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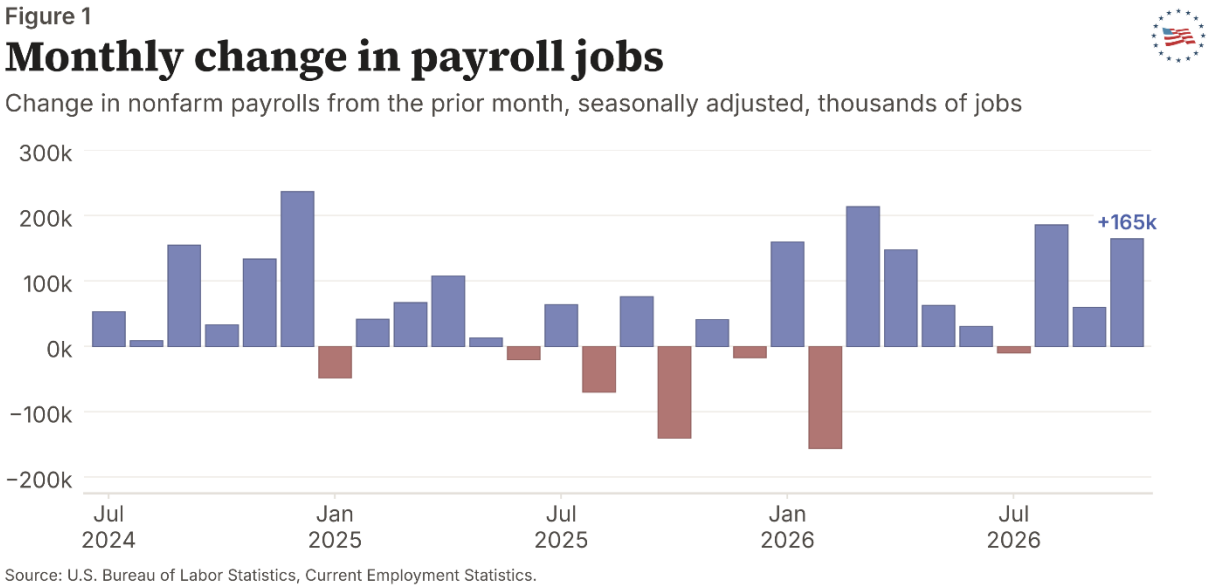
JOB GROWTH BEATS EXPECTATIONS: OCTOBER 2026 JOBS REPORT

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TOPLINE: Payroll employment increased by 165,000 jobs in October, while the unemployment rate dropped to 4.1 percent.

BACKGROUND: October delivered job growth higher than economists' expectations,[1] with total non-farm job growth estimated to be +165,000 jobs (Fig. 1).[2] August and September jobs numbers were both revised upward by 53,000 and 31,000 jobs respectively, to an estimated +186,000 and +60,000 jobs gained.

Figure 1



Employment growth in 2026 remains higher than it was during 2025, with an average monthly growth of +86,000 jobs in 2026, compared to less than +10,000 jobs a month in 2025. This is still much lower than the pre-COVID monthly average of +197,000 jobs a month from 2012 to 2019. Average job growth has likely been stunted by the negative impact President Trump's Liberation Day tariffs had on employment.

Total private employment grew by 159,000 jobs this month. This growth was primarily concentrated in business and professional services (+70,000 jobs), private education

[1] The average economist forecast was approximately 59,000 jobs added.
[2] Based on the Bureau of Labor Statistics' (BLS) reported 90% confidence intervals.

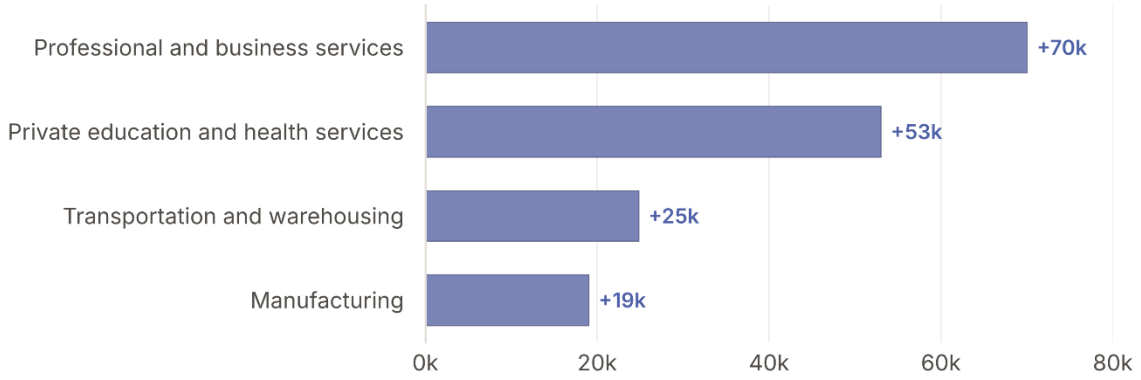
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and health services (+53,000), and transportation and warehousing (+25,000). Manufacturing employment also saw a modest increase of +19,000 jobs (not statistically significant). No other sectors (such as information, retail trade, or leisure and hospitality) experienced statistically significant increases or declines in employment.

Figure 2

Monthly change in payroll jobs by industry

Change from September to October 2026, seasonally adjusted, thousands of jobs



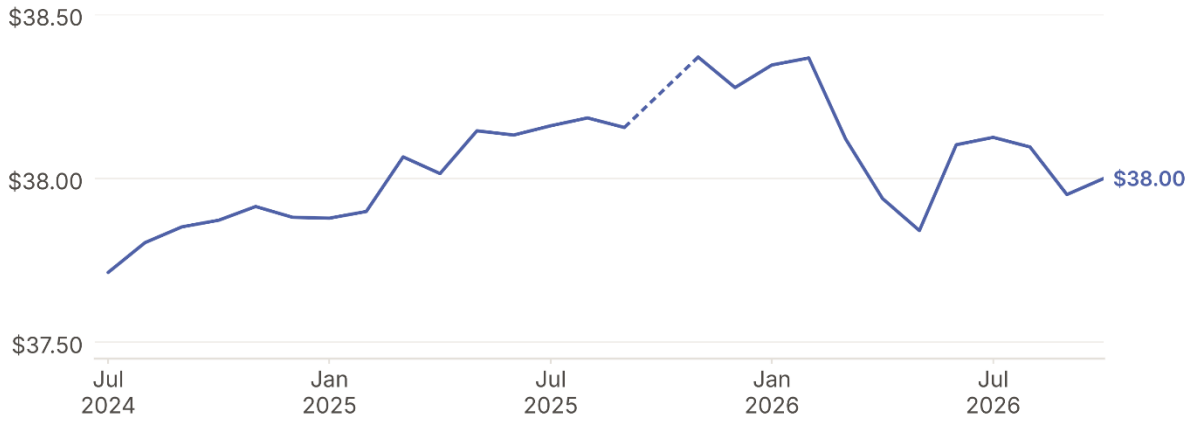
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics.

Average hourly earnings grew by 0.4 percent, higher than the Federal Reserve Bank of Cleveland's "Nowcast" of a 0.24 percent increase in the Consumer Price Index for October. This is only a small increase in real terms (Fig. 3), but it is still a welcome sign compared to the past two months' real wage decreases. Due to higher-than-average inflation this year, hourly wages are still lower in inflation-adjusted terms than they were one year ago.

Figure 3

Real average hourly earnings, total private

Average hourly earnings of private employees, seasonally adjusted



Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November. Values are in October 2026 dollars, deflated with the seasonally adjusted CPI-U; October CPI-U is based on the Cleveland Fed's "Nowcast" of 0.24%.
Source: U.S. Bureau of Labor Statistics, Current Employment Statistics and Consumer Price Index; Federal Reserve Bank of Cleveland, Inflation Nowcasting.

This news of hourly wage growth, solid job growth, and continued elevated inflation may counter the remaining "dovish" instincts of some Federal Reserve board members to keep interest rates steady rather than to increase them.

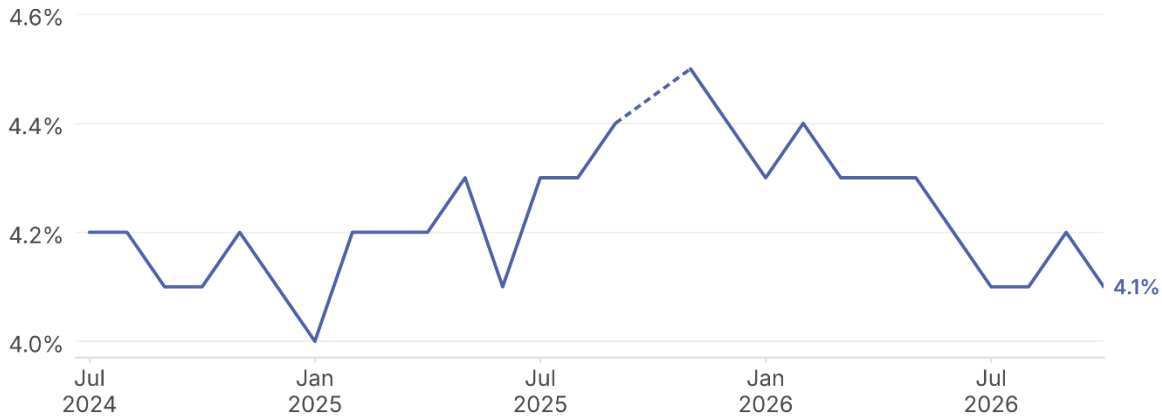
Unemployment Rates and Employment-to-Population

- The unemployment rate edged down by 0.1 percentage point to 4.1 percent in October (Fig. 4). This is not a statistically significant change from September.

Figure 4

Unemployment rate

Percent of the labor force unemployed, seasonally adjusted



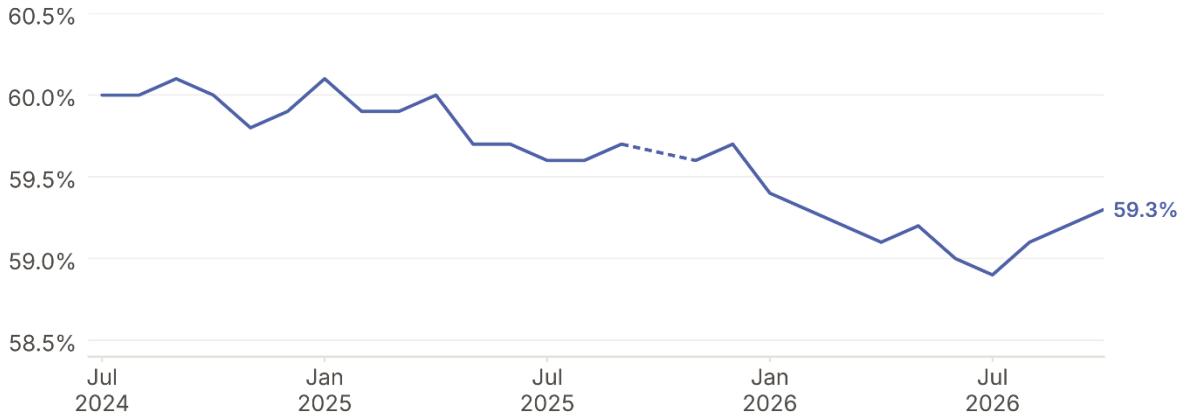
Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

- The employment-to-population ratio — or employment rate — which captures both labor force participation and unemployment, increased by 0.1 percentage point to 59.3 percent (Fig. 5). This is the third uptick in a row, hopefully marking a reversal of the steady decline seen since January of last year.

Figure 5

Employment-to-population ratio

Percent of the population 16 and older with a job, seasonally adjusted



Note: Data for October 2025 is unavailable due to a lapse in federal appropriations; the dashed segment connects September and November.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

Political Campaigns

The U.S. held its midterm elections on Tuesday this week. Perhaps in repudiation of President Trump's handling of the economy — with higher energy prices and tariffs increasing prices and slowing employment growth — voters overwhelming came out in favor of candidates from the opposing Democratic Party.

Employment in political organizations is normally outside the scope of the BLS's Jobs Report,[3] as employment in political organizations makes a miniscule fraction of total employment.[4] Nevertheless, it may be interesting to look at employment in political organizations.

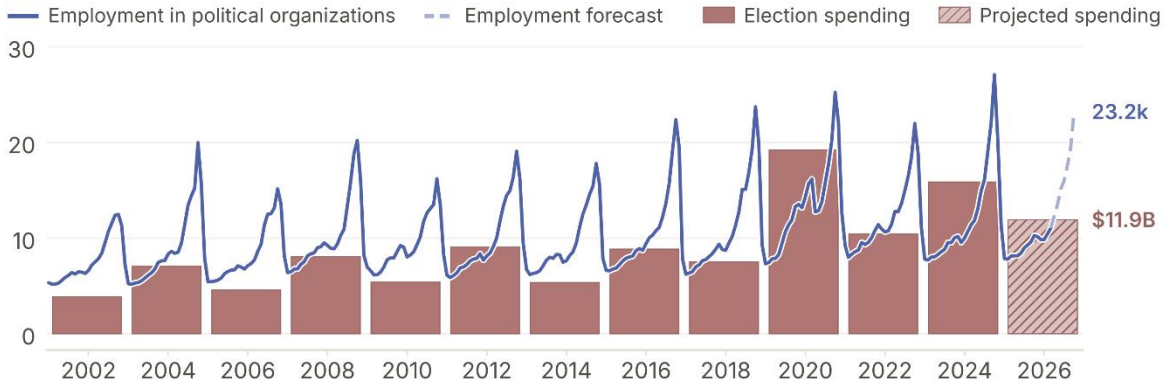
Figure 6 shows how payroll employment in political organizations rises with every approaching midterm and presidential election, and falls after the election cycle concludes, with employment modestly trending up over time.

[3]The BLS' Current Employment Statistics (CES) does not specifically measure the level of employment for political campaigns. The BLS' Quarterly Census of Employment and Wages (QCEW) does have the level of employment in political organizations but is typically two to three quarters behind the latest CES release, necessitating a forecast to get a reasonable current estimate.
[4]Payroll employment in political organizations averages 7-17 thousand annually, compared to almost 160 million employees on payrolls in the country currently.

Figure 6

Election spending has outgrown political payrolls

Employees in thousands; spending per two-year election cycle in billions of 2026 dollars



Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages; Bureau of Economic Analysis; OpenSecrets; author's calculations.

Meanwhile, inflation-adjusted campaign spending has outpaced employment growth in political organizations. This may be because political organizations are spending more on advertisements and events, and/or hiring more contractors in proportion to their payroll employment.

BOTTOMLINE: This month's jobs report brings welcome news, with higher-than-expected employment growth concentrated in the highly productive business and professional services sector. Average hourly wage growth was also higher than inflation, but wages are still lower in real terms than they were a year ago.