive property of MSCI and S&P.

Morgan Stanley Research, or any portion thereof may not be reprinted, sold or redistributed without the written consent of Morgan Stanley.

Indicators and trackers referenced in Morgan Stanley Research may not be used as, or treated as, a benchmark under Regulation EU 2016/1011, or any other similar framework.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (DIFC Branch), regulated by the Dubai Financial Services Authority (the DFSA) or by Morgan Stanley & Co. International plc (ADGM Branch), regulated by the Financial Services Regulatory Authority Abu Dhabi (the FSRA), and is directed at Professional Clients only, as defined by the DFSA or the FSRA, respectively. The financial products or financial services to which this research relates will only be made available to a customer who we are satisfied meets the regulatory criteria of a Professional Client. A distribution of the different MS Research ratings or recommendations, in percentage terms for Investments in each sector covered, is available upon request from your sales representative.

The information in Morgan Stanley Research is being communicated by Morgan Stanley & Co. International plc (QFC Branch), regulated by the Qatar Financial Centre Regulatory Authority (the QFCRA), and is directed at business customers and market counterparties only and is not intended for Retail Customers as defined by the QFCRA.

As required by the Capital Markets Board of Turkey, investment information, comments and recommendations stated here, are not within the scope of investment advisory activity. Investment advisory service is provided exclusively to persons based on their risk and income preferences by the authorized firms. Comments and recommendations stated here are general in nature. These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations.

Registration granted by SEBI and certification from the National Institute of Securities Markets (NISM) in no way guarantee performance of the intermediary or provide any assurance of returns to investors. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.