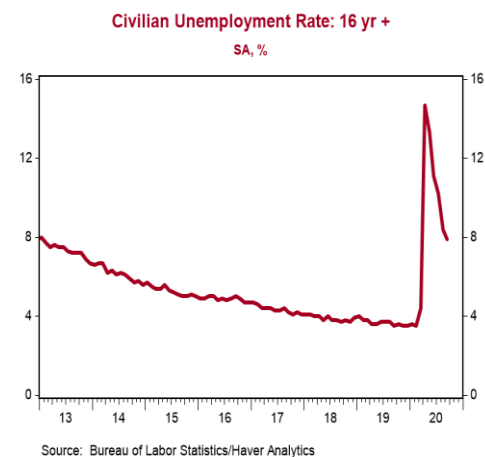
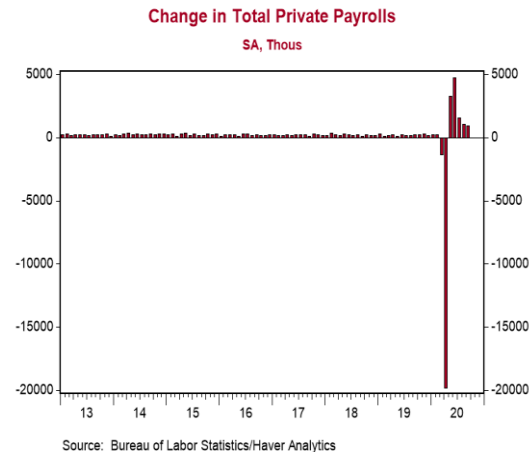


September Employment Report

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- Nonfarm payrolls rose 661,000 in September, below the consensus expected 859,000.
- Private sector payrolls rose 877,000 in September. The largest increases were for leisure & hospitality (318,000), retail (142,000), and professional & business services (89,000, including temps). Manufacturing rose 66,000 while government declined 216,000.
- The unemployment rate dropped to 7.9% in September from 8.4% in August.
- Average hourly earnings – cash earnings, excluding irregular bonuses/commissions and fringe benefits – rose 0.1% in September and are up 4.7% versus a year ago. Aggregate hours worked rose 1.1% in September but are down 6.0% from a year ago.

Implications: The job market continues to rapidly recover from the COVID-19 disaster, but not quite as rapidly as in previous months. Nonfarm payrolls rose 661,000 in September versus a consensus expected 859,000 and an average gain of 3.8 million in May and June and an average gain of 1.6 million in July and August. However, *private-sector* payroll gains narrowly beat expectations, rising 877,000 versus a consensus expected 850,000. The key drag on payrolls in September was a drop in government jobs at schools. It's also important to recognize that average weekly hours in the private sector ticked up to 34.7 in September versus 34.6 in August, the equivalent of about 350,000 jobs. In other words, the details in the payroll report suggest on ongoing robust recovery in the demand for private-sector workers. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased only 275,000 in September, but that follows an unusually large gain of 3.8 million in August. After peaking in February, nonfarm payrolls plummeted by 22.2 million in March and April. In the past five months, payrolls have grown 11.4 million, making up 52% of the jobs lost earlier in the year. Over the same timeframe, civilian employment has recovered 56% of the jobs lost earlier this year. In the private sector, retailers and restaurants & bars continued to rebound quickly in September, gaining 142,000 and 200,000 jobs, respectively. Retail jobs have now recovered 80% of the losses in March/April, while restaurants & bars have recovered 62%. The best news in today's report was the drop in the unemployment rate to 7.9%, which is still a very high level but well below the peak of 14.7% in April. Average hourly earnings rose a modest 0.1% in September but are up 4.7% from a year ago. Total earnings, which we calculate by multiplying average hourly earnings by the number of hours worked, rose a healthy 1.1% in September. Although total earnings are down 1.7% from a year ago, they dropped steeply early this year and have since recovered 71% of those losses. The road to a full recovery remains a long one. It's not just a matter of getting back to the level of jobs we had in February because, in the absence of the shutdowns related to COVID-19, jobs would have been rising since then. We think a full recovery means getting back to an unemployment rate of 4.0% or below, which is where it was before COVID-19. And that looks like it won't happen for at least a couple more years. That said, there should be no doubt we are headed in the right direction.



Employment Report <i>All Data Seasonally Adjusted</i>	Sep-20	Aug-20	Jul-20	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	7.9	8.4	10.2	8.8	10.9	7.3
Civilian Employment (monthly change in thousands)	275	3,756	1,350	1,794	-1,368	-853
Nonfarm Payrolls (monthly change in thousands)	661	1489	1761	1304	-1562	-804
Construction	26	17	31	25	-55	-23
Manufacturing	66	36	41	48	-100	-54
Retail Trade	142	261	254	219	-66	-36
Finance, Insurance and Real Estate	37	26	15	26	-24	-7
Professional and Business Services	89	188	162	146	-215	-103
Education and Health Services	40	170	219	143	-203	-95
Leisure and Hospitality	318	143	633	365	-516	-300
Government	-216	467	235	162	-154	-71
Avg. Hourly Earnings: Total Private*	0.1%	0.3%	0.1%	2.1%	5.5%	4.7%
Avg. Weekly Hours: Total Private	34.7	34.6	34.6	34.6	34.6	34.4
Index of Aggregate Weekly Hours: Total Private*	1.1%	0.9%	1.3%	13.7%	-9.6%	-6.0%

Source: Bureau of Labor Statistics *3, 6 and 12 month figures are % change annualized