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Sept's jobs report good
Oct's - ?
Unemploy ins claims

Fed - Nov 7

Nov 1 - Employment reports

Economic Data a Mess at Critical Time

THE OUTLOOK |

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When hurricanes hit, they send air pressure sharply lower. They can affect the barometers we use to read the economy, too.

Hurricanes Helene and Milton are likely to wreak havoc on economic indicators at a particularly delicate time. The employment report for October comes out Friday, four days before the election. It will bear the hurricanes' marks, which could make it especially susceptible to being spun for political advantage in the final stretch of the presidential campaign.

The Federal Reserve's next decision on rates comes just two days after Election Day. Hurricane effects on the data will make it harder for the Fed to decide how much—or whether—to cut interest rates to keep the economy solid and inflation headed down.

Helene was the deadliest hurricane to hit the U.S. mainland since Katrina, and many affected communities are still recovering. Milton came just two weeks later.

The storms temporarily put people out of work and shut stores, factories and construction sites. Eventually, the economy will bounce back, but these effects make it harder to understand how things are faring now.

September's jobs report rewrote the picture of the labor market from rising unemployment and slowing job growth to steady unemployment and robust job growth, reaching 254,000 for the month. October's number will be depressed not just by the storms, but the **Boeing**

strike. Economists expect the report will show the economy added 100,000 jobs.

For that jobs number, the Labor Department surveys U.S. employers on how many people they had on their payrolls during the pay period that includes the 12th of the month. People who work at all during that pay period— whether weekly, biweekly or monthly—get counted as employed. Helene made landfall in Florida on Sept. 26, too late to affect the September readings. The Boeing walkout began on Sept. 13. (A three-day port workers' strike that ended Oct. 3 likely left no impact.)

Federal Reserve governor Christopher Waller in a mid-October speech said he expected the hurricanes and Boeing strike to reduce employment growth by more than 100,000 jobs. Based on jobless claims, damage estimates and past hurricanes, economists at Goldman Sachs calculate the hurricanes alone will cut employment growth by 40,000 to 50,000 jobs. JPMorgan Chase estimates about 50,000, while Barclays has 50,000 to 60,000.

Wages could be distorted upward. That is because hourly workers are more likely to lose their paycheck when a storm hits than salaried workers who tend to earn more. That skews average pay higher.

Unlike payroll job growth, which is based on a survey of employers, the storms may not have much effect on the unemployment rate, which is based on a separate survey of households. Respondents who say they had jobs but weren't at work because of bad weather are still counted as employed. There can still be some effect on the unemployment rate, but it tends to be modest. Striking workers are also counted as employed. Economists expect Friday's report will show unemployment held steady in October at 4.1%, the same as in September.

The Labor Department typically includes in its monthly employment report the effect of severe storms. Such nuance might get lost Friday. Donald Trump's team will likely highlight any weakness in jobs growth, while Kamala Harris's will point to the unemployment rate.

The Fed cut interest rates for the first time since 2020 in September, by a half-percentage point, to a range of 4.75% to 5%. Economists expect it to trim rates a quarter point on Nov. 7. It would likely take a jobs report so weak it can't be explained away by hurricane effects for a half-point cut.

The jobs report is a key input for the Fed, and ordinarily officials would provide some context into how they are interpreting the data. However, Waller noted that as of Saturday, Oct. 26, Fed officials would be in a blackout period, restricting them from commenting on the economy, until after their meeting. "You won't have any of us trying to put this low reading into perspective, though I hope others will," Waller said.

The weeks that follow could also be challenging. The Commerce Department's retail sales report for October will be weighed down by hurricanes, which closed many stores and restaurants. Industrial production, construction and home sales activity will also likely take a dip.

Inflation, meanwhile, could be slightly warmer than otherwise as a result of shortages caused by the storms. In addition to halting production at some auto plants, the storms destroyed a lot of vehicles, with Moody's estimating insured auto losses at $3 billion to $5 billion. Demand for replacement cars could arrest the downward drift in new and used vehicle prices over the past year. Car insurance rates in hurricane-hit states are also due to rise.

Another big economic report comes out this Wednesday. Economists expect it to show that inflation-adjusted gross domestic product grew a powerful 3.1% in the third quarter at an annual rate.

So while it is possible that, beneath the hurricane distortions, the economy has weakened, the more likely scenario is that it will bounce back.

Indeed, in GDP terms, the economy might look a bit better off than if the hurricanes hadn't happened. People will go back to work, and lost sales will end up merely delayed instead of canceled. Meanwhile, rebuilding efforts will add to GDP and could exceed activity that was permanently lost.

It shows how our economic gauges don't always line up with our gut. A road, wharf or home that is destroyed then rebuilt adds to GDP, a measure of production, while those that stay standing don't. Yet no doubt the communities and people hit by a hurricane would be better off if the storm had never come.