

Employment Growth Repeated in October; Rising Infections Pose New Risks

October job additions consistent month over month. Employers hired 638,000 personnel last month, modestly below the 672,000 positions created in September. This more consistent level of job creation reflects the benefits of continued economic reopenings, although the recent rise in the number of coronavirus cases presents fresh concerns. The rate of infection has roughly doubled since the October employment data was collected and the possibility of new lockdowns or warinesses to gather in person may impair businesses' balance sheets and sway hiring.

Labor market strength varies widely across the country. Job recovery is occurring unevenly by region and between larger and smaller metros. In major gateway markets such as New York City, Miami-Dade and Los Angeles, where stringent stay-at-home orders were put in place, the unemployment rate can be more than 1,000 basis points above the February level. Jobless rates in some smaller Sunbelt, Rocky Mountain and Midwest cities are much lower by comparison, within 250 basis points of their pre-pandemic measures. Less-rigorous lockdowns reduced the disruption to the local labor markets. Lower business and living costs may also drive future in-migration. This would reinforce the recovery and aid commercial property fundamentals, unless local health conditions rapidly deteriorate.

Cooling temperatures and heightened health risks threaten rehiring at restaurants, bars and hotels. The leisure and hospitality sector recovered the most jobs in October as lessening restrictions and more willingness to travel helped the sector. About half of the positions lost in the spring have yet to be recovered, however, and approaching winter weather may weigh on future growth. This is especially true at restaurants in colder climates that rely heavily on outdoor seating. Conversely, the upcoming holidays may encourage more individuals and families to travel. The resulting gains in hotel occupancy would be strongest in drive-to markets if rising COVID-19 infections affect plans.

Developing Trends

Additional stimulus critical for 2021 job growth. While some races remain undecided, it is clear that neither the Republican or Democratic Party will hold a strong majority in Congress. This division will likely keep President-Elect Joe Biden from pursuing his full agenda at the outset of his term. Bipartisan support is stronger for small-business stimulus. Additional funding for the Paycheck Protection Program or similar measures is likely to come to fruition within the next 90 days and will be vital, along with an overall health solution, for improving the jobs outlook in 2021.

A complete employment recovery in the short term unlikely. The number of people temporarily laid off has fallen by 15 million since April. Much of that decline is reflected in the 12 million restored jobs, but others are transitioning into more formal stages of unemployment. Some are opting to leave the labor force, with children or older relatives needing attention at home. These factors will weigh on the labor market recovery for the near future.

6.9% Unemployment Rate as of October 2020

12.1 Million Jobs Recovered Since April 2020

