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Data Watch

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September Employment Report

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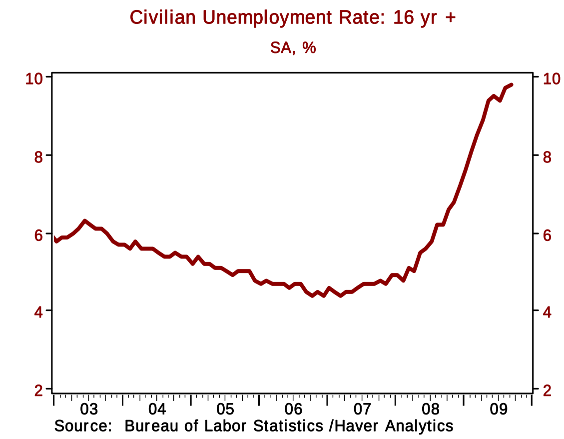
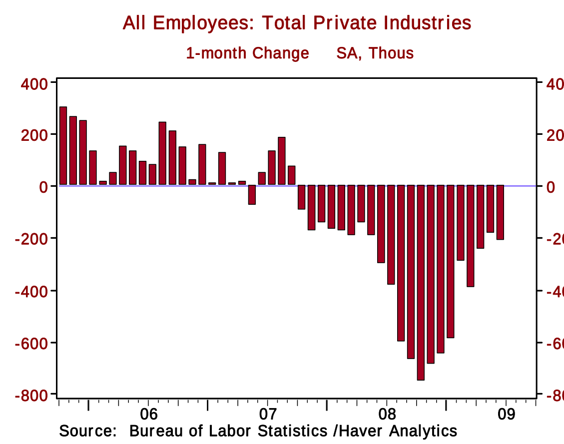
- Non-farm payrolls fell 263,000 in September, falling short of the consensus expected decline of 175,000. Revisions to July and August subtracted 13,000 from payrolls, but all due to government jobs. Revisions to private-sector payrolls added 18,000.
- Payrolls continued to fall in most major sectors. The largest payroll losses were in construction (-64,000), manufacturing (-51,000), and retail trade (-39,000). The decline in construction jobs is now mostly outside the residential sector. Health care was the strongest sector (+19,000).
- The unemployment rate increased to 9.8% in September (9.832% unrounded) from 9.7% in July, as the consensus expected.
- Average hourly earnings were up 0.1% in September versus a consensus expected 0.2%. Earnings were revised up for August and are up 2.5% versus last year.





Implications: The employment situation has remained much weaker much longer than the overall economy. In September, the jobless rate rose to the highest level since 1983, total hours worked fell at a 5.9% annual rate, and wage gains were a soft 0.1%. Payrolls came in worse than anticipated, falling 263,000, although payrolls fell a smaller 210,000 in the private sector. There are two reasons for the disconnect between the economic recovery and the labor market. First, productivity growth has been rapid of late, part of the ongoing process of technological change that rivals (and may surpass) the industrial revolution. Second, corporate leaders still think the recent spurt in growth will be short-lived and so are being overly cautious. In the short term, productivity growth lets companies raise production even as they continue to cut jobs. Over time, though, higher output with lower labor costs mean more profits, which will help stimulate rapid job growth once companies become more confident about the staying power of the recovery. When the labor market eventually turns positive, it will do so with a vengeance. One interesting detail in today's report is that the Labor Department now believes total payroll losses between March 2008 and March 2009 will be revised from 4.8 million to 5.6 million, with greater losses across the private sector. In turn, this means corporate profits last year and early this year may eventually be revised upward.

Employment Report *All Data Seasonally Adjusted*	Sep-09	Aug-09	Jul-09	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	**9.8**	9.7	9.4	9.6	9.5	8.5
Civilian Employment (monthly change in thousands)	**-785**	-392	-155	-444	-337	-480
Nonfarm Payrolls (monthly change in thousands)	**-263**	-201	-304	-256	-342	-482
Construction	**-64**	-60	-69	-64	-72	-91
Manufacturing	**-51**	-66	-41	-53	-96	-134
Retail Trade	**-39**	-9	-45	-31	-29	-48
Finance, Insurance and Real Estate	**-10**	-25	-14	-16	-26	-34
Professional and Business Services	**-8**	-19	-31	-19	-52	-90
Education and Health Services	**3**	46	14	21	26	30
Leisure and Hospitality	**-9**	-14	1	-7	-8	-23
Government	**-53**	-19	-58	-43	-23	-11
*Avg. Hourly Earnings: Total Private**	**0.1%**	0.4%	0.3%	2.8%	1.8%	2.5%
Avg. Weekly Hours: Total Private	**33.0**	33.1	33.1	33.1	33.1	33.2
*Index of Aggregate Weekly Hours: Total Private**	**-0.5**	-0.2	0.1	-2.4	-4.3	-6.9

*3, 6 and 12 month figures are % change annualized